FBNHoldings

RESILIENT

FBN Holdings Plc.

Annual Report and Accounts 2016

PREMIUM BOARD LISTED

RESILIENT

The Spring which we have used as a metaphor represents the Group's resolve in the face of current challenging business and macro-economic environment. The Spring symbolises resilience with an incredible ability to absorb shock and bounce back.

IN THIS REPORT

GROUP OVERVIEW

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SHAREHOLDER INFORMATION

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

FBN Holdings Plc. is structured along the following business groups, namely: Commercial Banking, Merchant Banking and Asset Management, Insurance and Others[1].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgages Limited[2]. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business.
- The Merchant Banking and Asset Management business consists of FBN Merchant Bank Limited and FBN Capital Limited. Subsidiaries of FBN Capital Limited include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Others: previously 'Other Financial Services', comprise FBN Holdings Plc.- the parent company and Rainbow Town Development Limited.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months to December 2016 to the corresponding 12 months of 2015, and the statement of financial position comparison relates to the corresponding position at 31 December 2015. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

Shareholders will receive a compact disc (CD) containing the Annual Report and Accounts for FBN Holdings Plc., as well as information on outstanding dividend claims and a list of all our business locations.

There will be an option to view a navigable PDF copy of the FBNHoldings, report, as well as PDFs of certain subsidiary reports at the download centre of the Investor Relations section of the FBNHoldings website. A CD will be available on request by contacting FBN Holdings Plc. Investor Relations department, Samuel Asabia House, 35, Marina Street, Lagos.

[1] Previously 'Other Financial Services' comprise, FBN Holdings Plc - the parent company and Rainbow Town Development Limited, which has now been classified as a discontinued operation.

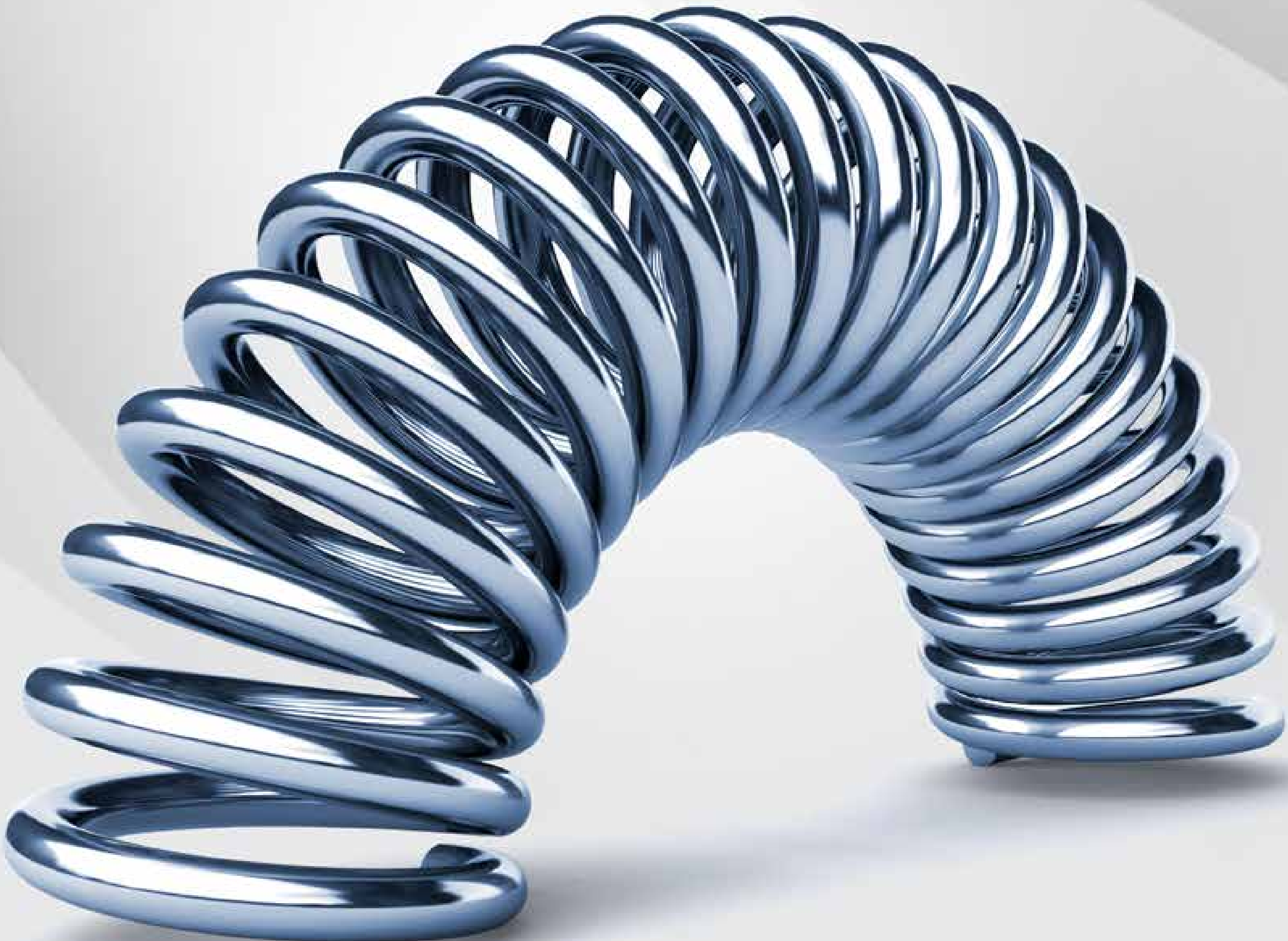
[2] FBN Mortgages Limited, now classified as a discontinued operation following the resolution of the Board of First Bank of Nigeria Limited to divest.

UNFLINCHING RESOLVE

We have reviewed our business extensively, identified the pressure points and are tackling the challenges with renewed vigour. Buoyed by our pedigree and business fundamentals, we are making progress and remain confident in our ability to recover quickly and bounce back strongly, like the Spring.

FLEXIBLE SOLUTIONS

We continue to invest in our people, processes and technology to enhance our unique financial services Group, offering relevant business solutions that meet the diverse needs of our customers.



FIRM COMMITMENT

With the substantial progress made in operational excellence across our businesses and the renewed drive for sustainable revenue generation and profitability, our commitment to meeting stakeholder expectations is assured.

GROUP OVERVIEW

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

As at 31 December 2016, the Group closed with gross earnings of ₦581.8billion, total assets of ₦4.7trillion and ₦582.6billion in total equity.

CORPORATE PROFILE

FBN Holdings Plc. is the non-operating financial holding company of one of the largest banking and financial services organisations in Africa. A truly diversified financial services Group that offers a broad range of products and services, including commercial banking, merchant banking and asset management and insurance to millions of customers. FBNHoldings oversees business groups that collaborate to deliver innovative financial solutions.

- FBNHoldings is the non-operating holding company of First Bank of Nigeria Limited (FirstBank), a commercial bank with operations in 12 countries.

- The Merchant Banking and Asset Management business of FBNHoldings, comprises FBN Merchant Bank Limited, FBN Capital Limited, FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.

- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited. The business group offers life and general insurance services, as well as brokerage services.

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

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

- The biggest bank in Nigeria by total deposits and gross earnings;
- A leading life and general insurance underwriter;
- A rich history on the Nigerian Stock Exchange from 1971 and specifically as FBNHoldings since November 2012;
- Fastest growing USSD[3] (*894#) banking service in Nigeria and the only bank to have completed 100+million transactions on electronic banking channels;
- Achieved a milestone of 1 million active users on First mobile application.
- 9,099 employees across the Group;
- Over 12.4million* active customer accounts;
- 875 business locations; and
- 2,779 ATMs and 7,048 POS terminals.

THE STRATEGIC VISION

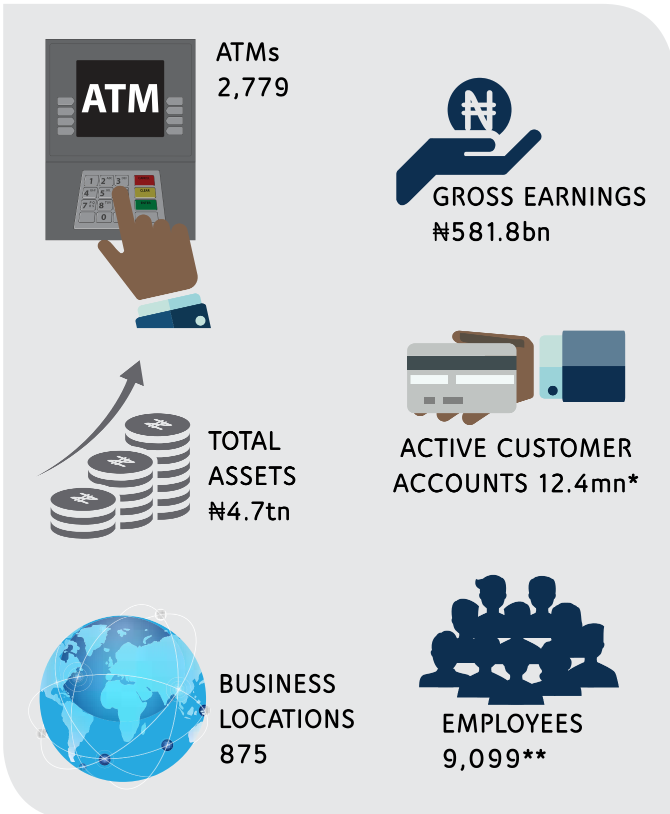
To become the leading financial services group in Middle Africa, providing value to our stakeholders.

OUR GOAL

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

OUR CORE VALUES

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



* Commercial Banking group
** As at 31 December 2016
[3]Unstructured supplementary service data

OUR GEOGRAPHIC REACH

NIGERIA

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

GHANA

Name	FBNBank Ghana Ltd
Type	Licensed Bank
Established	1996
Products/Services	Commercial Banking

GUINEA

Name	FBNBank Guinea Ltd
Type	Licensed Bank
Established	1996
Products/Services	Commercial Banking

THE GAMBIA

Name	FBNBank The Gambia Ltd
Type	Licensed Bank
Established	2004
Products/Services	Commercial Banking

SENEGAL

Name	FBNBank Senegal Ltd
Type	Licensed Bank
Established	2014
Products/Services	Commercial Banking

SIERRA LEONE

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

UNITED KINGDOM (UK)

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

FRANCE

Name	FBNBank (UK) Ltd
Type	Bank branch
Established	2008
Products/Services	Commercial Banking, International Banking

REPRESENTATIVE OFFICES

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

* United Arab Emirates

HOW WE ARE STRUCTURED

Our business groups hold a strong niche providing financial services to a variety of customers across commercial banking, merchant banking and asset management and insurance.

FBN HOLDINGS PLC (FBNHOLDINGS)

COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank (UK) Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank The Gambia Limited
- FBNBank Guinea Limited
- FBNBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Pension Custodian Nigeria Limited
- FBN Mortgages Limited[2]

MERCHANT BANKING AND ASSET MANAGEMENT

FBN Merchant Bank Limited

FBN Capital Limited

- FBN Trustees Limited
- FBN Capital Asset Management Limited
- FBN Funds Limited
- FBN Securities Limited

INSURANCE

FBN Insurance Limited

- FBN General Insurance Limited

FBN Insurance Brokers Limited

[2] FBN Mortgages Limited, now classified as a discontinued operation following the resolution of the Board of First Bank of Nigeria Limited to divest.

WHAT WE DO

Our products and services are designed to meet our customers requirement. We offer a diverse range of financial service solutions across commercial banking, merchant banking and asset management, insurance and others[1].

91.5%
COMMERCIAL BANKING

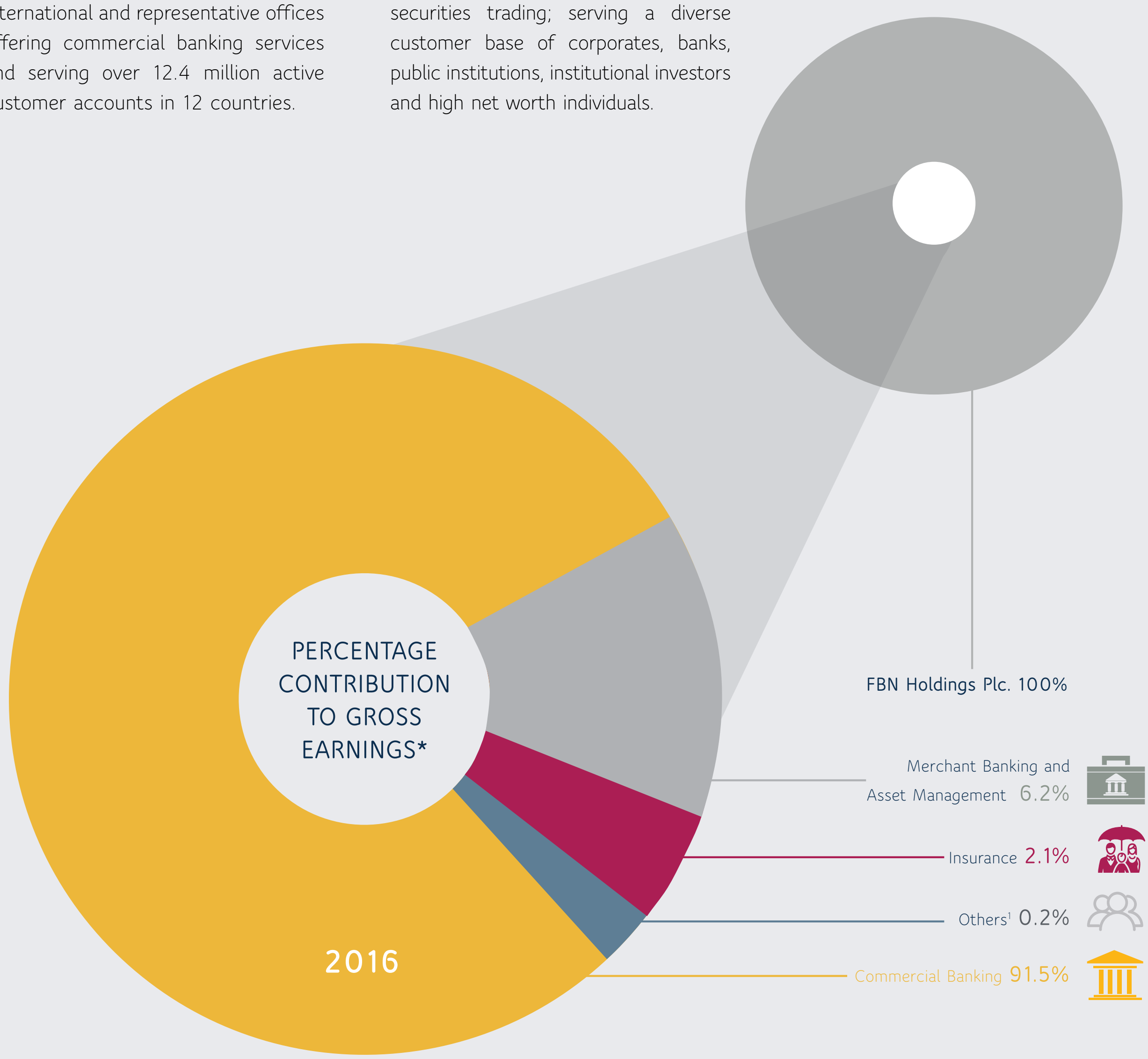
The Group's core business is providing financial services to individuals and corporate customers. This business segment includes the Group's local, international and representative offices offering commercial banking services and serving over 12.4 million active customer accounts in 12 countries.

6.2%
MERCHANT BANKING AND ASSET MANAGEMENT

The Group's key businesses comprise corporate banking, investment banking, wealth management and fixed income securities trading; serving a diverse customer base of corporates, banks, public institutions, institutional investors and high net worth individuals.

2.1%
INSURANCE

This Group offers life, general insurance and insurance brokerage services.



[1] Previously 'Other Financial Services' comprise, FBN Holdings Plc. - the parent company and Rainbow Town Development Limited, which has now been classified as a discontinued operation.

*Post consolidation numbers have been used in determining the percentage contribution to gross earnings.

GROUP CHAIRMAN'S STATEMENT

"Our brand remains strong and our workforce possess the necessary skills, vigour and experience to reposition the Group for the future."

Group Chairman's statement

DISTINGUISHED SHAREHOLDERS,

It is again my pleasure to welcome you to the 5th Annual General Meeting of our company, FBN Holdings Plc. and present to you an overview of the company's performance, macroeconomic developments during the period and the outlook for the year.

From the beginning of 2016, it was apparent, from all economic indices and forecasts, that the year would be very challenging for the Nigerian economy, with far-reaching implications for the financial sector. The situation was further heightened by increased volatility and uncertainty in the global economy, persistent decline in crude oil prices, and incessant damages to oil installations in the Niger Delta that resulted in low levels of oil production with impact on foreign currency availability for businesses.

Despite the prevailing challenges, our preparedness and the unflinching commitment of our staff enabled us to achieve most of the set targets in our strategic plan as we made giant strides across specific business units. Our Commercial Bank brand was rated the 'Most Valuable Bank Brand in Nigeria' for the 6th consecutive year, reflecting the level of confidence in our rich heritage and confirming the trust in our bright future. We also recorded the highest number of electronic transaction processing in the industry and made significant progress in improving the quality of our risk assets. Our Merchant Banking and Asset Management business was recognised as the 'Best Investment Bank in Nigeria 2016' for the 5th year running. In addition, our Insurance businesses continued to increase their respective market shares in the industry. In 2016, the fundamentals of our businesses continue to be strong and we remain committed to our goal of being the undisputed leader in our operating sector.

With a solid foundation already in place for our holding company, 2016 was dedicated to strengthening our management capabilities, improving our risk management framework, re-engineering our processes and technology and significantly diversifying our businesses for sustainable revenue generation.

Our operating environment

Most economic indicators showed a negative trend in 2016. For the first time in over a decade, inflation rate maintained upward momentum and the economy contracted throughout the year. By the end of December 2016, year-on-year headline inflation rate was 18.6% relative to 9.1% in 2015 due to several factors such as increase in petrol pump price from ₦97 per litre to ₦145 per litre. Gross domestic product (GDP) contracted by 1.5% compared to a growth of 2.8% in 2015. The domestic currency, the greatest shock absorber and normaliser in any economy, suffered a huge devaluation of over 40% in 2016 and the difference between the parallel and official markets continued to raise concerns about the currency's true value. This remained a major deterrent to foreign currency inflows from international investors. The Nigerian Stock Exchange (NSE) all share Index closed the year at a loss for the third consecutive year, reflecting the challenges businesses faced during the period and investors' wariness towards the Nigerian economy.

Like many other sectors, the financial industry in which we operate was significantly affected by the economy's contraction. The strength of the industry was further tested by worsening asset quality as well as by increased regulatory restrictions.

Operationalising our Group strategy

Consistent with our vision of becoming a leading Middle Africa financial service organisation, the Group continues to pursue its strategy of diversifying revenue base across markets and geographies. Our resilient holding company structure, with its sharp focus on efficiency and collaboration across all our operating companies, continues to play a significant role in sustaining our growth momentum. We also remain committed to our two-pronged approach of extracting significant synergies, both in cost and revenue within business units in each operating company and across the entire Group.

The year 2017, ushered in a new Strategic Planning Cycle across the entire Group. The 2017–2019 strategy plan, themed "Rebuilding the Group for Enhanced Shareholder Value", has been finalised. The Strategy Planning Programme has provided us with an opportunity to redefine our medium-term strategic intent, identify pressure points and challenges in the context of broader macroeconomic events and plan effectively for the future.

The responsibility of rebuilding shareholder value is a journey, and as such, we will be consolidating the building blocks emplaced from the last cycle in the 2017–2019 strategy cycle. We aim to achieve our goals within an acceptable risk level and through an efficient organisation. We believe that the new strategic plan will enable us to weather current market conditions and position the Group for improved and sustainable performance.

For the Group to derive maximum benefit, the Group Executive Committee, the apex management organ, has been tasked with the overall responsibility for ensuring alignment of all strategic business units with the overall Group strategy and realisation of the Group's synergy initiatives.

Group Chairman's statement

> *"We are forging ahead with greater optimism and determination, knowing that we are well positioned to meet the aspirations of our stakeholders."*

Positioning for growth

Despite the moderated global and domestic economic performance, the Group realised an additional ₦12.94billion from revenue synergies through cross-sell and collaboration among the various strategic business units during the 2014-2016 cycle. In 2016, the revenue generated from collaboration across entities in the holding company was more than ₦5billion. In continuation of our strategy to maximise the opportunities for revenue extraction and cost reduction inherent in the Group, we expect to realise ₦24.3billion over the next three years, with a likely upside from newer permissible products in annuities and insurance.

Our business model is currently being enhanced with the implementation of a Group shared services (GSS) initiative, which is targeted at actualising FBNHoldings' vision of leveraging the holding structure to promote growth and achieve cost efficiencies. The development of the GSS policy and implementation framework has been completed and we are confident that the implementation of this initiative once approved by the CBN, will help us to further maximise our earnings potential as a Group, while reining in our operational costs.

Board developments and corporate governance

In 2016, we continued to ensure that our corporate governance policies and standards stayed ahead of the most exacting statutory requirements and showed strong adherence to our values.

Since the last annual general meeting, there has been one resignation from and two appointments to the Board.

Muhammad K Ahmad, OON, an experienced business administrator, who joined the Board in 2015, resigned from his position to take up a CBN sanctioned appointment as Chairman, Skye Bank Plc. Please join me in expressing our sincere appreciation to Muhammad for his commitment and contributions to our growth and progress, and we wish him the very best in both his current and future endeavours.

Subject to your ratification, we effected the appointments of Oluwande Muoyo and Cecilia Akintomide, OON to the Board as Independent Non-Executive Directors. Oluwande Muoyo, is a Chartered Accountant and Banker and the immediate past Honourable Commissioner for Budget and Planning in Ogun State. She brings to the Board over 30 years' post-professional qualification experience in the private and public sectors, with key strengths in policy formulation, relationship management and business development. Cecilia Akintomide, OON, was until recently, Vice-President and Secretary General of the African Development Bank. She brings a wealth of management experience, particularly from an international financial institution, as well as her legal experience, which spans more than 30 years since her call to the Bar. Please join me in welcoming them to the Board, and we look forward to working with them to deliver the mandate and expectations of our esteemed shareholders.

Following these appointments, the Board is currently composed of ten Directors, comprising two Independent Non-Executive Directors, seven Non-Executive Director and one Executive Director, who is also the Group Managing Director. This is in line with international best practice of having more Non-Executive Directors than Executives. With 90% of the Board's members independent of the Company's management, the Board is well positioned to be independent of management's influence in upholding its supervisory role over the Group's management team.

The coming year

An eventful year has passed and a new one has begun. Although a broad range of macroeconomic uncertainties and challenges persist in the global economy, it is projected to grow at a faster pace in 2017 than in the previous year. For example, the IMF expects world growth to rise from 3.1% in 2016 to 3.5% in 2017 on the back of 'optimistic financial markets' amongst other developments.

> *"We are confident that our Group's sound governance structure, resilient business model and the continued momentum reflected in our strategic businesses, will guarantee valuable returns in 2017 and beyond."*

Group Chairman's statement

On the home front, available data and forecasts of key economic variables indicate a good prospect of economic recovery in 2017. It is anticipated that the implementation of the Federal Government's Economic Recovery and Growth Plan, the passage of the Petroleum Industry Bill, sustained peace in the Niger Delta and changes in foreign exchange policy will revitalise the economy and create growth opportunities for businesses.

While we acknowledge the fact that we do not have control over most of these developments, we believe that 2017 is an important year for us to overcome our challenges and leap back onto the path of sustainable growth. Consequently, we have strategically positioned our businesses to take advantage of the opportunities and we are confident that our Group's sound governance structure, resilient business model and the continued momentum reflected in our strategic businesses, will guarantee valuable returns in 2017 and beyond. In addition, I want to assure our esteemed shareholders that FBNHoldings is actively preparing for the future and the challenges ahead with the advancement of the Group's innovative projects and continuous extraction of the opportunities that abound in our holding structure. Overall, we are better positioned to deal with the shocks to our businesses, and to sustain our growth momentum.

Together with Management, the Board remains resolute and are confident that opportunities abound in our chosen markets. Our brand remains strong, and our workforce possess the necessary skills, vigour and experience to reposition the Group for the future. Our long-standing heritage of commitment to excellence, leadership and sound corporate governance are attributes that have served us well over the years, and will continue to do so in the years to come. We are forging ahead with greater optimism and determination, knowing that we are well positioned to meet the aspirations of our stakeholders.

Finally, on behalf of the Board, I would like to express my profound gratitude to all our customers for their unflinching trust in our brand, our esteemed shareholders for their continued support and our staff for their tremendous commitment and dedication to FBN Holdings Plc.

Thank you and God bless.

Dr Oba Otudeko, CFR
Group Chairman
April 2017

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2016	₦581.8bn	15.7%
2015	₦502.8bn	

Gross earnings grew by 15.7%, driven by a 2.6% growth in interest income and a 68.9% growth in non-interest income.

NET INTEREST INCOME

2016	₦304.4bn	14.8%
2015	₦265.2bn	

Net interest income increased by 14.8%, principally due to a 22.4% reduction in interest expense as interest income grew by 2.6%.

NON-INTEREST INCOME

2016	₦165.5bn	68.9%
2015	₦97.9bn	

68.9% increase in non-interest income can be attributed to the income from foreign exchange translation gains as well as an increase in fees and commission income.

OPERATING EXPENSES

2016	₦220.9bn	-0.8%
2015	₦222.7bn	

Operating expenses declined by 0.8% despite the high inflationary environment. This demonstrates the success of our cost optimisation initiatives and increasing operational efficiency of our business.

PROFIT BEFORE TAX

2016	₦22.9bn	6.3%
2015	₦21.6bn	

Profit before tax increased by 6.3% following a 29.4% improvement in net revenue and a 0.8% reduction in operating expenses.

CUSTOMER DEPOSITS

2016	₦3,104.2bn	4.5%
2015	₦2,970.9bn	

Customer deposits improved by 4.5% as we continue to focus on ensuring an appropriate deposit mix at preferred price ranges. Our funding base remain stable and well diversified leveraging on our strong franchise.

Financial highlights

CUSTOMER LOANS AND ADVANCES (NET)

2016	₦2,083.9bn	14.7%
2015	₦1,817.3bn	

Net customer loans and advances increased by 14.7%, primarily driven by the translation effect of the Naira devaluation.

EARNINGS PER SHARE (EPS)*

2016	₦0.53	20.4%
2015	₦0.44	

The growth in earnings per share reflects our revenue generating capacity despite the increase in impairment charges which impacted overall profit.

RETURN ON AVERAGE EQUITY*

2016	3.0%	7.1%
2015	2.8%	

Return on average equity improved following a higher increase in profitability over equity growth.

RETURN ON AVERAGE ASSETS*

2016	0.4%	FLAT
2015	0.4%	

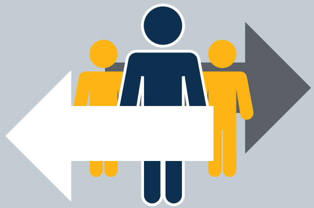
Return on average assets remained flat inspite of the difficult operating and business environment.

* Post-tax returns

NON-FINANCIAL HIGHLIGHTS

STRATEGIC LEADERSHIP CHANGES

There were key leadership changes across the Group to strengthen corporate governance and position for future growth. A new Group Managing Director for FBN Holdings Plc and a Managing Director as well as a Deputy Managing Director both for First Bank of Nigeria Limited and Subsidiaries resumed with effect from January 2016. In addition, a number of Non-Executive Directors were appointed across the Group to strengthen board oversight and effectiveness. Furthermore, we strengthened leadership in key business areas notably in our commercial banking group, ensuring we have appropriate skillset in place to drive the business forward. Examples include the appointments of a new Executive Director, Corporate Banking, Chief Risk Officer, Chief Financial Officer and Group Executive, Technology and Services.



RISK MANAGEMENT REVAMP

We revamped our risk management governance and architecture commencing with a diagnostic review of the entire credit process and identified gaps which are now being implemented. Some of these include the appointment of a new Chief Risk Officer in addition to making other strategic appointments with appropriate and experienced personnel across the risk management function as well as building internal capacity in product lines group-wide. We institutionalised a new credit culture with the selection of quality customers, improved adherence to lending conditions and better understanding transaction structuring.

To strengthen the risk management and control environment, we are implementing an enterprise risk management (ERM) system. Furthermore, requisite compliance systems are also being implemented to enhance obligor profiling and help with transaction monitoring. In addition, significant investments have been made in people, process and technology toward strengthening the risk environment and building a stronger portfolio of risk assets with sustainable income streams.

LEANER BRANCH MODEL

We implemented a leaner branch model to drive operational efficiency and cost optimisation within the retail banking network of FirstBank through the implementation of First Shared Services (FSS). The system was piloted during the year, with full implementation expected in 2017.

Non-financial highlights

CHANGED CORPORATE CULTURE

The Group launched a culture change project to lead the FirstBank brand towards improved service excellence. The project focused principally on **E**ntrepreneurship, to drive work collaboration; **P**rofessionalism, increased levels of competency on the job; **I**ntegrity, maintaining high moral and ethical standards; and **C**ustomer centricity, focusing on service delivery to both internal and external customers. The corporate culture drive is based around the acronym **EPIC**, which is used as a payoff line to help every employee understand and adopt the changes within the Group.

IMPROVED SERVICE DELIVERY

We initiated a workflow-based dispute resolution process to drive improvement in service performance in 2016, leading to a 20% improvement in our complaints' response rate during the year. This followed the ISO 9001: 2015 Quality Management System certification for our complaints handling process, making the Bank the first Nigerian financial institution to earn the certification. As a result, our customer satisfaction rating averaged 79% at the end of the year, an improvement from 69% in the previous year. Social media engagement also improved, as our response rate to customers' requests increased to 75% in December 2016 from 0.2% in July 2016.

DIGITAL BANKING

In line with our drive to remain competitive and deepen financial inclusion in the digital banking space, FirstBank launched the USSD (*894#) banking service in 2016, enabling customers to perform banking transactions without the use of a smart phone or internet service. The service recorded a total of one million active users at the end of the year, positioning the Commercial Banking group as one of the fastest-growing USSD[3] quick banking product providers in the industry.

In 2016, FirstBank received the Digital Bank of Distinction award from Global Finance magazine, reflecting our commitment to using cutting-edge technology to drive revenue in electronic banking. We also sustained our leadership position as the first financial institution in Nigeria to achieve the milestone of 100 million electronic banking transactions per month.

[3]Unstructured supplementary service data

GROUP MANAGING DIRECTOR'S REVIEW

"We achieved significant milestones in our objectives of integrating our various businesses with renewed efforts to operationalise the synergy realisation programme. As a result, synergy revenue jumped by 108% compared to prior year..."

Group Managing Director's review

DISTINGUISHED FELLOW SHAREHOLDERS,

It gives me great pleasure to present to you the financial results of FBN Holdings Plc for the year ended 31 December, 2016.

In my letter to you of 5 January 2016, upon my appointment as the Group Managing Director, I highlighted key areas of focus across all operating companies in our resolve to reposition the Group and chart a new growth path through enhanced focus on risk management, disciplined cost containment, asset optimisation, enhanced revenue generation, including synergy realisation. These initiatives are primarily focused on driving efficiency across the various businesses, containing cost, improving asset quality and accelerating revenue growth to enhance returns to you, our shareholders. Today, I am pleased to report that, as a Group, we have made giant strides and recorded significant milestones in this journey over the course of the year.

> "14.3% *decline in cost-to-income ratio from 61.3% to 47.0%.*"

Our approach has been three-pronged: restructuring the Bank's risk management process to forestall asset quality deterioration, embarking on aggressive cost containment initiatives and continuing to enhance revenue generation from both the Banking group and from other subsidiaries, including our drive for revenue synergy. These ongoing initiatives will not only restore the Group to the path of excellent financial performance, but will also broaden our revenue generation capacity through enhanced cross-selling, leverage the strength inherent in our diversified portfolio to grow the customer base and fully optimise our investment in our West African businesses.

2016 in review

On the global scene, developments in the United States economy continued to have far-reaching implications for the world due to its size and international linkages. From decelerated activity to unprecedented political uncertainty and lack of clear policy direction, the U.S. continues to drag the global economy through a path that economic analysts consider unclear. With an estimated GDP of USD18 trillion, the U.S. is the world's largest economy, accounting for almost 22% of global output and over a third of stock market capitalisation. It is prominent in virtually every global market, with about one-tenth of global trade flows, one-fifth of global Foreign Direct Investment stock, about one-fourth of remittances, and one-fifth of global energy demand. Since the U.S. dollar is the most widely used currency in global trade and financial transactions, changes in U.S. monetary policy and investor sentiment play a major role in driving global financing conditions.

Global GDP is estimated to have grown at a lacklustre 3.1%, dragged down by advanced economies as a result of stalling global trade, weak investment and heightened policy uncertainties. This sluggish growth has been further exacerbated by instability across North Africa and Middle East, the uncertainties caused by the decision of the United Kingdom to exit the EU and refugee challenges that have heightened the rise of protectionism and populist movements sweeping the entire EU region, threatening significant gain the world has achieved as a result of globalisation. Emerging markets and developing economies grew by an estimated 3.3% in 2016, slightly beating analysts' predictions. Among commodity exporters, output expanded by an estimated 0.3%, as some improvement in Brazil and Russia and a modest increase in commodity prices was offset by further weakness in other exporting economies. Among commodity importers, growth in 2016 is estimated at 5.6%, reflecting resilient domestic demand and generally accommodative macroeconomic policies.

For the average Nigerian, as for the economy as a whole, 2016 was an ultra-challenging year. The year marked the beginning of a rare case of economic recession, the worst economic condition the country has experienced in over 29 years. Rising inflation, negative economic growth and soaring unemployment are an unusual cocktail of economic issues and make for difficult resolution as was witnessed in the Nigerian case where the Central Bank ran out of monetary tools in its attempt to rein-in inflation and reverse the contraction in GDP of three consecutive quarters. On a number of fronts and key indices, the country recorded abysmal performance as a result of the combined effects of dwindling oil prices and hampered oil production due to the activities of Niger-Delta militants in the oil-producing region. This economic shock resulted in a full-blown currency crisis and inflation spiralled, sending the already-high unemployment rate into the dangerous zone as industries, ill-prepared for this condition, slashed production as a result of foreign exchange scarcity. In direct response, this unusual crystallisation of economic risks attracted unprecedented measures from the Central Bank of Nigeria including administrative tools that sought to tame soaring inflation and propup the value of the Naira against the US Dollar.

Similarly, the fiscal side of the divide pushed aggressively to spend its way out of recession. In response, in December, President Muhammadu Buhari presented the 2017 budget proposal to the joint session of the National Assembly for approval. The ₦7.28trillion budget, tagged the 'Budget of Recovery and Growth', emphasised speedy economic recovery through enhanced investment in infrastructure, as evidenced by an increase in capital spend representing 24% growth over the 2016 allocation. The budget was premised on a crude oil benchmark price of USD42.5 per barrel, as against USD38 per barrel in 2016.

Group Managing Director's review

The proposed budget also sought to push for economic diversification, increased non-oil exports and an overall reduction in reliance on the oil and gas sector.

The budget, which is expansionary and heavily infrastructure skewed, projects a fiscal deficit of 2.1% of Gross Domestic Product. This deficit, which amounts to ₦2.26trillion, is expected to be financed by domestic borrowing of ₦1.25trillion and the balance from external sources. Non-oil tax revenue is projected to decline by 5.5%, from ₦1.45trillion in 2016 to ₦1.37trillion in 2017. Key projects highlighted in the blueprint include the modernisation of the Nigerian railway system, which is expected to receive a boost of ₦213.14billion in counterparty funding for the Lagos-Ibadan, Lagos-Kano, Calabar-Lagos, Ajaokuta-Itakpe-Warri, and the Kaduna-Abuja projects. The power sector is also expected to receive enhanced funding from the Government across the value chain.

Financial Services Industry Review

The financial services industry came under severe strain in 2016 as a result of the economic recession and a currency crisis, which saw the Naira depreciate significantly against the US dollar. In response, the Central Bank of Nigeria combated the escalating challenges by deploying an array of monetary and unconventional tools to reverse these trends and bring the economy out of recession. In an unprecedented move, the Monetary Policy Rate moved three times in 2016 from 11% in January to 12% and 14% by July 2016.

Despite these efforts, the Naira recorded the worst year in its history, plummeting against the USD by an astonishing 57.8% in the interbank and 84.2% in the parallel segment in 2016. The Nigerian currency began the year at ₦199.5/USD1 at the interbank segment but traded at ₦315/USD1 on 30 December, 2016. Similarly, the parallel market opened at ₦266/USD1 and ended the year at ₦490/USD1.

However, it is expected that CBN intervention in the market in 2017, along with other measures to stimulate the economy, will impact the value of Naira that may lead to its partial recovery. The sustainability of this intervention as an alternative to a free-float regime continues to polarise economists and players in the Nigerian economy including offshore investors who have remained on the sidelines.

The combined impact of the Naira devaluation and declining crude oil prices led to an unprecedented non-performing loan build up in the banking industry, threatening the continued existence of a number of operators. However, despite all of these numerous challenges, the Nigerian financial services industry has shown enormous resilience and results of the banking industry have demonstrated the depth of the market. Earnings in the industry held steady albeit some significant dip as a result of the NPL challenges. Industry cost has continued to trend downward with a number of banks rolling out technology-driven products and services. The industry has also seen significant investments in innovation partly in direct response to the risk of disruption by emerging non-traditional Fintech companies and also due to tightening margins.

> **"15.7%**
> *increase in gross earnings year-on-year."*

Similar to the experience in the banking industry, the insurance sector also came under severe pressure as a result of the economic recession. With insurance products not usually top in the consumption menu of Nigerian households in the best of times, the recessionary period saw a significant dip in the gross written premiums, with insurance policies being either scaled down or abandoned altogether by policy holders. Though the retail segment showed some resilience, corporate businesses plunged across the board. However, despite the challenges confronting the industry, the insurance sector continues to represent a solid value proposition to investors owing to the excellent demographic factors, low level of insurance penetration and the size of the potential market. The recent entry by foreign insurance companies and increasing M&A enquiries show the sector remains attractive. In addition, the imminent implementation of the risk-based supervisory framework in the industry is expected to drive consolidation.

Business Review

During the 2016 financial year, FBNHoldings achieved significant milestones in our objectives of integrating our various businesses with renewed efforts to operationalise the synergy realisation programme. As a result, synergy revenue jumped by 108% compared to prior year with the merchant banking and asset management group contributing the lion's share. The insurance group's contribution to synergy has begun to show a strong growth trajectory, especially with the successful take-off of the General Insurance business. This has cushioned the overall impact of the challenges faced by the commercial banking franchise, further validating the decision to restructure the Group through a holding company. These revenue diversification initiatives are geared towards the achievement of our vision of becoming the foremost financial institution in Middle Africa.

On the commercial banking front, we have accrued substantial mileage in executing our strategy of restructuring the risk management process to curb challenges to credit quality thereby, reining-in escalating NPL portfolio of the Bank. This wholesale restructuring process has resulted in a sweeping review of the credit process, from risk governance, through approval processes to credit disbursement and monitoring. All through the credit administration chain, we have re-emphasised ownership and accountability and restructured the

Group Managing Director's review

performance measurement system to align with the need to reward good credit practices. Similarly, our cost containment initiatives have begun to yield fruit, as evidenced by the decline in the cost-to-income ratio from 61.3% in 2015 to 47.0% in 2016. Disciplined budgetary control measures, enhanced technology leverage and a re-engineered operating model have delivered the objectives of sustained cost containment drive of the Group. It is noteworthy to highlight that we expect the full impact of the implementation of ERP/ERM by FirstBank to manifest in cost containment benefit in the near future.

The merchant banking and asset management business remains one of the key pillars of the Group from revenue contribution and strategic synergy standpoints. Since the Merchant Banking business was launched, we have seen enhanced synergy opportunities between the commercial bank and the merchant bank in the areas of asset optimisation, penetration of asset management products and technology sharing owing to similarities in applications. These increasing opportunities will enhance the growth of the merchant banking business and offer the Group an extended breadth of options to meet customers' needs. Similarly, the commencement of our General Insurance business has afforded the Group the opportunity for a greater share of customers' wallets. From a cost synergy standpoint, the General Insurance business continues to leverage the infrastructure provided by the Life Insurance business to keep the cost within acceptable limits while significantly growing the gross written premium base to enhance the position of the company in the industry league table.

Recently, FBNHoldings, working with a reputable firm, concluded the design of the Group Shared Services framework. This framework seeks to leverage economies of scale in driving down our unit cost of operation across a number of functions and services. Considering the size of the Group, the shared services platform will help to optimise our spend across all functional areas including technology, communications, procurement and consumables. Similarly, the Commercial Banking group recently launched an initiative that has effectively changed the branch operating model. Routine activities such as customer account opening and maintenance have been migrated to a central processing centre, freeing up resources for market facing activities.

Performance Review

Notwithstanding the challenges that confronted the Group in 2016, we posted a 15.7% year-on-year increase in our gross earnings, closing the year at ₦582billion. This significant earnings growth reinforces the inherent strength and resilience of the FBNHoldings Group, despite the recessionary environment. Revenue from the Merchant Banking and Asset Management business grew by 13.5%, closing the year at ₦37.8billion against ₦33.3billion in 2015. Similarly, the Insurance business posted revenue of ₦12.5billion compared with ₦10.5billion the previous year, representing an impressive growth of 19%. Despite the healthy growth in our gross earnings, profit before tax only rose ₦1.3billion, from ₦21.6billion to ₦22.9billion in 2016. This was largely as a result of the impairment charge on credit losses of ₦226 billion, up from the ₦119 billion charge recorded in 2015. The management took a proactive decision to accelerate the clean-up of the loan book in 2016 so as to focus resources on business growth while recoveries are being pursued.

Tier 1 capital position for FirstBank improved to 14.0% from 13.3%, with total CAR closing stronger at 17.8%, up from 17.1%. For FirstBank and subsidiaries, who together comprise the Commercial Banking business of FBNHoldings, total CAR closed at 16.1% for the full year. The cost-to-income ratio has continued to fall year-on-year, from 66.5% and 61.3% in 2014 and 2015 respectively, to 47.0% at the end of 2016. The net interest margin has continued to inch up year-on-year, closing 2016 at 8.8%, up from 8.1% and 7.6% in 2015 and 2014 respectively. However, the cost of risk grew from 5.7% to 10.4% largely as a result of the aforementioned impairment charge.

Overall, the path to repositioning FBNHoldings has demanded razor-sharp execution discipline, hard work, dedication and unwavering commitment to the course. As the Group Managing Director of FBN Holdings Plc, my greatest responsibility is to hold firmly the compass and help the Group navigate the murky waters in reaching the desired destination that addresses the interests of our numerous stakeholders including above-peer returns to our shareholders. Similar to other years, 2016 presented the Group with limitless opportunities, wrapped in challenging economic conditions. During the year, we have had to battle escalating operating cost in an inflationary environment and we sought to grow our operating income in a recessionary environment. In all of these, we have shown resilience and our dedication to the grand agenda ensured we surmounted these challenges, rebuilding the institution, one brick at a time.

Esteemed shareholders, I would like to seek your support as always for this journey to reposition the Group. As highlighted in my letter to you at the beginning of 2016, to achieve the objective of reclaiming our top position in the industry requires absolute commitment to the values that have been associated with our iconic institution, the principles that have deepened our roots firmly in the history of this great nation. Having completed the most challenging period of our journey which saw us recognise an outsized impairment charge and, now that we can clearly see improved results beginning from 2017 financial year, shareholders have every reason to be optimistic of higher return on their investment. More than ever, I am honoured to stake everything in commitment to this journey.

Thank you and God bless.

UK Eke, MFR
Group Managing Director
FBN Holdings Plc
April 2017

RECOGNITION OF OUR PERFORMANCE

MOST VALUABLE BANK BRAND IN NIGERIA

THE BANKER MAGAZINE

FirstBank has been named 'The Best Bank Brand in Nigeria' six times in a row – 2011, 2012, 2013, 2014, 2015 and 2016 by The Banker Magazine of the Financial Times Group. The Bank achieved this feat in recognition of its steady transformation, increased brand value and excellent service delivery.

COMMERCIAL BANK OF THE YEAR

THE EUROPEAN GLOBAL BANKING & FINANCE AWARDS

FirstBank has been recognised as the 'Commercial Bank of the Year' by The European Magazine in The European Global Banking & Finance Awards 2016 for its giant stride and the provision of innovative financial services in the commercial banking business.

BEST BANK IN NIGERIA

GLOBAL FINANCE AWARDS

FirstBank has been named 'Best Bank in Nigeria', for 13 consecutive years, in recognition of its consistent leadership in enterprise and innovative banking in Nigeria, Middle Africa and beyond.

MOBILE PAYMENT PRODUCT OF THE YEAR

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

This award is in recognition of FirstBank's outstanding banking technology and innovation in alternative services delivery channels for payment transactions.

BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank was reaffirmed 'Best Retail Bank in Nigeria' for the sixth consecutive year in recognition of the Bank's robust portfolio and exceptional performance in Nigeria's retail market.

CREDIT CARD PRODUCT OF THE YEAR

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank won the award in recognition of its outstanding banking technology, sustained growth of its card and electronic payment solutions and innovation in alternative service delivery for payment transactions with credit cards across channels.

BEST PRIVATE BANK IN NIGERIA

WORLD FINANCE MAGAZINE

FirstBank clinched the 2016 'Best Private Bank in Nigeria' Award in recognition of its attention to client services and its 'Best in Class' private banking hubs located in Abuja, Lagos, and Port Harcourt, as well as the accelerated speed in growing its market share and registering optimised revenues within a short span of operation.

BEST COMPLIANCE SUPPORT PARTNER 2016

MONEYGRAM'S ANNUAL CONFERENCE BJAN 2016 BRAND & MARKETING AWARDS

FirstBank was awarded 'Best Compliance Support Partner – 2016' by MoneyGram International for its constant innovative initiatives at enhancing compliance payout at all its locations.

BEST IN CORPORATE SOCIAL RESPONSIBILITY

BUSINESSDAY BANKING AWARDS

Awarded in recognition of the Bank's efforts and initiatives to promote corporate responsibility and sustainability.

TOP MONEYGRAM INTERNATIONAL LOCATION IN NIGERIA 2016

MONEYGRAM'S ANNUAL INTERNATIONAL

This award was presented to FirstBank for its outstanding performance on the product and its sustainable contribution to making MoneyGram the number one money transfer product in Nigeria.

Recognition of our performance

BEST COMPANY IN SUPPORT OF SMEs

LAGOS PR INDUSTRY GALA AND AWARDS (LAPRIGA)

This award recognised the Bank's significant role in promoting the developments of SMEs in Nigeria through capacity building initiatives in Nigeria's retail segment.

BEST ASSET MANAGER IN NIGERIA 2016

EMEA FINANCE AFRICAN BANKING AWARDS

The award was presented to FBN Capital by the EMEA finance magazine.

DIGITAL BANK OF DISTINCTION

GLOBAL FINANCE AWARDS

This award is for the Bank's prudent utilisation of its slim budget to achieve sustainable profit optimisation and consistent leadership in Nigeria's digital banking space.

BEST REFINANCING IN AFRICA

EMEA FINANCE ACHIEVEMENT AWARDS

FBN Capital received this award for its role in the refinancing of Accugas Limited's Accugas II and III facilities.

MOST CUSTOMER FRIENDLY BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the 'Most Customer Friendly Bank' in Nigeria at the BusinessDay Banking Awards for its distinguished customer centricity and excellent service delivery for a sustainable customer experience.

MOST INNOVATIVE BANK IN NIGERIA 2016

GLOBAL FINANCE WORLD'S BEST INVESTMENT BANK AWARDS

FBN Capital received this award for the role it played as the Lead Arranger for an array of syndicated loans for Seven Energy International to finance its Accugas Natural Gas project.

MOST LEVERAGED MOBILE MONEY PRODUCTS IN 2016

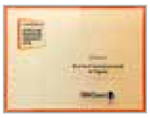
BJAN BRAND & MARKETING 2016 AWARDS

This award recognises Firstmonie, the FirstBank mobile money services platform as a consistent leading mobile money operator making significant impact in driving the uptake of mobile money in Nigeria.

BEST AFRICA INVESTMENT BANK 2016

AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARDS

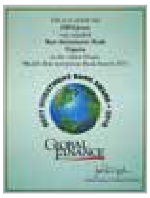
This award was presented in recognition of the nature, complexity and size of transactions delivered by FBN Capital.



BEST LOCAL INVESTMENT BANK 2016

EMEA FINANCE AFRICAN BANKING AWARDS

The award was presented to FBN Capital for differentiating itself by driving growth and facilitating the successful conclusion of deals, despite tightening headwinds in Nigeria's financial services sector and other sectors.

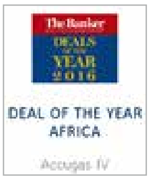


BEST INVESTMENT BANK IN NIGERIA 2016

GLOBAL FINANCE WORLD'S BEST INVESTMENT BANK AWARDS

FBN Capital received this award for the fifth consecutive year, in recognition of the key role it played in major power and infrastructure deals in 2015.

Recognition of our performance



DEAL OF THE YEAR AFRICA

THE BANKER DEALS OF THE YEAR AWARD

FBN Capital was awarded the accolade for Seven Energy's secured term loan and revolving working capital facility for its Accugas IV facility.

2016 BEST LIFE INSURANCE COMPANY IN NIGERIA

WORLD FINANCE GLOBAL INSURANCE AWARDS

This is the second time in three years that FBN Insurance has been recognised as the 'Best Life Insurance Company in Nigeria' for its achievement. The award also celebrates the innovations and brilliance of its approach to business.

BEST MANAGED FUNDS – MONEY MARKET

BUSINESSDAY ANNUAL BANKING AWARDS 2016

FBN Capital Asset Management was awarded this title which recognizes financial institutions that have distinguished themselves in the delivery of value-adding and innovative products.

BEST LIFE INSURANCE COMPANY IN NIGERIA 2016

GLOBAL BANKING AND FINANCE REVIEW AWARDS

FBNInsurance won the award in recognition of its prominence in the achievement, innovation, progressive and inspirational changes within the global financial community.

BEST MANAGED FUNDS – EQUITY-BASED FUNDS

BUSINESSDAY ANNUAL BANKING AWARDS 2016

FBN Capital Asset Management received this award in recognition of competition and innovation in one of the fastest-growing markets.

OUR APPROACH

As a diversified financial holding company with over 12.4 million active customer accounts and leading distribution network in the industry, we are focused on providing innovative business solutions while deepening disciplined risk management culture and operational efficiency.

MARKETPLACE

The year 2016, was a challenging year. Growth was subdued, restricted by low crude oil prices, which presented a tough operating environment for businesses. The financial sector was not spared, as it also suffered setbacks such as higher credit risk, this impacted the Group's bottom line. Given the outlook for the economy in 2017, the Group is proactively repositioning to take full benefit as the sectors rebound.

Global economic trends

Global economy remained tepid in 2016, with major economic and political shifts in different regions of the world. After recording 3.2% growth in 2015, global Gross Domestic Product (GDP) grew at an estimated 3.1% in 2016. Global growth stayed weak as trade volumes, capital flows and oil demand failed to present the marked improvement needed to steer growth.

In the United States, firm labour growth rates and sustained domestic consumption levels were countered by weak export levels on the back of the stronger dollar. Growth for the year was projected at 1.6%, a significant difference from the 2.6% seen in 2015. This weakness also resonated in other advanced economies.

In the Eurozone, outlook for recovery in the near term remained weak, with events such as the United Kingdom's decision to leave the European Union and the mass migration of refugees into Europe creating uncertainties and dampening economic activity levels. The Eurozone's stimulus programme through an accommodative monetary policy is also yet to lift the zone's inflation rate to the target of 2%.

In Japan, the unimpressive impact of economic reforms meant growth remained subdued. The monetary easing programme, which has spanned more than three years, has been ineffective in raising inflation levels to the 2% target. Private consumption has stayed at low levels over the last two years as low wage growth continued to curb consumer spending. Japan's currency appreciation was also a major concern to businesses that had to compete with cheaper exports.

GDP growth in emerging economies weakened further in 2016 on the heels of weaker commodity prices, lower trade volumes and a weaker credit structure. However, China was a striking exception. Initial concerns about its growth prospects earlier in the year on the back of lower exports gave way to a slow rebalancing of its economy in the latter part of 2016, driven by the Chinese Government's supportive reforms.

The supply-demand imbalance in the global oil market remained the defining factor in crude oil price volatility, although occasional production shocks assisted a rally in prices observed in the later part of the year. Oil-exporting economies were significantly worse off in 2016, especially those that had exchange rate adjustments in response to lower dollar inflow. On the other hand, oil importers benefited from both cheaper energy costs and the effect of lower energy subsidies in stimulating domestic consumption levels.

Middle Africa: economic trends

The region's economy weakened by an estimated 1.8%, a significant reduction from the 3.4% growth recorded in 2015, according to the IMF. Growth performance in the region was nevertheless divergent. The performance of the smaller economies, buoyed by cheaper energy costs and stronger than anticipated domestic consumption, showed more resilience in growth.

Economies like those of Kenya and Tanzania, showed resilience, which resulted from consistent economic reforms alongside infrastructural investments. The larger economies, Nigeria included, were influential in keeping growth slow, as political and economic conditions in combination with persistently low commodity prices led these economies towards recession.

Lower commodity revenue, in particular, translated to lower foreign exchange availability, double-digit inflation, pressured capital investment budget and lower capital inflow from investors.

The Nigerian economy

Available data shows that businesses and the manufacturing sector struggled in a harsh macro-economic environment. Manufacturing and non-manufacturing business activities, as measured by the CBN's Purchasing Managers' Index (PMI), showed a decline in the first 11 months of 2016 and only a slight improvement in December. The PMI averaged 45.2%, below the 50%+ score that indicates expansion.

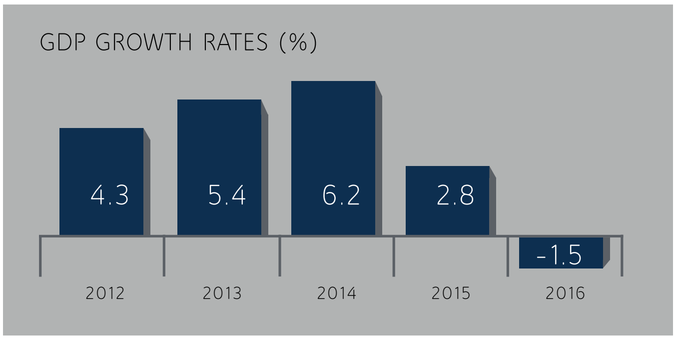
The level of economic activities as measured by the GDP showed the economy declining by 1.5%, following four consecutive quarters of negative growth rates: -0.4%, -2.1%, -2.2% and -1.3%. The period witnessed lower oil production, subdued oil prices averaging USD40.76 in 2016 and having a significant impact on government's oil receipts.

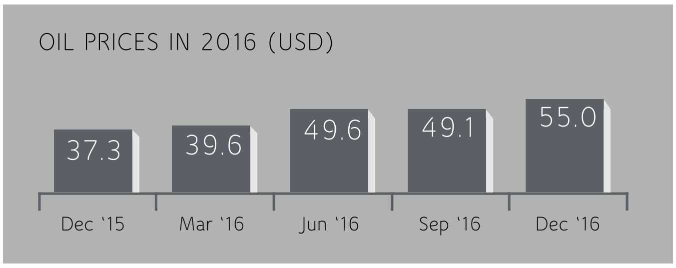
According to the CBN, oil revenue to the government declined by ₦129billion between the first and second quarters, as a result of the twin effect of subdued oil prices and lower production volumes. Increased militancy, characterised by the vandalisation of oil facilities in the Niger Delta region, saw oil production volumes fall to an average of 1.63 million barrels per day (mbpd) in the third quarter, a 3.6% decline from the second quarter. In the fourth quarter, however, volumes improved to 1.90mbpd, as government intervention in the Niger Delta resulted in relative peace.

Marketplace

There was also foreign exchange market volatility, foreign exchange scarcity, as well as an incessantly high inflation rate. Other factors included the devaluation of the local currency, the effect of lower oil revenue inflow on the Federal Accounts Allocation Committee distributions to the various arms of government, and delayed payment of salaries to civil servants. These factors had a cumulative effect on the economic decline observed throughout the year.

With lower oil export proceeds in 2016, the CBN intervened to manage the growing pressure on the local currency and commenced its managed foreign exchange regime in June. Its intervention included foreign exchange market restrictions on a range of items for import, and the prioritisation of foreign exchange allocation to growth-enhancing sectors of the economy. With these policies in place, businesses reliant on imported items still found it difficult to meet foreign exchange demands, and were forced to source at a higher cost in the alternative exchange market. This triggered further inflation, as businesses transferred increased production cost to consumers in the form of higher prices.





The effects on our markets

Stagflation was the dominant theme in 2016, as inflationary pressure eroded the purchasing power of the naira, with an attendant negative growth rate through the year. Rising inflation, alongside a slower pace of economic activities, aggravated the higher incidences of losses reported by businesses as revenue levels dropped. This, together with the devaluation of the naira, further constrained businesses' capacity to meet loan repayment obligations. This exposed commercial banks to higher credit risk as obligors' default rate rose.

> *"...the Bank will leverage its information technology to drive transaction volume and related non-interest income in the retail space, while also growing the number of customers on its digital platforms."*

To address the lower accretion to the external reserves, and to dampen the persistent pressure on the naira, the CBN prioritised foreign exchange allocation to major growth-enhancing sectors of the economy and upheld the suspension of certain items from accessing funds in the foreign exchange market. This had a consequent impact on banks' income from import financing, as it became increasingly difficult for businesses to source the foreign exchange required for importing.

The Monetary Policy Committee's stance in 2016 prioritised addressing rising inflation. The Consumer Price Index, the measure for headline inflation, which stood at 9.62% in January, rose consistently throughout the year, staying above the upper limit of the CBN's reference band. This inflationary trend prompted the MPC to tighten the monetary policy rate from 12% in July to 14% by the end of the year; nevertheless, inflation had risen to 18.6% by the end of 2016. The MPC also raised the cash reserve ratio from 20% to 22.5% to curtail excess liquidity in the banking sector. These actions further limited banks' profitability through the effect of subdued risk asset growth, increased cost of funds and decreased interest margins.

In FBNHoldings, efforts were intensified to address escalating cost through a series of initiatives.. These included expanding the revenue-generating capacity of international subsidiaries within the commercial banking group, investing in information technology to advance the pace of automation and digitalisation within the entire value chain, establishing a centralised procurement function to reduce costs, and efforts to institutionalise shared services.

In addressing credit risk, the Bank revamped its risk management process. This included restructuring loans to align cash flows with repayments, intensifying credit selection control, enhancing its risk mitigants framework, and growing retail and trade finance business to enhance liquidity and yield while simultaneously optimising the portfolio mix.

Outlook for 2017

The economic outlook of the country for 2017 will be shaped by developments in the international oil market and the attendant effect on oil prices as well as the policies of the Federal Government. The outlook for crude oil prices seems positive following the deal between OPEC and non-OPEC countries to cut production volumes in an attempt to end the glut in the global oil market. Although adherence to the terms of this uneasy coalition could see oil prices rise above levels seen in 2016, this expectation is constrained by the unpredictable impact of shale oil supply from the United States. The potential increase in the prices of crude oil is expected to provide succour to the Federal Government, as we anticipate the inflow of oil proceeds that will result in growth of the external reserves and ultimately ease the pressure on the naira.

The expectation of a positive outcome in the Federal Government's reconciliatory efforts in the Niger Delta region should also, at the very least, stabilise oil production in the country. The 2017 budget, based on a benchmark oil price of USD42.5 per barrel, will find support if oil prices stay above current levels. This will provide the required support for the budget implementation and commitment to capital investment.

In all, Nigeria is expected to return to marginal growth in 2017 following the economic contraction the country experienced last year. The CBN may maintain its benchmark interest rate around 14% throughout 2017. Although maintaining the MPR at this level would be positive for investors', given that it would push interest rates into positive territories as inflation abates, pressure from the Government against a further rise in the interest rate is expected given its desire for cheaper borrowing costs. It is, however, expected that the equities market will remain relatively weak while yields in the fixed income market may remain at current levels, barring any changes to monetary policy in the near term.

As oil revenue picks up, fiscal policy is expected to become an increasingly important determinant of Nigeria's economic growth in 2017, especially as foreign investment will make only a tentative return. While it will provide some stimulus, it is not expected that the planned expansionary budget will be realised in full. Given the current commitment of the Federal Government to address the security risks besieging the country, the likelihood of containment will bolster investment inflows, exports and economic growth.

The gradual recovery in the wider economy is expected to forestall a crisis in the financial sector, while the modest pick up in the oil sector will underpin the banking sector's recovery over the coming quarters.

"As a Group, we have made substantial progress in operational excellence across our businesses, with a renewed drive for sustainable revenue generation and profitability. We now look forward to the future with confidence in our ability to maximise shareholder value."

Given this outlook, the Group aims to bolster efforts at strengthening its risk management competencies, reducing operating costs, improving cost efficiency and consolidating its presence in the retail space. With the expected improvement in consumer spending as the economy experiences marginal growth, the Group will leverage its information technology to drive transaction volume and related non-interest income in the retail space, while also growing the number of customers on its digital platforms. Customers' convenience will remain a top priority with the expansion of the e-business suite of products and services.

With volatility in the foreign exchange market expected to persist in the year, albeit in the short-term, the Group will uphold its disciplined approach to risk culture and governance to support its credit risk management efforts. Its revised credit framework is expected to stimulate disciplined risk taking and drive transparency in customer selection, credit origination as well as approval processes.

A special risk management project group mandated with implementing proposed recommendations will also provide periodic feedback to Management to track progress and ensure the expedient implementation of tactical strategies aimed at driving recovery of non-performing loans. In the current year, growth in the retail loan book will be designed to boost overall profitability and enhance portfolio diversification, while the strategic focus on loan growth in the corporate banking business will be to reduce the overall weighted average risk of the loan portfolio.

The fiscal policies of the Government, including its commitment to infrastructural development, should see the merchant banking and asset management business seize opportunities to support infrastructure bonds and capital raising activities. As the economy is expected to grow marginally in 2017, our insurance business will extract the opportunities inherent in the retail and corporate space as appetite for insurance products improves.

As a Group, we have made substantial progress in operational excellence across our businesses, with a renewed drive for sustainable revenue generation and profitability. We now look forward to the future with confidence in our ability to maximise shareholder value.

OUR BUSINESS MODEL

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

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

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

HOW WE DELIVER AND GROW VALUE

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUPS

Leveraging synergies and cross-selling opportunities

Forging deeper relationships with our customers

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

Acquiring new customers along priority segments

Raising our profile beyond Nigeria

RESTRUCTURING FOR PROFITABLE GROWTH

Driving increased segment specifications in the Commercial Banking business

Exploiting the group structure for value realisation, enhanced operating efficiency and planned compliance benefits

DOING BUSINESS THE RESPONSIBLE WAY

Our business model

With a clear focus on efficiency, strong collaboration and governance across all our operating entities, our holding company structure plays a key role in helping to sustain the growth momentum towards the Group's long-term success.

Our largest business group, the Commercial Banking business, is structured in line with its business objectives of delivering suitable and convenient solutions to its customers. As customers need change and evolve in line with the dynamic operating environment, the Bank continually realigns the structure of the business. Recent examples include:

- merging the Institutional Banking group and the old Corporate Banking group to form a new Corporate Banking group;
- merging Treasury, Financial Institutions and Structured Trade and Commodity Finance to form the Treasury and Financial Institutions Directorate:
- unifying the Bank's public sector operations across the country under a single Executive;
- merging the Retail and Branch Services teams to create a unified branch management system;
- unifying the Retail Banking business and Branch Services teams under the Deputy Managing Director (DMD), along with three regional businesses; and
- creating a Branch Services Coordination Team to coordinate services branch-wide and the transfer of e-business from Technology and Services to the DMD's Directorate to orientate and align with market operations.

The Bank continues to create value by leveraging its vast retail banking franchise and strong branch network to attract low-cost deposit in a consistent manner, and subsequently create quality risk assets through its various wholesale banking groups. To ensure the effective uptake and use of deposits generated by retail banking, the Bank employs the value chain model. This approach is driven through the wholesale banking groups, which have mechanisms in place to provide a one-stop shop for customers need.

The thrust of our business model is building an efficient organisation. This is reflected in the new strategies and commitments to drive enhanced profitability through improved revenue generation, cost optimisation and shared services. To commit to this efficiency culture effectively, the Bank has explored a number of options: shared services across the Group's subsidiaries to optimise spend; centralised data centres; optimised procurement to implement best practices; tightened budget controls, and the implementation of an Enterprise Resource Planning/Management framework to eliminate process redundancies, together with the Enterprise Risk Management application to bolster the risk management and control environment.

The Merchant Banking and Asset Management business is modelled to provide a full range of services across the board to a wide range of clientele. Services cover advisory, financing, trading and investment through its diverse business segments, which include Investment Banking, Corporate Banking, Asset Management, Equity Brokerage, Trust and Agency services, and Alternative Investments.

The Insurance group offers value through its range of investment and risk insurance products, all anchored in innovation and efficient service delivery. The Insurance business offers its services through its retail, alternative and corporate distribution lines, offering services across areas such as motor insurance, marine, fire and general accident insurance cover.

As a holding company, our structure is designed to encourage the specialisation and growth of both our commercial and our non-commercial banking entities, offering the various entities guidance to exploit their growth and value-creation potential. The Group acknowledges the opportunities that are inherent in intergroup cooperation and so in its oversight function creates an enabling environment to promote synergy.

The Group also took a cue from the challenges posed by the tough operating environment in the previous planning cycle, by identifying and adopting key imperatives that prioritise innovative thinking, value optimisation, cost minimisation and Group-wide collaboration. In 2016, we advanced steps towards the adoption of a shared services policy to drive efficiency. Several initiatives aimed at positioning the Group as an innovation-focused institution were put in place, and synergistic opportunities that enhance value creation were realised.

HOW OUR BUSINESS GROUP CREATES VALUE

Business Group	Primary Income Source	Description
COMMERCIAL BANKING Services provided: • Retail banking • Corporate banking • Commercial banking • Public sector banking • International banking • Pension custodian • Mortgage finance	INTEREST AND FEES	We make a spread from the deposits received from customers and the funds lent. Fee income is made from transaction charges on funds lent and commissions made in facilitating other transactions.
MERCHANT BANKING AND ASSET MANAGEMENT Services provided: • Corporate banking • Investment banking • Capital markets • Trust and agency services • Asset management • Alternative investment • Wealth management	INTEREST, FEES AND TRADING INCOME	We offer a broad range of products and services, and have a strong focus on servicing our client's needs by structuring customised and unique solutions to enable them unlock greater opportunities for their businesses, as well as their personal wealth creation and preservation.
INSURANCE Services provided: • Life underwriting • General underwriting • Insurance brokerage	PREMIUM, COMMISSION AND INVESTMENT INCOME	We help customers manage risks by pooling and redistributing these risks for a premium. In addition, income is generated from investing the premiums. We also provide insurance brokerage services for a commission.

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUPS

We have successfully fine-tuned the process of synergy extraction from the companies across our Group. We will continue to maximise such opportunities for revenue extraction and cost reduction inherent in the Group as part of delivering improved overall value to our stakeholders.

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

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

RESTRUCTURING FOR PROFITABLE GROWTH

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

Our business model

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

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

FBN Holdings Plc. has the primary responsibility for setting strategic direction, providing Group-wide oversight and ensuring synergies across the Group. It achieves this through the constitution of a governing board and committees at Group level to optimally align corporate governance and management roles. This has helped ring-fence the commercial banking business from the non-commercial banking businesses, including the associated risks, thereby protecting and preserving shareholder value.

Our business model therefore promotes seamless collaboration among all our businesses and delivers value to the diverse customers in a manner that ensures sustainability. We have made a number of commitments to ensure our business model will deliver sustainable returns. A brief outline of this is as follows:

Leadership and governance

Although these are trying times for the economy, the financial services industry and our Group, we are resolute in our desire and commitment to emerge stronger and more resilient. Despite unfavourable and unstable macroeconomic indices in 2016, the Board stayed true to best corporate governance practices. In line with global best practice and in compliance with corporate governance regulations and codes, the Board discharges its oversight function through the boards of directors of all operating companies within the Group. These distinct boards ensure compliance with the statutory and regulatory requirements of the sectors in which they operate. At the holding company and in the other operating entities, the boards operate through various committees which are constituted in adherence to the various relevant regulations and codes. Our robust framework ensures a good blend of board autonomy and Group coordination at the operating company level.

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

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

Risk management

During the year we revamped our risk management governance and architecture notably in the commercial bank with significant investments in people, policies, processes, and technology toward strengthening the risk and control environment as well as generating sustainable income streams.

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

Effective management of risk requires a robust governance structure in which everyone knows their individual and collective accountabilities for risk management, risk oversight and risk assurance. This is reinforced by appropriate delegation of authority from the Board, which sets the appropriate tone down through the management hierarchy, and is supported by a committee-based structure designed to ensure that the risk management system across the Group is in line with regulations and leading practices. The Board of Directors of the holding company (assisted by the Board Audit and Risk Assessment Committee) provides robust oversight of the Group's risk strategy, approves the Group risk appetite, and reviews the adequacy of the risk management framework and control effectiveness. The Group Risk Stakeholders

Committee comprises the Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) of the business units and the Group Risk Manager. The committee ensures a strong and effective relationship between the risk management function of the business units and the holding company, and enhances the risk coordination process across the Group. We continually modify and enhance our risk management policies and systems to reflect changes in markets, products and international best practices.

Relationships and responsibility

At FBNHoldings, relationships and corporate responsibility and sustainability (CR&S) are intertwined. CR&S involves meeting the needs of our current stakeholders without compromising our ability to meet the needs and aspirations of our future stakeholders. This is about creating long-term stakeholder value by seizing opportunities and managing the associated environmental, social and governance risks. CR&S is not bolted on to our corporate strategy – it is embedded into our business strategy and our daily operations.

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

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

For more information, please visit the FBNHoldings website for the corporate responsibility and sustainability report for the Group.

COMPLAINTS HANDLING

The Group, through its subsidiaries, has identified the achievement of service excellence as an important non-financial priority. Crucial to this is the enrichment of customers' experiences through the proactive management of complaints and issues. All complaints received go through the approved stages of the complaints handling process: acknowledging, assessing, investigating and providing feedback. We respond to requests and enquiries, and resolve complaints 24 hours a day, seven days a week. This is managed through our contact centre and various other channels available to customers, such as emails via our online platform, SMS (text) alerts through the relationship managers, and direct contact with customer service officers in branches. We also ensure customers are aware of our complaints channels by displaying information about them in all our branches and informing our customers of the timeframe within which their complaint will be dealt with. There are also escalation channels for complaints that are not adequately resolved. To further protect customers, the Bank renders customers' complaints to the Central Bank of Nigeria (CBN) on a daily basis and is expected to resolve outstanding issues within defined timelines.

Improved reporting structures are in place to ensure we have a holistic view of all complaints received. As a result, there were more than 286,000 recorded complaints in 2016, compared with around 270,000 in the previous year.

The use of our complaints dashboard has helped to identify recurring and seasonal complaints and their sources, resulting in speedier resolution, while outstanding issues receive the required attention.

FirstBank deployed the customer relationship management (CRM) FirstCustomer solution in 2016 to provide an end-to-end view of the life cycle of customers' complaints, from the initial log-on stage to the point of final resolution. With the implementation of this system, customers now receive periodic updates regarding the resolution of their complaints and are afforded an opportunity to state their satisfaction levels with the timeliness and quality of the resolution.

In adherence to regulatory requirements, all customer complaints are reported monthly to the CBN. FirstBank has also complied with the CBN directive to integrate our internal complaints portal, through which reports are rendered daily, with the Customer Complaints Management System owned and managed by the CBN. In addition, to ensure customers' complaints are properly handled, every customer on the Bank's book has a relationship manager (RM). The RM is the main point of contact for the customer and ensures each account is functioning in accordance with the customer's expectations. As part of the 'Know Your Customer' requirement of verifying the identity of our customers, the RM is expected to review the account with the customer, currently on an annual basis. This process is overseen by the Bank's Compliance department as part of its compliance monitoring programme.

Likewise in our subsidiaries, complaints are logged with the relationship management team. In a bid to achieve effective and efficient turnaround times and contribute to a high level of customer experience, achievement of service excellence – of which complaint handling is a part – remains an important priority across the Group.

Please refer to page 256 for the complaints management policy

Customer complaints received in 2016

Serial no	Description	Number		Amount claimed (₦)		Amount refunded (₦)	
		2016	2015	2016	2015	2016	2015
1	Pending complaints brought forward	**9,026**	9,527	**352,146,882.16**	434,293,529.73	**199,055,568.35**	43,221,238.65
2	Received complaints	**287,309**	270,028	**68,277,756,465.16**	63,401,953,964.70	**4,433,922,697.90**	3,930,348,674.43
3	Resolved complaints	**286,354**	270,529	**68,490,163,623.52**	63,484,100,612.27	**4,433,922,697.90**	3,930,348,674.43
4	Unresolved complaints escalated to CBN for intervention	**0**	0	**0**	0	**0**	0
5	Unresolved complaints pending with the Bank carried forward	**9,981**	9,026	**139,739,723.80**	352,146,882.16	**0**	0

Ethics and compliance

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

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

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

LEADERSHIP AND GOVERNANCE

This section gives a synopsis of the Board's approach to governance for the 2016 financial year. In last year's report, the peculiar challenges faced by the Group, over and above the general macroeconomic difficulties relating to the significant drop in oil prices and its effect on the macroeconomic indices of Nigeria and other emerging economies were acknowledged. The high impairment charges on the loan book in the commercial banking business, which had a negative impact on performance, as well as efforts being made to address these challenges, were comprehensively discussed.

One of the steps taken was the restructuring of the risk management framework and practices, in particular as they relate to credit risk management. To drive the restructuring of the risk framework, an experienced professional was engaged at the Commercial Bank to head the risk function and monitor risk issues.

In addition, delegated lending limits were reduced, with increased Board oversight. The risk appetite and risk management frameworks were reviewed to incorporate desired changes to the risk management practice and management of the loan book, and to strengthen monitoring. The credit monitoring and remedial management function was also strengthened to facilitate proactive credit portfolio management. Furthermore, the Group Enterprise Risk Management (ERM) framework was embedded across the Group to reinforce existing risk management practices.

Governance framework

FBNHoldings' governance framework is in line with global best practices and in compliance with regulations and codes of corporate governance. The Group's oversight functions are discharged through the distinct Boards of Directors of all operating entities within the Group, which also ensure compliance with statutory and regulatory requirements of their respective industries.

At the holding company and in other operating entities, the Boards operate through various committees, which are constituted in adherence to the various codes and regulations. FBNHoldings' robust governance framework ensures there is a good blend of Board autonomy and Group coordination at the operating company level.

Board composition, appointments and succession planning

Effective corporate governance practices are aided by the skills, integrity and experience of individuals on the Board and their commitment to doing business in accordance with global best practices. These principles have guided the Board's appointments. During the year, Muhammad K. Ahmad, OON, resigned from the Board to take up an appointment as Chairman of Skye Bank Plc. Also Cecilia Akintomide, OON and Oluwande Muoyo were appointed to the Board as Independent Non-Executive Directors. The Board's skillset and capacity for fresh ideas have been greatly enriched by these additions. These appointments also align with one of the Board's main focuses, namely to ensure its members possess not only a fine balance of the right technical abilities and business experience, but also the personal qualities required to be effective, dedicated and committed stewards of the Company.

Governance culture

Good governance practices are best initiated and observed in the boardroom. Consequently, there is a conscious effort by the Board to promote good governance, this is demonstrated by setting the right 'tone at the top' as well as the Board's commitment in actions through policy directions. The Board is committed to embedding high governance standards across the Group to ensure it performs well in all its active markets, as this will ultimately result in a higher return on capital and also ensure the sustainability of the Group's businesses.

> *"The two recent appointments of Cecilia Akintomide, OON, and Oluwande Muoyo has improved the Board's gender diversity and increased the percentage of females on the Board to 33%."*

Quality of disclosure/regulatory infractions

The Board places a premium on providing the market with timely and transparent information. To this end, transparency and disclosure guide the preparation of the financial reports, to provide shareholders with sufficient context and guidance for their investment decision process. Through this approach, the Board aims to enhance shareholder value and bring added benefits to business relationships with foreign correspondent banks, multilateral organisations and international investors who require financial statements to make informed decisions about the Group.

Consequently, to ensure effective compliance with all regulatory matters, a fully-fledged compliance department has been set up to monitor compliance with existing regulations and ensure regulatory filings are undertaken before due dates.

Diversity

The Group's corporate culture is undeniably influenced by the Board, brought to life by the management and distilled Group-wide to drive the long-term business model.

Within the Group, there is recognition of the value of diversity in the employee base. Diversity comes from a broad and representative mix of backgrounds and experience, as different perspectives allow the development of new opportunities. Internal initiatives to support diversity and inclusion within the Group are promoted, as it is realised that strategic objectives may only be achieved by building a sound reputation founded on the highest standards of responsible behaviour.

There has also been a remarkable improvement in the Board's gender diversity. Although the overriding principles guiding Board appointments are merit, skill and experience of appointees to deliver the company's strategy, the two recent appointments of Cecilia Akintomide, OON, and Oluwande Muoyo has improved the Board's gender diversity and increased the percentage of females on the Board to 33%, a much-improved position from 2014 when the Board had no female members.

Board committee composition

As part of the Board's targets of ensuring that each Board Committee has the proper balance of skills, experience and perspective, and to ensure an equitable distribution of responsibilities across directors, the various committees of the Board were reconstituted in 2016. This exercise also allowed the Board to benefit from the skills and experience of its two newly appointed Independent Non-Executive Directors.

Shareholder/regulatory engagement

Given the continued interest by current and potential shareholders in the performance of the Group and in line with its engagement strategy, intensive consultations were undertaken with shareholders and regulators in 2016. The management team visited shareholder associations within the country to provide a better understanding of the Group's corporate governance mechanism, strategy, performance and outlook, as well as to receive feedback from shareholders. Enhanced engagement with our shareholders and regulators is an ongoing activity as we widen our outreach.

Similarly, in recognition of the importance of regulatory bodies to the different businesses within the Group, there were high-level engagements with the different regulatory bodies regulating the Group's respective businesses. These engagements will be sustained on an ongoing basis.

Good governance as shareholder enhancement strategy

Given FBNHoldings' status as a member of the Premium Board of the Nigerian Stock Exchange, it is expected that its governance practices will conform to international best practices. The Board is unanimous in its resolve to ensure these standards are met and consistently surpassed. This desire is part of the Board's focal strategy to ensure it is able to execute set strategies effectively and ensure enhancement of shareholder value and the benefit of all our stakeholders.

> *"There is a conscious effort by the Board to promote good governance, this is demonstrated by setting the right 'tone at the top' as well as the Board's commitment in actions through policy directions."*

Leadership and governance

BOARD OF DIRECTORS

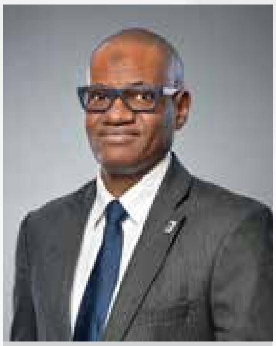
Dr. Oba Otudeko, CFR
Group Chairman

UK Eke, MFR
Group Managing Director
BFIC

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

'Debola Osibogun
Non-Executive Director
BGNC BARAC

Cecilia Akintomide, OON
Independent Non-Executive Director
(Appointed w.e.f. July 2016)
BFIC SAC



Dr. Hamza Wuro Bokki
Non-Executive Director
BGNC BARAC BFIC

Oluwande Muoyo
Independent Non-Executive Director
(Appointed w.e.f. July 2016)
BGNC BARAC

Dr. Adesola Adeduntan
Non-Executive Director

Muhammad K. Ahmad, OON
Non-Executive Director
(Resigned w.e.f July 2016)
BGNC BARAC

Chidi Anya
Non-Executive Director
BGNC BARAC SAC

Omatseyin Ayida
Non-Executive Director
BGNC BARAC

Tijjani Borodo
Company Secretary

Committee Membership Key

BGNC	BARAC	BFIC	SAC
Board Governance and Nominations Committee	Board Audit and Risk Assesment Committee	Board Finance and Investment Committee	Statutory Audit Committee

*w.e.f. - With effect from

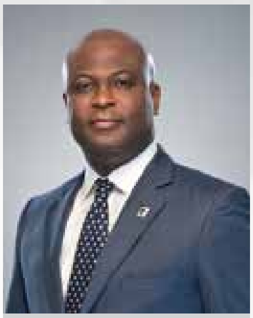
FBNHOLDINGS MANAGEMENT


UK Eke, MFR
Group Managing Director


Tijjani Borodo
Company Secretary


Oyewale Ariyibi
Chief Financial Officer


Folarin Alayande
Head, Strategy and Corporate Development


Tolulope Oluwole
Ag. Head, Investor Relations


Olu Adegbola
Head, Risk Management
(Resigned w.e.f February 2017)

OUR SUBSIDIARIES

COMMERCIAL BANKING


Dr. Adesola Adeduntan
Managing Director,
First Bank of Nigeria Limited and its Subsidiaries

MERCHANT BANKING AND ASSET MANAGEMENT


Kayode Akinkugbe
Managing Director,
FBN Merchant Bank Limited

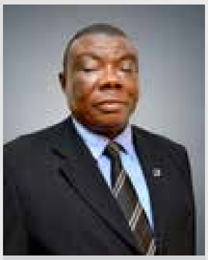
INSURANCE


Valentine Ojumah
Managing Director,
FBN Insurance Limited

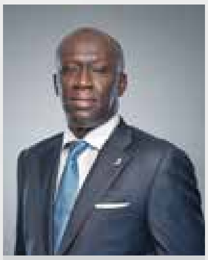

Olumide Ibidapo
Managing Director,
FBN Insurance Brokers Limited
(Appointed w.e.f May 2017)

STATUTORY AUDIT COMMITTEE

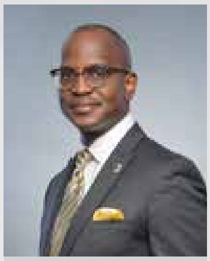

Ayodeji Shonubi
Chairman


Christopher Okereke


Ismail Adamu


Oye Hassan-Odukale, MFR


Cecilia Akintomide, OON


Chidi Anya

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RISK MANAGEMENT

OVERVIEW

Managing risk is a fundamental part of our strategy as a provider of banking and financial services. In order to effectively recognise, classify and contain risks, the Group utilises a comprehensive risk management framework[4]. The framework fosters the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions. It also ensures that we have a consistent approach to risk management across the Group.

Our Enterprise Risk Management (ERM) framework is underpinned by our strong risk culture, together with values and standards that promote accountability for risks at all levels and across the Group. These are instrumental in aligning the behaviour of individuals with the Group's attitude to assuming and managing risk, and helping to ensure that our risk profile remains in line with our risk appetite. While entities within the Group are primarily accountable for the risks they take, the independent risk function provides proactive support and constructive challenges to the businesses to deliver sustainable growth within the Group's risk appetite.

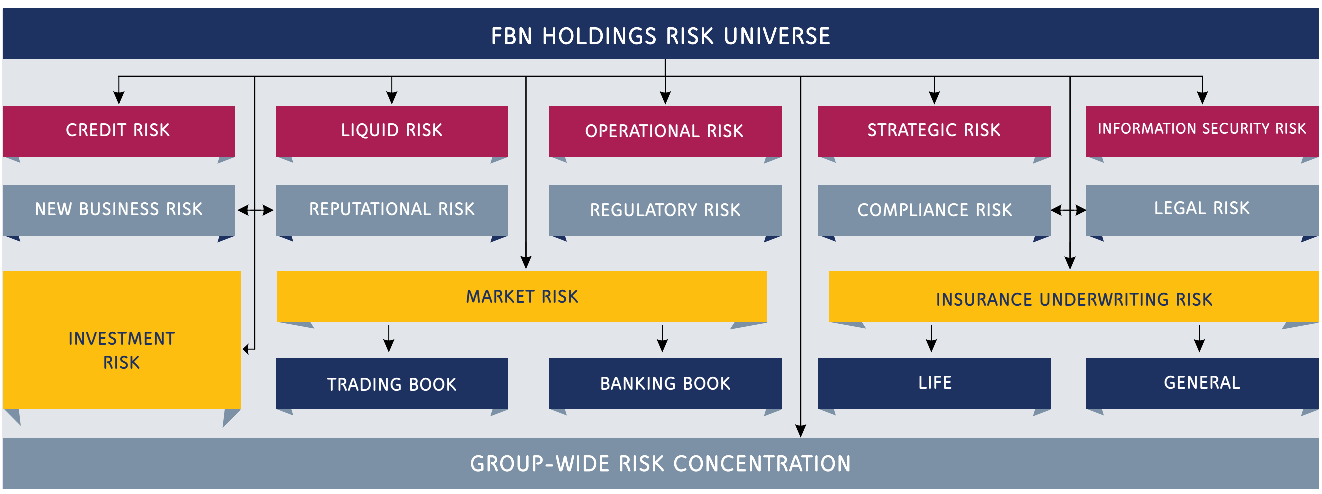
The framework emphasises responsibility, independence, transparency and reporting, and will strengthen our risk management practice. It is reviewed annually, updated and approved by the Board to reflect any changes in the nature of our business and external regulations, law, corporate governance and industry best practice. This helps us to ensure we continue to meet our responsibilities to our customers, shareholders and regulators. In line with provisions for annual review as contained in the framework, FBNHoldings' Risk Management reviewed the framework in 2016 to reflect changes in the Group's structure.

The specific objectives of the framework are to:

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

Enterprise-wide risk

The diversity of our business model exposes the Group to a variety of risks. The table below highlights the key risks:



[4]For more details on the risk management framework, please refer to page 42.

Risk management

Risk governance

The Group adopts the 'three lines of defence' model to underpin its approach to strong risk management. It defines responsibilities for: identifying, assessing, measuring, managing, monitoring and mitigating risks; encouraging collaboration; and enabling efficient coordination of risk and control activities.

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

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

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

How we managed risk in 2016

In order to further strengthen the way we manage risk across the Group, we introduced some initiatives in 2016. This section highlights the various initiatives introduced.

The Group introduced a Large Exposure Policy to curb excessive concentration of exposure to a single obligor or group of connected counterparties, a major source of credit risk. While these exposures to an operating entity within the Group could be within the set Single Obligor Limit (SOL) of the entity, this might not be the case if the same obligor has exposures in other operating entities across the Group. This could expose the entire Group to excessive concentration to such an obligor or Group of connected counterparties if adequate measures are not in place to monitor and control the exposure.

A Credit and Sanction Policy was also developed, to guide operating lending entities within the FBNHoldings Group to develop sanctions for all credit-related offences. It is aimed at ensuring consistency in the approach taken by these entities when handling credit-related offences and sanctions.

In December 2016, we reviewed the existing Enterprise Risk Management (ERM) Framework to reflect changes in the Group's structure. All these policies and frameworks are currently being embedded across the Group and will significantly strengthen risk management practice.

The Group Risk Stakeholders Committee (GRSC) met regularly throughout 2016 and was actively involved in the review of the proposed Large Exposure Policy, Credit and Sanction Policy and the ERM framework, as well as putting in place measures towards managing emerging risks across the Group. The Committee's activity has consistently reinforced the Group's strong risk culture.

Looking ahead

Our risk management priorities in 2017 are to:

- strengthen and revitalise a strong risk culture and consciousness across the Group through the Group Risk Stakeholders Committee(GRSC);
- further enforce and implement risk policies through consistent monitoring by the risk functions in the subsidiaries and the holding company;
- continue to embed the management of emerging risks in the Group's risk management process; and
- ensure appropriate responses to all regulatory issues, and maintain a firm approach to regulatory compliance across the Group.

Risk Factors Overview

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

CREDIT RISKS

Credit risk

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

- Default/counterparty risk
- Performance risk
- Payment risk
- Diversion risk
- Managerial risk

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Portfolio limit risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

Adherence to portfolio limits and regulatory requirements.

RESPONSIBILITY

Strategic Business Units, Risk Management and Chief Risk Officer.

MARKET AND LIQUIDITY RISKS

Interest rate risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Risk management

Foreign exchange risk

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

- Credit risk
- Interest rate risk
- Country risk
- Settlement risk (time zone)

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Investment risk

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

POTENTIAL IMPACTS ON BUSINESS

Could lead to diminution in the value of investments.

MITIGATING MEASURES

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

Counterparty risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Liquidity risk

- Funding liquidity
- Trading liquidity

POTENTIAL IMPACTS ON BUSINESS

Could lead to insolvency and eventual reputational risk.

MITIGATING MEASURES

- Efficient Asset and Liability Committee that oversees liquidity management
- Diversified sources of funding
- Contingent funding plan
- Effective cash flow planning.

RESPONSIBILITY

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

Risk management

OPERATIONAL RISKS

People risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

Operations risk

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

Examples include:

- Transaction capture, execution and maintenance errors or failures;
- Failures in the customer intake and documentation process;
- Failed mandatory reporting obligations;
- Limit breach due to inadequate internal processes;
- Inadequate reconciliation processes; and
- Manual-intensive processes.

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

- A Comprehensive Control Administrative and Accounting Procedure (CAAP) manual put in place to guide operational activities and processes of the Group
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of the Group
- The introduction of a self-assessment programme to allow process owners to identify control weaknesses with a view to taking proactive remedial action
- Putting in place robust business continuity planning and disaster recovery programmes
- Automation and re- engineering of our processes
- Stepping up operational risk awareness training and programmes.

Risk management

Operational risks continued

System or technology risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

The Group has:

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

External events and third-party risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

- Hedging against external events with adequate insurance cover
- A robust business continuity management system that has passed the ISO22301 certification to improve the Group's resilience
- Regular monitoring and review of all outsourcing arrangements in the Group
- Strict adherence to the Group's outsourcing policy
- Enforcement of SLA and sanctions for breach of contracts
- Real-time reporting of high-risk incidents or exposure
- A Physical Security and Personal and Business Protection Policy to mitigate internal and external threats.

Regulatory and compliance risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

Risk management

INFORMATION SECURITY RISKS

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

POTENTIAL IMPACTS ON BUSINESS

Information assets are critical to Group's operations and crucial to the effective and efficient delivery of service by the Group to its customers. Disruptions to these assets could have dire consequences for the Group.

MITIGATING MEASURES

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

RESPONSIBILITY

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

LEGAL RISKS

Litigation and adverse claims

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Asset security cover risk

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Legal risks continued

Contractual performance risk

POTENTIAL IMPACTS ON BUSINESS

Increase in litigations, increased expenses/financial loss, strained relationships with service providers and customers, and negative reputational exposures. Agreements and nimble efficient preparation as well as deft review of contracts/agreements.

MITIGATING MEASURES

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

RESPONSIBILITY

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

COMPLIANCE RISKS

Regulatory risk

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

Reputational risk

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

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

Risk management

Compliance risks continued

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

INSURANCE RISK

Insurance Risk

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

Insurance risk consists of:

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

Strategic business units, Risk Management anf Chief Risk Officer.

GOVERNANCE

There is a conscious effort by the Board to promote good governance, this is demonstrated by setting the right 'tone at the top' as well as the Board's commitment in actions through policy directions.

BOARD OF DIRECTORS

From left to right: **Tijjani Borodo (Company Secretary), 'Debola Osibogun, Dr. Hamza Wuro Bokki, Cecilia Akintomide, OON, Dr Adesola Adeduntan, Dr Oba Otudeko, CFR, (Group Chairman)**
From right to left: **Oye Hassan-Odukale, MFR, Omatseyin Ayida, Chidi Anya, Oluwande Muoyo, UK Eke, MFR, (Group Managing Director).**

APPOINTMENT PHILOSOPHY

Our appointment philosophy is guided by relevant regulatory guidelines and laws. Skill gaps and deficiencies are taken into consideration in appointing Directors to the Board. They are selected based on their skills, competencies and experience over the years. The process of selection and appointment is transparent. Usually, a pool of candidates is identified and considered for appointment by the Board Governance and Nominations Committee. Thereafter, recommendations on candidates' suitability are made to the full Board, which then makes a decision on the appointment of the candidate subject to the approval of Central Bank of Nigeria (CBN) and the ratification of shareholders at a general meeting.

Changes to Board composition

During the year, there was one resignation from and two appointments to the Board.

Muhammad K. Ahmad, OON, a seasoned professional and business administrator, resigned from the Board to take up a CBN-sanctioned appointment as Chairman, Skye Bank Plc. Subject to your ratification, we effected the appointment to the Board of Oluwande Muoyo and Cecilia Akintomide, OON, as Independent Non-Executive Directors. Both appointees have brought significant, diverse public and private sector experience to the Board. Their detailed profiles are contained in this report on pages 52-54.

With several years' experience acquired in both the public and private sectors, the new Independent Non-Executive Directors enhance the Board's gender diversity and add to the Board's combined years of financial industry expertise and experience.

Induction process

In line with best practices, an induction programme was conducted for new members of the Board in October 2016. The programme took newly appointed Directors through FBNHoldings' operational processes and the expected duties and responsibilities.

Board composition

The FBNHoldings Board is a considered blend of experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure that new ideas and experience are added to its decision-making process. The Board is currently composed of ten directors, comprising nine Non-Executive Directors and one Executive Director, who is also the Group Managing Director (GMD). This is in line with international best practice of having more Non-Executive Directors than executives. With 90% of the Board's composition independent of the Company's management, the FBNHoldings' Board is well positioned to be independent of Management's influence in upholding its supervisory role over the management team of the Group. It is also structured to ensure that stakeholders' interests are protected and shareholder value enhanced.

Below are the profiles of members of the Board:

Board of Directors

Dr Oba Otudeko, CFR
Group Chairman

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

Oye Hassan-Odukale, MFR
Non-Executive Director

Oye Hassan-Odukale, MFR, is a pioneer Director on the Board of FBN Holdings Plc. He holds Bachelor's and Master's degrees in Business Administration from the University of Houston, and, since 1994, has held the position of Managing Director/CEO of Leadway Assurance Company Limited, a leading underwriting firm in Nigeria. His appointment was preceded by over 16 years experience in insurance brokerage, underwriting, investments and general management.

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

'Debola Osibogun
Non-Executive Director

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She brings to the Board 32 years of extensive financial services experience, covering real estate financing, trusteeship, retail savings and loans at various institutions. She holds a Master of Science degree in Banking and Finance and a Bachelor of Education degree in Economics, both from the prestigious University of Ibadan. A Fellow and past President of the Chartered Institute of Bankers of Nigeria, she is also Fellow of the Chartered Institute of Taxation of Nigeria and the Nigerian Institute of Management. Currently the Managing Director of Davidfinn Global Concept Limited, 'Debola has had an illustrious financial services career, serving meritoriously at Co-operative Bank Plc, COOP Savings & Loans Limited, Skye Bank Plc and Skye Trustees Limited, where she rose to become the Managing Director. She also served as the Managing Director of COOP Savings and Loans Limited and Non-Executive Director of FBN Mortgages Limited. She was the National President of the Mortgage Bankers Association of Nigeria. An astute researcher and writer, she has published several articles and papers on primary mortgage institutions and creation of mortgages. At the National level, she has served as a member of the Presidential Committee on Housing and Urban Development, the Presidential Committee on Mortgage Finance and as executive member of the Nigerian Real Estate Developers Association. She is happily married with children and enjoys playing basketball, polo and golf.

Chidi Anya
Non-Executive Director

Chidi Anya joined the Board in 2013. He has 26 years' post-call experience within the Nigerian legal system and is the Managing Partner of Channings Law Firm, established in 1997. He provides leadership and strategic direction for the firm, and has for many years been recognised by his clients and peers as a leading commercial and corporate law specialist. His pupillage was with LN Mbanefo SAN, followed by periods as an Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria, prior to founding his firm.

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

Cecilia Akintomide, OON
Independent Non-Executive Director

Cecilia Akintomide, OON, joined the Board of FBN Holdings Plc. in July 2016 and brings considerable executive-level management experience. She was, until recently, Vice President and Secretary General of the African Development Bank, where she was responsible for managing the secretariat as well as shareholder relations involving 80 member states. She was also responsible for the work programmes of the Boards of Governors and Directors, and the institution's diplomatic relations. In addition, she was a member of the senior management coordination and operations committees and chaired the committee for the preparation of the annual meetings. Prior to this, Cecilia headed the public and private sector financing legal services team, covering projects across the whole of Africa, and also served as Chief Counsel Institutional Affairs, as well as Finance Counsel.

Board of Directors

Cecilia brings to the Board of FBN Holdings Plc her wealth of management experience, particularly from an international financial institution, and her legal experience spanning more than 30 years since her call to bar. She has particular expertise in corporate governance, institutional affairs, business reorganisations and financing. She has practised law in different jurisdictions, including as a business reorganisation associate in the law firm of Weil, Gotshal & Manges in New York, and as a junior associate at O. Thomas & Co., Lagos. She was a member of the United Nations election monitoring team for the 1994 presidential election in South Africa, which was won by Nelson Mandela. In 2014, Cecilia was awarded the honour Officer of the Order of the Niger (OON) by the Government of the Federal Republic of Nigeria for her meritorious contributions in the field of international development. Cecilia is experienced in working and leading in a multicultural and bilingual environment and is a frequent speaker at international events on law, development and gender. She is a member of the Nigerian Bar and the New York Bar. She is an accomplished swimmer, and a deaconess as well as a member of the church choir.

Oluwande Muoyo
Independent Non-Executive Director

Oluwande Muoyo joined the Board of FBN Holdings Plc. in July 2016. She brings to the Board over 30 years' post-professional qualification experience in the private and public sectors, with key strengths in policy formulation, relationship management and business development. Oluwande holds a BSc degree in Accounting from the University of Lagos. She is a Chartered Accountant and banker and the immediate past Honourable Commissioner for Budget and Planning in Ogun State. Prior to this appointment, she had worked with Stanbic IBTC for over 22 years, in various parts of the bank, including financial control, treasury and financial services, trade finance and corporate banking.

Oluwande started her professional career with the international firm PricewaterhouseCoopers. A Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria, Oluwande has acquired competencies and skills in public financial management, banking, budgeting, planning, auditing and taxation. She sits on the Governing Board of the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), which is a member of CGIAR (formerly known as the Consortium Group of Institutes of Agricultural Research). Oluwande has attended many training programmes including Strategic Marketing Management at Harvard Business School and Advanced Management Programme at Lagos Business School. She is happily married with children and enjoys walking, cycling and playing golf.

Omatseyin Ayida
Non-Executive Director

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

Dr Hamza Wuro Bokki
Non-Executive Director

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

Board of Directors

UK Eke, MFR
Group Managing Director

Urum Kalu (UK) Eke, MFR, assumed office as Group Managing Director, FBN Holdings Plc on January 1, 2016. He joined the Board of First Bank of Nigeria Limited in 2011 as an Executive Director, Public Sector South, and until his appointment as Group Managing Director (GMD) of FBNHoldings, was Executive Director, South at FirstBank. He is a seasoned banker with deep financial services experience spanning diverse areas including risk management, consulting, taxation, process engineering, capital market operations and business assurance. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a Senior Audit Consultant. He later joined Diamond Bank Plc, where he worked for 19 years and became Executive Director, Regional Businesses, Lagos & West.

UK has over 31 years' professional experience. He brings his wealth of knowledge to the Boards of several institutions where he serves as Non-Executive Director, including FBNBank (UK) Limited, First Pension Custodian Limited and the Financial Institutions Training Centre (FITC). He holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri.

He is a philanthropist and respected business administrator, and a Paul Harris Fellow of the Rotary Club International, a Fellow of the Institute of Management Consultants and a Fellow of the Institute of Chartered Accountants of Nigeria. He is a recipient of the national honours of the Member of the Order of the Federal Republic (MFR). He is happily married with children.

Dr Adesola Adeduntan
Non-Executive Director

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

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

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

Tijjani Borodo
Company Secretary

Tijjani Borodo was appointed pioneer Company Secretary, FBN Holdings Plc in September 2012. Before this appointment, he was the Company Secretary for First Bank of Nigeria Limited (FirstBank). His career at FirstBank spans over 27 years and he has occupied various managerial positions within the Bank. He was in charge of the Bank's Secretariat, as well as being the Secretary to the Board of Directors and Annual General Meeting for 15 years. Before joining FirstBank, he served with the Ministry of Justice, Kano State, where he held the position of Director, Public Prosecutions. Tijjani brings his wealth of experience to bear on the Board of FBN Holdings Plc.

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

Board of Directors

ATTENDANCE AT BOARD MEETINGS

The Group's Board met eight times in 2016. The record of attendance at meetings is provided below:

Name	Jan 25	Apr 4	Apr 19	May 25	Jul 19	Oct 21	Nov 3	Dec 15
Dr. Oba Otudeko, CFR	✓	✓	✓	✓	✓	✓	✓	✓
UK Eke, MFR	✓	✓	✓	✓	✓	✓	✓	✓
Oye Hassan-Odukale, MFR	✓	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	★	✓	✓	✓	✓	✓
'Debola Osibogun	✓	✓	★	✓	✓	✓	✓	✓
Muhammad K. Ahmad, OON	✓	✓	✓	✓	Resigned			
Oluwande Muoyo	Not yet appointed					✓	✓	✓
Cecilia Akintomide, OON	Not yet appointed					✓	✓	✓

★ Participated via conference call

BOARD COMMITTEE REPORTS

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

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

FBNHoldings has in place the following constituted Board Committees:

'Debola Osibogun

Chairman, Board Governance and Nominations Committee

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE (BGNC)

MEMBERSHIP

For the 2016 financial year, the members of the committee and attendance at meetings were as follows;

- 'Debola Osibogun
- Omatseyin Ayida
- Chidi Anya
- Dr. Hamza Wuro Bokki
- Oluwande Muoyo
- Muhammad K. Ahmad, OON

Attendance at the Board Governance and Nominations Committee Meetings 2016

Name	4 Apr	19 Apr	25 May	19 Jul	21 Sep	20 Oct	3 Nov	15 Dec
'Debola Osibogun	Not yet a member		✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	★	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	No more a member	
Dr Hamza Wuro Bokki	Not yet a member						✓	✓
Oluwande Muoyo	Not yet a member						✓	✓
Muhammad K. Ahmad, OON	Not yet a member		✓	Resigned from the Board				

★ Participated via conference call

KEY RESPONSIBILITIES

The responsibilities of the Committee are to:

- develop and maintain an appropriate corporate governance framework for the Group, ensuring compliance with the SEC Code of Corporate Governance, other regulatory requirements and global best practices on corporate governance;
- review and approve the corporate governance disclosures to be included in the annual report;
- oversee Board performance and evaluation within the Group;
- nominate independent consultants to conduct an annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders;

Board and committee structure

- evaluate the performance of the Board Committees and Boards of subsidiary companies on an annual basis and ratify the performance appraisals of the Executive Directors as presented by the Group Managing Director (GMD). The Committee can utilise the service of the independent consultant approved by the Board for the annual Board appraisal as it deems fit. The evaluation process will be in line with the Group's Evaluation Policy;

- ensure the performance evaluation of the GMD is performed by the Board on an annual basis and formal feedback provided to the GMD;

- at the request of the Board, identify individuals for consideration for Board appointment and present to the Board for ratification;

- recommend potential re-election of directors (including the GMD) to the Board, in line with FBNHoldings' approved director selection criteria;

- ensure the Board composition includes at least two Independent Non-Executive Directors who meet the independence criteria as defined by the CBN;

- ensure adequate succession planning for the Board of Directors and key management staff across the Group;

- recommend candidates for directorship positions in subsidiary companies to the Board for endorsement;

- develop and maintain an appropriate policy on remuneration of directors, both Executive and Non-Executive, and make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification;

- ensure proper disclosure of directors' remuneration to stakeholders;

- review and make recommendations to the Board on all retirement and termination payment plans to the Executive Directors; and

- perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board.

Oluwande Muoyo
Chairman, Board Audit and Risk Assessment Committee

BOARD AUDIT AND RISK ASSESSMENT COMMITTEE (BARAC)

MEMBERSHIP

For the 2016 financial year, the members of the committee and attendance at meetings were as follows;

- Oluwande Muoyo
- 'Debola Osibogun
- Omatseyin Ayida
- Chidi Anya
- Dr Hamza Wuro Bokki
- Muhammad K. Ahmad, OON

Attendance at the Board Audit and Risk Assesment Committee Meetings 2016

Name	1 Mar	4 Apr	12 Apr	19 May	14 Jul	7 Oct	21 Oct	12 Dec
Oluwande Muoyo	Not yet a member							✓
'Debola Osibogun	✓	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	Not yet a member			✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	No more a member				
Muhammad K. Ahmad, OON	Not yet a member			✓	Resigned from the Board			

ROLE AND FOCUS

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

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

KEY RESPONSIBILITIES

Among the responsibilities of the Committee are to:

- ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Group;
- evaluate the Group's risk profile and the action plans in place to manage the risk;
- ensure the development of a comprehensive internal control framework for the Group;

Board and committee structure

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

Oye Hassan-Odukale, MFR
Chairman, Board Finance and Investment Committee

BOARD FINANCE AND INVESTMENT COMMITTEE (BFIC)

MEMBERSHIP

For the 2016 financial year, the members of the committee and attendance at meetings were as follows;

- Oye Hassan-Odukale, MFR
- UK Eke, MFR
- Cecilia Akintomide, OON
- Dr Hamza Wuro Bokki

Attendance at the Board Finance and Investment Committee Meetings 2016

Name	25 Jan	18 Jul	28 Sep	5 Oct	2 Nov	2 Dec	12 Dec
Oye Hassan-Odukale, MFR	✓	✓	✓	✓	✓	✓	✓
UK Eke, MFR	✓	✓	✓	★★★	✓	✓	✓
Cecilia Akintomide, OON	Not yet a member				✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	★	✓

★ Participated via conference call ★★★ Away on official assignment

ROLE AND FOCUS

The purpose of this Committee is to provide:

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

KEY RESPONSIBILITIES

Some of the responsibilities of the Committee are to:

- understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Group's strategy;
- participate in an annual strategy retreat for the Board and Management, ensuring that the Board retains sufficient knowledge of the Group's business and the industries in which it operates in order to provide strategic input and identify any critical strategic discontinuities in management's assumptions and planning premises;
- critically evaluate and make recommendations to the Board for approval of the Group's business strategy, at least annually;

Board and committee structure

- periodically engage Management on informal dialogue and act as a sounding board on strategic issues;
- regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investments portfolios;
- oversee the Group's investment planning, execution and monitoring process;
- oversee the long-term financing options for the Group;
- review the Group's financial projections, as well as capital and operating budgets, and review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections;
- review and recommend for Board approval the Group's capital structure, which should not be limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure;
- recommend for Board approval the Group's Dividend Policy, including nature and timing; and
- ensure that an effective Tax Policy is implemented.

UK Eke, MFR

Chairman, Group Executive Committee

GROUP EXECUTIVE COMMITTEE (GEC)

The GEC usually invites to its meetings any attendee, as may be required, and meets quarterly, or as required. The Committee met six times in 2016.

MEMBERSHIP

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

- MD/CEO, First Bank of Nigeria Limited and Subsidiaries;
- MD/CEO, FBN Merchant Bank Limited;
- MD, FBN Capital Limited;
- MD/CEO, FBN Insurance Limited;
- MD/CEO, FBN General Insurance Limited;
- MD/CEO, FBN Insurance Brokers Limited;
- Company Secretary, FBNHoldings;
- Chief Financial Officer, FBNHoldings;
- Chief Risk Officer, FirstBank; and
- Chief Financial Officer, FirstBank.

ROLE AND FOCUS

The role of this Committee is:

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

KEY RESPONSIBILITIES

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

Ayodeji Shonubi
Chairman, Statutory Audit Committee

STATUTORY AUDIT COMMITTEE (SAC)

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

Statutory Audit Committee: Shareholder representative profiles

Ayodeji Shonubi
Chairman, Statutory Audit Committee

Ayodeji Shonubi has experience in auditing and accountancy services, management consultancy, investigation, tax consultancy, financial and general management. He is a Fellow of the Institute of Chartered Accountants of Nigeria, the Association of Chartered Certified Accountants and the Chartered Institute of Taxation of Nigeria. He attended Huddersfield Polytechnic, England and the University of Strathclyde, Glasgow, Scotland. He also holds a Postgraduate Diploma in Financial Studies. He had over three decades experience in auditing, banking and finance garnered with Price Waterhouse & Co, Peat Marwick Ani Ogunde &Co, Federal Mortgage Bank of Nigeria and Frontline Savings and Mortgage Limited. He is currently the Principal Partner of Ayo Shonubi & Co, a firm of Chartered Accountants. He served as a member of Audit Committee of some blue-chip companies as well as council committees of the Institute of Chartered Accountants of Nigeria and Chartered Institute of Taxation of Nigeria. He is happily married with children.

Ismail Adamu
Member, Audit Committee

Ismail Adamu was appointed member of the Audit Committee in May, 2016. A Fellow of the Chartered Institute of Credit Administration and an Honorary Senior Member of the Chartered Institute of Bankers, Ismail holds a Master's degree in Banking and Finance from Bayero University Kano. He has over 32 years' banking experience which cuts across Banking Operation, Credit Administration, Mortgage Banking, Business Development, Management, Finance and Investment. While in the banking service, he held several positions including pioneer Bank Manager, Guyuk Branch, Adamawa, Branch Manager, Murtala Mohammed Way Branch, Kano and Relationship Manager, Corporate Banking Group, Union Bank Plc. He is skilled in general banking practices and internal control and internal audit. He is the Executive Director of Adona Property Support Services Ltd. Ismail is a purposeful and result-oriented leader with excellent interpersonal skills and good professional ethical conduct. He is happily married with children and enjoys music and football.

Christopher Okereke
Member, Audit Committee

Christopher ('Chris') Okereke was appointed member of the Audit Committee in May, 2016. Chris has over 17 years' experience with the Securities & Exchange Commission where he initiated and extensively contributed to policy formulation for the Regulation of the Nigerian Capital Market and also initiated and collaborated with others in developing and implementing the strategic and structural agenda for the Commission. He spent about 12 years as Audit Manager, Chief Accountant/Company Secretary, Finance Controller and Senior Auditor in different investment and auditing companies He was also a lecturer at the Federal Polytechnic, Unwana – Afikpo. He was Honourable Commissioner, Economic Empowerment & Poverty Reduction, Ebonyi State from 2007 to 2009. He is a member of several committees including Technical Committee of National Council on Privatization and Committee on Guidelines for Universal Banking in Nigeria. Chris holds a Doctor of Philosophy degree in Economics from the University of Lagos, a Fellow of the Institute of Chartered Accountants of Nigeria; an Associate Member of the Institute of Chartered Stockbrokers and a Member of American Economics Society. Chris is a Principal Partner at Onyejekwe Okereke & Co and Director, KST Investment & Financial Services Ltd. He is happily married with children and enjoys reading and playing golf.

Financial literacy on the Statutory Audit Committee

All the shareholder representatives on the SAC are financially literate and knowledgeable in internal control processes, as may be gleaned from their educational qualifications detailed below. The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Nigeria. The other members are Non-Executive Directors with extensive board experience.

Summary of educational qualifications of Statutory Audit Committee members

Name	Role	Status	Educational qualification
Ayodeji Shonubi	Chairman	Shareholder representative	FCA , FCCA, FCIT
Ismail Adamu	Member	Shareholder representative	FCICA, MSc Banking & Finance, HND (Banking & Finance)
Christopher Okereke	Member	Shareholder representative	FCA, Mni, MSC (Econs), PhD (Econs)
Oye Hassan-Odukale, MFR	Member	Non-Executive Director	MBA-Fi, BBA, BSc (Bus Admin)
Chidi Anya	Member	Non-Executive Director	MILD, BL, LLB
Cecilia Akintomide, OON	Member	Independent Non-Executive Director	LLM, BL, LLB

Independence of the Statutory Audit Committee

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

No Executive Director sits on the SAC. Of the six members of the Committee as required by statute, three are shareholder representatives including the Chairman. The shareholder representatives are independent and answerable to the shareholders.

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

Tenure

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

ROLE AND FOCUS

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

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

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

The SAC was established in accordance with the Companies and Allied Matters Act (CAMA); listed below are details of the SAC, including the auditors. The record of SAC attendance for 2016 is provided below:

Attendance at Statutory Audit Committee (SAC) meetings

Name	4 Apr	23 May	28 Sep
Job Onwughara	✓	✓	Not re-elected
Abubakar Yahyah	✓	✓	Not re-elected
Ayodeji Shonubi	✓	✓	✓
Ismail Adamu	Not yet elected	Not yet elected	✓
Christopher Okereke	Not yet elected	Not yet elected	✓
Oye Hassan-Odukale, MFR	✓	✓	✓
Chidi Anya	✓	✓	✓
Cecilia Akintomide, OON***	Not yet appointed	Not yet appointed	Not yet appointed
Dr Hamza Wuro Bokki	Not yet appointed	Not yet appointed	✓

*** Cecilia Akintomide, OON, was appointed after the last meeting of the Committee for the year that held in September, 2016

Board and committee structure

Going concern

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

External auditors

The external auditors for the 2016 financial year were Messrs PricewaterhouseCoopers (PwC).

Section 33 of the Securities and Exchange Commission Code of corporate governance regulates the rotation of external auditors and provides that in order to safeguard the integrity of the external audit process and guarantee the independence of the external auditors, companies should rotate both the audit firms and audit partners. It further provided that companies should require external audit firms to rotate audit partners assigned to undertake external audit of the company from time to time. Audit personnel should be regularly changed without compromising the continuity of the external audit process.

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

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

FBNHoldings is in full compliance with the Code, as its external auditors were appointed as sole auditors starting from the 2014 financial year and hence have been retained for two years.

2016 audit fees

The audit fee paid to the external auditors for the 2016 FBNHoldings statutory audit was ₦25million.

Prohibition of insider dealings

In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, we have put in place structures to ensure compliance accordingly and communicate closed periods both to insiders and to the Nigerian Stock Exchange. The Company Secretary provides notification to the directors and other insiders directly, and further ensures compliance by instructing the Registrars to ensure that, within this period, Directors, persons discharging managerial responsibility, advisers and other persons with access to insider information or their connected persons are not allowed to deal in the securities of FBNHoldings.

Our approach to risk management and compliance

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

The elevated loan loss provision recorded in the current year has resulted in the need to improve our risk management practices, in particular as they relate to credit risk management. The credit monitoring and remedial management function are being strengthened for proactive credit portfolio management. Furthermore, during the year, the Group Enterprise Risk Management (ERM) framework was approved and is being embedded across the Group. This will significantly strengthen our risk management practices.

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

Succession planning

The Board Governance and Nominations Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and at executive management level, deemed important to the achievement of the Company's business objectives and strategies, and which have a significant impact on the Group's operations. These critical positions include:

- Board Chairman
- Non-Executive Directors
- Executive Management
- Subsidiary Managing Directors
- Subsidiary Board Chairmen

Board and committee structure

Thereafter, the Committee shall define the competency requirements for the key positions. The competency requirements provide a blueprint of what is required to succeed in each position, and include the required knowledge, skills and attitudes, as well as ethics, values and code of conduct. The competency requirements are identified and defined in line with the Group's future needs and strategic objectives, and provide the basis to assess potential successors for the identified key positions and to identify skills gaps and developmental needs.

In conclusion, the Committee identifies a talent pool, following which the Committee determines the skills and competency gaps as well as the developmental needs of the Board.

For the Chairman's position, the incumbent will articulate the developmental needs of each individual Non-Executive Director on the Board in order to develop a plan to bridge that gap and position towards potential successors.

For Non-Executive Directors, the Board Governance and Nominations Committee will periodically undertake a careful analysis of the existing Board's strengths and weaknesses, skills and experience gaps based on the exit of directors from the Board and current deficiencies, while noting the Company's long-term business strategy and future plans. Based on this assessment, the Board Governance and Nominations Committee shall define the skills and competency profile that reflects the need of the Board.

In the case of executive management positions, the Board Governance and Nominations Committee in conjunction with the GMD shall note and review the skills gaps of possible successors against expected competency requirements.

Statement of compliance with the Nigerian Stock Exchange (NSE) listing rules on Securities Trading Policy

In line with Section 14.4 of the Nigerian Stock Exchange (NSE) Amendments to the Listing Rules (Rules), we wish to state that we have adopted a code of conduct regarding securities transactions by our directors and it is in line with the required standard set out in the Rules.

The FBNHoldings Securities Trading Policy (Policy) is embedded in the Board-approved Group Disclosure Policy, and having made specific enquiry of all our directors regarding compliance with the Policy, we hereby confirm to the best of our knowledge that our Board of Directors are in compliance with our Securities Trading Policy and the provisions of the Rules on Securities Trading.

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Dr Oba Otudeko, CFR
Group Chairman

____
Tijjani Borodo
Company Secretary

Statement of compliance with the Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC)'s Codes of Corporate Governance

In compliance with Section 4.2 of the Listings Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the CBN and SEC Codes of Corporate Governance (Code) governs the operations of FBN Holdings Plc.

We hereby confirm that to the best of our knowledge we are in compliance with the Codes.

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Dr Oba Otudeko, CFR
Group Chairman

____
Tijjani Borodo
Company Secretary

OUR CORPORATE RESPONSIBILITY AND SUSTAINABILITY APPROACH

Corporate responsibility and sustainability (CR&S) involves meeting the needs of our stakeholders now and in the future. It goes beyond financing economic activity in a responsible way to ensuring an inclusive, positive impact on our communities. It is about creating long-term stakeholder value by adopting the opportunities and managing the associated environmental, social and governance risks.

CR&S is not bolted on to our corporate strategy. It is embedded into our business strategy and our daily operations. Our CR&S approach is three-pronged: citizenship, stakeholder management and impact management. Citizenship and stakeholder management involve putting into consideration the needs of stakeholders in making decisions, while impact management is basically about minimising our negative impacts and increasing our positive impacts on society.

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

Driving sustainable finance and investments - We constantly seek ways of providing products and services to meet our customers needs while ensuring that we manage our environmental, social and governance impacts in the process; thus, contributing to overall sustainable growth and development.

Empowering people - we are committed to growing our people; providing opportunities and a supportive environment and culture for personal development.

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

Contributing to environmental sustainability - we are committed to avoiding or at least, minimising environmental impacts beyond our responsible lending efforts.

While these highlighted core areas are significant elements of our Group CR&S, we have highlighted in details in this report programmes under our Community Support platform.

SUPPORTING OUR COMMUNITIES

Our commitment to our host communities forms the core of our corporate responsibility and sustainability efforts. To deliver long-lasting impact, we have structured this work around four key priorities: education, health and welfare, economic empowerment and the environment. These are further subdivided into a series of programmes which are listed and explained below:

- FutureFirst;
- Educational Endowment;
- Youth Leadership and Development;
- Infrastructure development;
- Hope Rising Initiative; and
- Employee Giving and Volunteering.

FUTUREFIRST PROGRAMME

In keeping with the Bank's aim to promote financial inclusion, we developed the FutureFirst initiative. FutureFirst is a financial literacy and career counselling programme designed to empower secondary school students.

Key objectives include helping students to:

- gain the tools and knowledge to make effective and informed financial management decisions and achieve long-term financial independence;
- better understand how businesses are organised and operated;
- develop critical thinking, speaking and leadership skills and be able to demonstrate the rewards of the free enterprise system; and
- make the right career choices.

A total of 15,000 secondary school students have been reached so far, with over 43,000 volunteering hours expended.

The Bank also engaged hundreds of secondary school students through events for Financial Literacy Day and World Savings Day, as well as a financial literacy event at Meadow Hall School in Lekki.

Gboyega Fatoki, Former, Executive Director, FBN Merchant Bank speaking to some residence of the Ikoyi/Obalende LGA; at the Pick A Litter handover ceremony

Our corporate responsibility and sustainability approach

EDUCATIONAL ENDOWMENT PROGRAMME

Empowering young people and stakeholders through education. Our Educational Endowment programme was instituted as far back as 1994.

The programme's key objectives include:

- to enhance overall academic excellence through research;
- to complement the Federal Government's efforts in the development and advancement of tertiary education in Nigeria;
- to strengthen the Bank's strategic approach to corporate responsibility and sustainability through its community support work; and
- to contribute to the building and reinforcement of FirstBank's brand value proposition.

The programme is driven by a number of universities, each of which has a professorial chair endowed by FirstBank. We also provide an:

- annual research grant;
- annual public presentation of research findings; and
- annual award for the three best graduating students in the particular field of focus.

The fund currently supports the following professorial chairs:

1. Professorial Chair in Business Ethics, University of Lagos
2. Professorial Chair in Computer Science, Federal University of Technology, Akure
3. Professorial Chair in Department of Petroleum Engineering, University of Uyo
4. Professorial Chair in Agronomy, Federal University of Agriculture, Makurdi
5. Professorial Chair in Paediatrics, Bayero University, Kano
6. Professorial Chair in Banking and Finance, Nnamdi Azikiwe University, Awka
7. Professorial Chair in Veterinary Medicine, Uthman Dan Fodio University, Sokoto
8. Professorial Chair in Chemical Engineering, Abubakar Tafawa Balewa University, Bauchi
9. Professorial Chair in Water Resources Engineering, University of Maiduguri
10. Professorial Chair in Mechanical Engineering, University of Benin

YOUTH LEADERSHIP AND DEVELOPMENT PROGRAMME

Delivered in partnership with Junior Achievement Nigeria (JAN), Leadership Effectiveness Accountability and Professionalism (LEAP) Africa; the Youth Leadership and Development programme has been designed by the Bank to support young people between the ages of 14 and 35. The programme's key objectives are:

- to provide a platform for young people to gain a deeper understanding of the qualities needed for leadership, and to equip them with the relevant tools and skills;
- to create opportunities for young people to participate in developing the country through sustainable community development programmes; and
- to provide mentorship and value-based leadership for young people.

Activities in 2016 include providing financial support for the building of an entrepreneurial centre for young people and interschool creative writing competitions; as well as participation in leadership workshops in partnership with LEAP Africa and ABC Home work place.

INFRASTRUCTURE DEVELOPMENT PROGRAMME

As part of efforts at improving the quality of lives of members of our host communities, the Bank initiated the FirstBank Infrastructural Development Programme aimed at promoting infrastructural development under identified areas of support. This includes providing infrastructural facilities in schools, hospitals and the community.

Some of the infrastructural projects constructed by the Bank includes: the Remi Babalola Red Cross Clinic, Information and Communication Technology Park at the Ahmadu Bello University Zaria, Faculty of Dentistry Building at the University of Nigeria Nsukka, Renovation of class room blocks at the Police College Kaduna, Lecture theatres at the Obafemi Awolowo University and the Federal University of Technology Minna and Cafeteria at the University of Calabar amongst others.

HOPE RISING INITIATIVE

The Hope Rising Initiative is one of our key programmes designed to empower people living with disabilities.. Its objectives include engendering inclusivity and diversity through education, advocacy and enlightenment, encouraging skills acquisition through training, and staging inclusive events. In 2016, some of the initiatives we supported under this programme in 2016 include:

- The Down Syndrome Foundation Nigeria and Down Syndrome Annual Awareness Week;
- The Benola Cerebral Palsy Initiative;

Our corporate responsibility and sustainability approach

- The Nigeria Society for the Blind;
- The Golden Hearts Touching Lives;
- The Sebbecly Cancer Care;
- The Segun Aina Foundation;
- Two Lagos State University students – Ade Adelekan, who is physically challenged, and Adebisi Omojola, who suffered serious illness;
- Para-badminton competitor, Folawiyo Jimoh Adisa;
- The Vama Wave Foundation;
- The Chinwe Bode-Akinwande (CBA) Foundation;
- The Victoria Garden City (VGC) District 9110 Rotary Club;
- The Shaping Lives Foundation;
- The Banana Island Residents Association;
- #Giving Tuesday initiative that supports care homes and displaced persons' camps; and
- The Remi Babalola Red Cross Clinic.

A student from Harmony Secondary School, Lokoja responding to questions during a financial literacy session organised by FirstBank.

EMPLOYEE GIVING AND VOLUNTEERING

Our Employee Giving and Volunteering programme was set up to encourage employees to give something back to the community, and instill the integral corporate culture of giving in them.

The programme is structured around two elements:

Volunteering: this involves employees volunteering their time and skills to support philanthropic activities. This provides them with opportunities to use their capabilities in varied contexts, develop new skills, partner with people within and outside the Bank, and expand their horizons.

Giving: this involves employees donating material resources including cash towards addressing social, economic or environmental challenges. Our giving is mainly driven through a crowd funding approach. Crowd funding enables large numbers of people to make small contributions or donations to a cause.

The approach is three-pronged:

Strategic alignment: our volunteering activities and initiatives must be aligned with our corporate responsibility and sustainability strategy.

Partnerships: the initiatives are also implemented by leveraging existing partnerships, such as with LEAP Africa, the Down Syndrome Foundation, Junior Achievement Nigeria and the Nigerian Conservation Foundation.

Participation: Employee Giving and Volunteering is open to all employees for some initiatives; for a few projects, a subset of employees is targeted, as specific expertise is required. For example, our FutureFirst financial literacy and career counselling programme is driven by employees with the appropriate skills and knowledge. Beyond specific programmes, employees are encouraged to participate on an individual basis.

The programme is also aligned with the four core areas of our Community Support Pillar – education, health and welfare, economic empowerment, and the environment.

FBN Insurance and FBN General Insurance team with the Down Syndrome Foundation children

WHISTLEBLOWING IN FBN HOLDINGS PLC

Commitment to high ethical standards

The Board of FBN Holdings Plc prioritises high ethical standards and probity, and expects all its employees and executives to observe such standards in all their dealings within the Group. To help ensure a high ethical standard, we established a code of ethics, which sets out the minimum standards of conduct expected in the management of our businesses across the Group. All stakeholders are expected to comply with these standards in the discharge of their duties. Whilst the Group's operating procedures are intended to detect and prevent or deter improper activities, we realise that even the best systems of controls may not provide absolute safeguards against irregularities.

We recognise that there may be instances where these ethical guidelines may be violated. To ensure that these possible violations receive attention from the appropriate office, we adopted a Whistleblowing Policy (Policy), which provides a channel for the Group's employees and other relevant stakeholders to raise concerns about workplace malpractices in a confidential manner, and to enable the relevant authorities to investigate and deal with such in a manner consistent with the Group's policies and relevant regulations. The Policy is therefore intended to support investigations into any reported misconduct or concern, and the taking of any appropriate actions.

The Policy applies to both internal (staff, contract employees, management or directors) and external (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders) whistleblowers.

The Policy outlines the Group's procedure on Whistleblowing and how all reported cases of illegal and unethical conduct or other misconduct across the Group should be dealt with.

The Policy complies with the requirements of various regulatory authorities with oversight of the Group's activities regarding Whistleblowing, particularly section 3.1 of the Central Bank of Nigeria (CBN) 'Guidelines for Whistleblowing for banks and other financial institutions in Nigeria', and section 5.3.1 of the 'Code of Corporate Governance for banks and discount houses'.

Objectives of the Policy

The Policy is intended to encourage staff and other relevant stakeholders to report perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the Group to appropriate authorities in a confidential manner, without any fear of harassment, intimidation, victimisation or reprisal. Specific objectives of the Policy are to:

- Ensure all employees feel supported in speaking up in confidence and reporting matters they suspect may involve improper, unethical or inappropriate conduct within the Group;
- Encourage all improper, unethical or inappropriate behaviour to be identified and challenged at all levels of the organisation;
- Provide clear procedures for reporting and handling such concern(s);
- Proactively prevent and deter misconduct that could damage the Group's reputation;
- Provide assurance that all disclosures will be taken seriously, treated as confidential and managed without fear of reprisal of any form; and
- Help promote and develop a culture of openness, accountability and integrity.

Scope of the Policy

The Policy is designed to enable employees and other relevant stakeholders to report any perceived act of impropriety. Such reports should not be based on mere speculation, rumours and gossip, but on factual knowledge. Reportable misconducts covered under this Policy include:

- All forms of financial malpractice or impropriety such as fraud, corruption, bribery, theft and concealment;
- Failure to comply with legal obligations, statutes and regulatory directives;
- Actions detrimental to health and safety or the environment;
- Any form of criminal activity;
- Improper conduct or unethical behaviour that undermines universal and core ethical values such as integrity, respect, honesty, accountability, fairness, etc;
- Other forms of corporate governance breaches;
- Connected transactions not disclosed or reported in line with regulations;
- Insider abuse;
- Non-disclosure of interest;
- Sexual or physical abuse of any member of staff, customer, applicant, service provider or other relevant stakeholders; and
- Attempt to conceal any of the aforementioned acts.

The aforementioned reportable misconducts or concerns are not exhaustive. However, judgement and discretion are required to determine misconduct that should be reported under this Policy. The general guide in identifying reportable misconduct is to report concerns that it would be in the interest of the Group and the general public to stop, and for appropriate sanctions to be applied.

The Policy regulates our activities as a Holding Company and all the subsidiaries within our Group. This is without prejudice to the requirements by regulators of the various subsidiaries for them to put in place their respective Whistleblowing policies.

Furthermore, the Policy complies with the X-Whistle programme of the Nigerian Stock Exchange (NSE), of which FBN Holdings Plc is a listed member. The Policy is also to be read in conjunction with the Whistleblowing guidelines that may be issued from time to time by different regulators governing the Group's subsidiaries.

Whistleblowing in FBN Holdings Plc

Lastly, the Policy does not cover individual staff grievances and other employee-related matters already covered in staff handbooks.

Board and management commitment to the Policy

The Board and Management are aware that a robust internal system for employees and other relevant stakeholders to disclose workplace malpractices without fear of reprisal shows that employers take their responsibilities seriously. Such a system also helps to avoid the negative publicity that often accompanies disclosures to external parties.

The Board of Directors and Management are committed towards promoting a culture of openness, accountability and integrity, and will not tolerate any harassment, victimisation or discrimination of the whistleblower, provided such disclosure is made in good faith with reasonable belief that what is being reported is fact.

Policy statement

We are committed to the highest standards of openness, probity, accountability and ethical behaviour by helping to foster and maintain an environment in which employees and other stakeholders can act appropriately, without fear of reprisal.

We therefore encourage employees and relevant stakeholders who have material concerns about suspected misconduct or any breach or suspected breach of law or regulation that may have an adverse impact on the Group, to come forward and report them through the appropriate channels (in certain cases on a confidential basis) without fear of retribution or unfair treatment.

We are committed to investigating promptly any reported misconduct and to protecting those who come forward to report such activities. The Group further offers assurance that all reports shall be treated in strict confidence.

The culture of whistleblowing

In the drive to entrench the culture of Whistleblowing among members of staff, emails and fliers on the advantages of Whistleblowing, and the channels through which whistleblowers can send in their concerns, were publicised on the Group's intranet. The provisions of the Whistleblowing Policy, and the Group's core values, encourage members of staff to speak up when they believe something is wrong, with the assurance that management is always ready to address concerns and give feedback as part of the process.

Internal whistleblowing procedure

Internal whistleblowing involves staff members across the Group raising concerns about unethical conduct. An internal whistleblower may raise concerns through any of the following media (this can be done either by declaration or in confidence/anonymously):

- Formal letter to the Group Managing Director, FBN Holdings Plc or the Head, Internal Audit, FBN Holdings Plc.
- Call or text dedicated phone numbers – 0812 716 6777 and 0817 597 8505.
- All internal whistleblowers can use Microsoft Office Communicator.
- Dedicated email address – *whistleblowing@fbnholdings.com*
- Via FBNHoldings website – *www.fbnholdings.com/whistleblowing*

Where the concerns are received by a member of staff other than the Group Managing Director (GMD) or the Head, Internal Audit, the recipient of such concerns shall be required to:

- Immediately pass the concern to the Head, Internal Audit and copy Group Managing Director (GMD), FBNHoldings.
- If the concerns affect the Head, Internal Audit, the GMD is notified; when a director is involved, such concerns shall be directed to the Chairman of the Board Audit and Risk Assessment Committee.

The concern(s) shall be presented in the following format:

- Background of the concerns (with relevant dates).
- Reason(s) why the whistleblower is particularly concerned about the situation.

Disciplinary measures as outlined in the staff handbook shall be taken against any staff member who receives concerns and fails to escalate them. Disciplinary measures shall be taken against any internal whistleblower who acts out of malice.

In the event that the whistleblower is not satisfied with the extent of investigation and/or any actions taken based on the outcome of the investigation, the whistleblower is at liberty to report their views to the Chairman of the Board Audit and Risk Assessment Committee.

Any internal whistleblower who feels victimised can report his/her grievance(s) to the Chairman of the Board Audit and Risk Assessment Committee. This is without prejudice to the fundamental right of the internal whistleblower to seek redress in a court of law.

External whistleblowing procedure

External whistleblowers are non-staff members of the Group. They can be contractors, service providers, shareholders, depositors, analysts, consultants, job applicants or members of the general public. An external whistleblower may raise a concern through any of the following media (this can be done either by declaration or in confidence/anonymously):

- By a formal letter to the Group Managing Director, FBN Holdings Plc and/or Head, Internal Audit, FBN Holdings Plc.
- Call or text dedicated phone numbers (as listed at *www.fbnholdings.com*) – 0817 597 8505.
- Dedicated email address – *whistleblowing@fbnholdings.com*
- Electronically log into: *www.fbnholdings.com*
- Directly to the Group Managing Director, FBNHoldings.
- Directly to the Head, Internal Audit, FBNHoldings.

Whistleblowing in FBN Holdings Plc

The concern(s) shall be presented in the following format:

- Background of the issue (with relevant dates)
- Reason(s) why the whistleblower is particularly concerned about the situation.

In the event that the whistleblower is not satisfied with the extent of investigation and/or the action taken based on the outcome of the investigation, the whistleblower is at liberty to report to the Chairman of the Board Audit and Risk Assessment Committee for further action.

An external whistleblower shall be at liberty to report to the appropriate regulatory body or even seek further redress in a court of law if he/she is not satisfied with the action taken to address the concern(s).

If preliminary investigation shows that the concerns fall within the scope of whistleblowing reportable concerns, then further investigation shall be carried out. If otherwise, or the concerns are outside the reportable misconduct scope, then the Head, Internal Audit shall refer the matter to the appropriate office for further action. Where necessary, and where the concerns fall within the reportable concerns scope, the Head, Internal Audit shall give an update of the progress of any investigation to the whistleblower if the concerns fall within the reportable concerns.

Finally, if the concern raised by the whistleblower is frivolous or unwarranted, the Head, Internal Audit shall ignore such concern, if necessary disciplinary measure in line with Human Resources policy shall apply to staff that raise concern out of malice.

Protection and compensation for the whistleblower

It shall be the policy of the Group to protect whistleblowers who disclose concerns, provided the disclosure is made:

- in the reasonable belief that it is intended to show malpractice or impropriety;
- to an appropriate person or authority; and
- in good faith, without malice or mischief.

While all disclosures resulting from whistleblowing shall be treated with a high level of confidentiality, members of staff and other relevant stakeholders are encouraged to disclose their names to make the report more credible.

The Group will not subject a whistleblower to any detriment and, where necessary, compensation will be issued to whistleblowers, whether internal or external, who have suffered detriment. Any such compensation shall be at the discretion of Management, taking into consideration regulatory guidance.

Wider disclosure

A whistleblower, whether external or internal, may elect to disclose direcly to any of the following regulatory bodies that have an oversight of the activities of FBN Holdings Plc.

FBNHoldings two-year analysis of whistleblowing cases

Whistleblowing cases	2016	2015
Probable irregularities and non-compliance with the policies of the Group	4	10
Disciplinary measures	6	12
Cases under investigation	5	5
Unsuccessful attempts by outsiders to lure members of staff into committing fraud	1	4
Cases investigated but found to be untrue	9	10
Total	**25**	**41**

Whistleblowing in FBN Holdings Plc

REGULATOR	ADDRESS
Central Bank of Nigeria (CBN)	Central Business District, PMB 0187, Garki Abuja, Nigeria. Phone: +234 (0) 946237401 Email: anticorruptionunit@cbn.gov.ng
Nigeria Deposit Insurance Corporation (NDIC)	Plot 447/448 Constitution Avenue Central Business District, PMB 284, Garki Abuja, Nigeria. Phone: +234 (0) 94601380-9, +234 (0) 96171380-9 Email: info@ndic.org.ng, helpdesk@ndic.org.ng
Securities and Exchange Commission (SEC)	SEC Towers, Plot 272, Samuel Adesujo Ademulegun Street, Central Business District, PMB 315, Garki Abuja, Nigeria. Phone: +234 (0) 94621159 Email: sec@sec.gov.ng
Nigeria Insurance Commission (NAICOM)	Plot 1239, Ladoke Akintola Boulevard, Garki II, P.M.B 457 Garki, Abuja, Nigeria. Phone: +234 (0) 92915101 Email: info@naicom.gov.ng
National Pension Commission (PENCOM)	Plot 174, Adetokunbo Ademola Crescent, Wuse, Abuja, Nigeria. Phone: +234 (0) 94603930 Email: info@pencom.gov.ng
Nigerian Stock Exchange (NSE)	Stock Exchange House 2/4, Custom Street, P. O. Box 2457, Marina, Lagos, Nigeria. Phone: +234 (0) 14489373, +234 (0) 817243061, +234 (0) 81206463 Email: x-whistle@nse.com.ng

DIRECTORS' REPORT

The Directors present their report on the affairs of FBN Holdings Plc ("the Company") together with the financial statements and auditors' report for the period ended 31 December, 2016.

a. Legal form

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

b. Principal activity and business review

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

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

The Company consists of three groups namely:

- Commercial Banking Group, made up of First Bank of Nigeria Limited, FBNBank (UK) Limited, First Pension Custodian Nigeria Limited, and FBNBank DRC Limited (formerly Banque Internationale de Credit), FBNBank Ghana Limited, FBNBank Sierra Leone Limited, FBNBank Guinea Limited, FBNBank The Gambia Limited and FBNBank Senegal Limited.

- Merchant Banking and Assets Management Group, made up of FBN Merchant Bank Limited, FBN Capital Limited, FBN Securities Limited, FBN Funds Limited and FBN Trustees Limited.

- Insurance Group, made up of FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.

The Company prepares separate and consolidated financial statements.

c. Directors' shareholding

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

Name	Direct holding	Indirect holding
Dr Oba Otudeko, CFR[5]	5,895,264	532,375,839
Oye Hassan-Odukale, MFR[6]	1,854,003	262,979,141
Chidi Anya[7]	-	52,168
Dr. Hamza Wuro Bokki	3,327,000	-
'Debola Osibogun	595,968	-
Omatseyin Ayida	1,100,000	-
UK Eke, MFR	14,575,178	-
Dr. Adesola Adeduntan	52,189	-
Muhammad K. Ahmad, OON (resigned w.e.f. 19 July 2016)	218,686	-
Oluwande Muoyo[8]	581,748	890,891
Cecilia Akintomide, OON	5,500	

[5] Dr Oba Otudeko, CFR has indirect shareholdings amounting to 532,375,839 through Metropolitan Trust Nigeria Ltd, Orbit International Ltd, Honeywell CT & CS, Springwater Ltd, Landbond Ltd, Coral Products Ltd and Network Securities Ltd.

[6] Oye Hassan Odukale, MFR has indirect shareholdings amounting to 262,979,141 through Leadway Assurance Company Ltd, Oho Investments Ltd, Leadway Capital & Trust Ltd, Leadway Properties Ltd, LAC Investments Ltd and Haskal Holdings Ltd.

[7] Chidi Anya, has indirect shareholdings amounting to 52,168 through Muonta & Guonta Ltd.

[8] Oluwande Muoyo, has indirect shareholdings amounting to 890,891 through Clayder Ltd and Metrodirect Ltd.

d. Operating results

The Directors recommend for approval a dividend of ₦0.20k per share, amounting to ₦7,179,058,558.40. Highlights of the operating results for the period under review are as follows:

Group

	31 December 2016 ₦' million	31 December 2015 ₦' million
Gross earnings	**581,831**	502,691
Profit before tax	**22,948**	21,581
Taxation	**(5,807)**	(6,042)
Profit for the year from continuing operations	**17,141**	15,539
Total profit for the year	**12,243**	15,148
Appropriation:		
Transfer to statutory reserves	**9,579**	1,369
Transfer from statutory credit reserve	**21,207**	(44,240)
Transfer to contingency reserves	**289**	221
Transfer to retained earnings reserve	**(18,832)**	57,799

Company

	31 December 2016 ₦' million	31 December 2015 ₦' million
Gross earnings	**12,715**	6,794
Profit before tax	**7,611**	2,180
Taxation	**(104)**	-
Profit for the year from continuing operations	**7,507**	2,180
Total profit for the year	**7,507**	2,180
Appropriation:		
Transfer to statutory reserves	**-**	-
Transfer from statutory credit reserve	**-**	-
Transfer to contingency reserves	**-**	-
Transfer to retained earnings reserve	**7,507**	2,180

Directors' Report

e. Directors interests in contracts

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

f. Property and equipment

Information relating to changes in property and equipment is given in note 34 to the accounts. In the Directors' opinion, the market value of the FBNHoldings' properties is not less than the value shown in the financial statements.

g. Shareholding range analysis as at 31 December, 2016

RANGE	No of holders	% Holders	Units	% Units
1 - 1000	286,357	23.44	211,227,795	0.59
1001 - 5000	496,169	40.62	1,195,037,992	3.33
5001 - 10000	174,493	14.28	1,200,109,346	3.34
10001 - 50000	216,760	17.74	4,418,065,544	12.31
50001 - 100000	22,991	1.88	1,601,203,765	4.46
100001 - 500000	19,745	1.62	3,942,990,334	10.98
500001 - 1000000	2,450	0.20	1,704,917,011	4.75
1000001 - 5000000	2,094	0.17	3,951,834,964	11.01
5000001 - 10000000	242	0.02	1,681,557,393	4.68
10000001 - 50000000	194	0.02	3,867,901,072	10.78
50000001 - 100000000	26	0.00	1,800,718,487	5.02
100000001 - 35895292791	34	0.00	10,319,729,088	28.75
	1,221,555	**100.00**	**35,895,292,791**	**100.00**

SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2016

Type of shareholding	Holdings	Holdings %
Retail	20,166,442,057	56.17
Domestic institutional	12,066,311,329	33.62
Foreign institutional	2,999,555,266	8.36
Government-related holdings	662,984,139	1.85
	35,895,292,791	**100**

h. Substantial interest in shares

According to the register of members as at 31 December, 2016, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Human resources

EMPLOYMENT OF DISABLED PERSONS

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

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

j. Health, safety and welfare at work

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

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

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

k. Employee involvement and training

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

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

l. Auditors

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

BY ORDER OF THE BOARD

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

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

In compliance with the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Bank and Discount Houses in Nigeria and the Securities and Exchange Commission Code of Corporate Governance ("the Codes"), FBN Holdings Plc. ("FBNHoldings") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2016. The Codes mandate an annual appraisal of the Board and individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

Our approach to the appraisal of the Board involved a review of FBNHoldings' key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during the on-on-one interviews with the members of the Board and management.

On the basis of our review, except as noted below, FBNHoldings' corporate governance practices are in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following key areas: oversight of subsidiary companies, related party disclosures, and directors' training.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
25 April, 2017

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS

Dr. Oba Otudeko, CFR	Non-Executive Director (Group Chairman)
UK Eke, MFR	Group Managing Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Chidi Anya	Non-Executive Director
Dr. Hamza Bokki	Non-Executive Director
'Debola Osibogun	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Muhammad K. Ahmad, OON	Non-Executive Director - Resigned 19 July 2016
Dr. Adesola Adeduntan	Non-Executive Director
Cecilia Akintomide, OON	Non-Executive Director - Appointed 19 July 2016*
Oluwande Muoyo	Non-Executive Director - Appointed 19 July 2016
COMPANY SECRETARY:	Tijjani Borodo
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Oniru, Lagos
REGISTRAR:	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKER:	First Bank of Nigeria Limited 35 Marina Lagos

*Awaiting the approval of the Central Bank of Nigeria.

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;

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

iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The directors accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with:

- International Financial Reporting Standards (IFRS);
- Financial Reporting Council of Nigeria (FRC) Act;
- Guidelines for licensing and regulation of Financial Holding Companies in Nigeria;
- Relevant circulars issued by the Central Bank of Nigeria;
- The requirements of the Banks and Other Financial Institutions Act; and
- The requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the IFRS financial statements give a true and fair view of the state of the financial affairs of the Company and Group and of the profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

UK Eke, MFR
Group Managing Director
FRC/2013/ICAN/00000002352

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FBN HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FBN Holdings Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2016, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate statements of financial position as at 31 December 2016;
- The consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

pwc

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers – ₦311 billion (refer to notes 5 and 23)	
Impairment of loans and advances to customers is a highly subjective area due to the level of judgement applied by management in the identification of impairment events and the measurement of impairment provisions. The nature and materiality of the loans and advances balance requires significant auditor's attention. The gross amount of loans and advances from customers in the financial statements at year end amounted to ₦2.4 trillion which is material to the financial statements. This matter is considered a key audit matter in the consolidated financial statements only.	We understood and evaluated the design effectiveness of controls, and tested the operating effectiveness of the controls over loan loss impairment assessment across the Group to determine the extent of substantive testing required. We understood and tested the basis for management's classification of loans and advances to customers into performing and non-performing in the significant and non-significant portfolio. For significant loans which management had not identified as impaired, we applied a risk-based target testing approach in selecting a sample of customers for detailed checking of customer information and account history, and assessing whether events or changes have occurred that may affect the performance and classification of the loans. We assessed the reasonableness of the discount rate and discount period applied by management in the determination of the impairment for significant loans which were identified by management as impaired. We reviewed the collateral valuations provided by management to support the calculation of the impairment. We also assessed the competence, independence and objectivity of management valuation experts used for the valuation of collaterals. Where the fair value of the collateral of significant impaired loans exceeded the carrying value of the loan, we reviewed the impairment computation to determine that this category of facilities was assessed for collective impairment. We understood and assessed the collective impairment model used by management for non-significant facilities assessed for impairment on a portfolio modelled basis. We specifically focused on the principal assumptions such as the probability of default and the Loss Given Default (LGD). We evaluated the reasonableness of the LGD and probability of default by comparing it with the bank's historical data and supporting documents. We also checked the accuracy of the inputs into the model and recalculated the collective impairment amount based on the incurred loss model.

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Valuation of goodwill- ₦4.6 billion (refer to notes 5 and 35)

Goodwill had arisen from a number of historical acquisitions. An assessment is required annually to determine if the goodwill balance is impaired. Goodwill impairment reviews require significant use of judgement because they involve inherently uncertain estimation of future cash flows and determination of the levels to which the cash flows are discounted. The recoverable value of the cash generating units (CGU) to which the goodwill is allocated, was determined using the value-in-use method. The most significant assumptions in the value-in-use calculation relate to the discount rates and long term growth rates applied to future cash flow forecast of the CGU. Due to the level of judgement involved in the goodwill impairment assessment, this is considered to be a key audit matter in the consolidated financial statements only.	We obtained the goodwill impairment models for the CGUs with material goodwill balances. We assessed the principal assumptions underlying the goodwill impairment models. These principal assumptions are the discount rates applied in determining the recoverable value of the CGU and the long term growth rates applied in the determination of the future cash flows. We tested the assumptions and methodologies used in the impairment models, in particular those relating to the discount rate and long term growth rates. To do this: • Our valuation experts evaluated these key assumptions and compared them to externally derived data where possible, including market expectations of investment return and projected economic growth. • We assessed the reasonableness of the cash flow forecasts. • We checked the mathematical accuracy of the models. • We assessed the adequacy of the Group's disclosure in respect of impairment assessment of goodwill.

Valuation of insurance contract liabilities – ₦10.3 billion (refer to note 41)

We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management makes in determining the balance. This estimate relies on the quality of the underlying data and involves complex and subjective judgements about future events, both internal and external to the business, for which minor changes in assumptions can result in material impacts to the estimates. This matter is considered a key audit matter in the consolidated financial statements only.	Our audit procedures involved evaluating the design effectiveness of key controls put in place by management in addressing the risk identified. We tested the design and implementation of the relevant controls identifying relevant inputs, review procedures and outputs generated during the management review process of the insurance contract liabilities. We reviewed management's in-house actuary process and the relevant controls in the actuary process. We performed relevant inquiries of the in-house actuary on how the insurance contract liabilities are determined on a monthly basis. We involved the use of specialists in testing the relevant assumptions adopted by management experts. They tested the completeness and accuracy of the data provided to the management expert by performing relevant substantive procedures on the data provided to the actuary.

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Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Responsibility for the annual financial statements, Statement of compliance with NSE listing rule on Securities Trading Policy, Report of the Statutory Audit Committee, Statement of value added and Five year financial summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the reports on Group overview, Group approach, Group performance, Group corporate governance and risk factors which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

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

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 49 to the financial statements;

v) except for the contraventions disclosed in Note 51 to the financial statements, the group and company have complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner: Tola Ogundipe
FRC/2013/ICAN/0000000639

24 April 2017

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended 31 December 2016 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion.

2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.

3. The internal control was being constantly and effectively monitored.

4. The external auditors' management report received satisfactory response from Management.

5. The Committee reviewed the Audit Report on insider-related party transactions and is satisfied with their status as required by Central Bank of Nigeria (CBN).

Dated April 4, 2017

Lateef Ayodeji Shonubi
Chairman, Audit Committee
FRC/2013/ICAN/00000001532

MEMBERS OF THE COMMITTEE

Lateef Ayodeji Shonubi
Ismail Adamu
Dr. Christopher Okereke
Oye Hassan-Odukale, MFR
Chidi Anya
Cecilia Akintomide, OON

INCOME STATEMENT

		Group		Company	
	Note	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
CONTINUING OPERATIONS					
Interest income	7	405,281	395,162	885	614
Interest expense	8	(100,839)	(129,997)	-	-
Net interest income		304,442	265,165	885	614
Impairment charge for credit losses	9	(226,037)	(118,794)	-	-
Net interest income after impairment charge for credit losses		78,405	146,371	885	614
Insurance premium revenue	10	9,606	8,448	-	-
Insurance premium revenue ceded to reinsurers		(1,175)	(1,107)	-	-
Net insurance premium revenue		8,431	7,341	-	-
Fee and commission income	11	71,360	63,860	-	-
Fee and commission expense	11b	(11,073)	(9,583)	-	-
Net gains on foreign exchange	12	89,077	22,226	105	31
Net gains/(losses) on sale of investment securities	13	3,930	6,666	(12)	35
Net (losses)/gains from financial instruments at fair value through profit or loss	14	(6)	2,055	-	-
(Loss)/gain from disposal of subsidiary	33	(8)	1,572	-	1,600
Gain from disposal of investment in associates	30	-	-	144	-
Dividend income	15	897	1,531	11,559	4,493
Other operating income	16	2,868	2,277	34	22
Insurance claims		(2,190)	(3,306)	-	-
Personnel expenses	17	(83,805)	(80,057)	(702)	(685)
Depreciation of property, plant and equipment	34	(11,584)	(11,479)	(381)	(384)
Amortisation of intangible assets	35	(3,324)	(2,154)	-	-
Impairment loss on investment		-	-	(1,700)	(850)
Operating expenses	18	(120,030)	(125,739)	(2,321)	(2,696)
Profit before tax		22,948	21,581	7,611	2,180
Income tax expense	19a	(5,807)	(6,042)	(104)	-
Profit for the year from continuing operations		17,141	15,539	7,507	2,180
Discontinued operations					
Loss for the year from discontinued operations	32	(4,898)	(391)	-	-
Profit for the year		12,243	15,148	7,507	2,180
Profit/(loss) attributable to:					
Owners of the parent		14,122	15,406	7,507	2,180
Non-controlling interests		(1,879)	(258)	-	-
		12,243	15,148	7,507	2,180
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share (in Naira):	54				
From continuing operations		0.53	0.44	0.21	0.06
From discontinued operations		(0.14)	(0.01)	-	-
From profit for the year		0.39	0.43	0.21	0.06

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	Group		Company	
		31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Profit for the year		12,243	15,148	7,507	2,180
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
- Unrealised net (losses)/gains arising during the year		(17,800)	43,154	2	(17)
- Net reclassification adjustments for realised net gains		(13,517)	(1,616)	-	-
Exchange difference on translation of foreign operations		26,724	630	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme	43	1,494	(1,404)	-	-
Other comprehensive (loss)/income for the year		(3,099)	40,764	2	(17)
Total comprehensive income for the year		9,144	55,912	7,509	2,163
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,630	58,341	7,509	2,163
Non-controlling interests		(4,486)	(2,429)	-	-
		9,144	55,912	7,509	2,163
Total comprehensive income/(loss) attributable to owners of the parent arises from:					
Continuing operations		16,505	57,203	7,509	2,163
Discontinued operations		(2,875)	1,138	-	-
		13,630	58,341	7,509	2,163

STATEMENT OF FINANCIAL POSITION

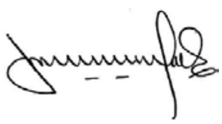
		Group		Company	
	Note	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
ASSETS					
Cash and balances with central banks	20	**690,165**	715,871	**-**	-
Loans and advances to banks	22	**444,871**	385,769	**645**	4,792
Loans and advances to customers	23	**2,083,894**	1,817,271	**65**	63
Financial assets at fair value through profit or loss	24	**46,711**	26,426	**-**	-
Investment securities					
- Available-for-sale investments	25	**921,753**	799,850	**12,350**	7,019
- Held-to-maturity investments	25	**108,479**	106,623	**-**	-
- Loans and receivables	25	**20,356**	7,306	**-**	-
Asset pledged as collateral	26	**197,420**	105,646	**-**	-
Other assets	27	**47,786**	35,483	**10,599**	4,670
Inventory	28	**-**	49,649	**-**	-
Investment properties	29	**3,003**	3,025	**-**	-
Investments in associates accounted for using the equity method	30	**1,114**	-	**-**	1,500
Investment in subsidiaries	31	**-**	-	**242,395**	263,595
Property, plant and equipment	34	**88,315**	88,398	**849**	1,192
Intangible assets	35	**15,328**	9,687	**-**	-
Deferred tax assets	36	**17,278**	14,615	**-**	-
		4,686,473	4,165,619	**266,903**	282,831
Asset held for sale	32	**50,332**	570	**-**	-
Total assets		**4,736,805**	4,166,189	**266,903**	282,831
LIABILITIES					
Deposits from banks	37	**416,078**	144,652	**-**	-
Deposits from customers	38	**3,104,221**	2,970,922	**-**	-
Financial liabilities at fair value through profit or loss	24a	**37,137**	12,488	**-**	-
Current income tax liability	19b	**8,897**	8,773	**84**	-
Other liabilities	39	**235,388**	168,441	**7,114**	5,751
Liability on investment contracts	40	**9,440**	10,157	**-**	-
Liability on insurance contracts	41	**10,287**	11,837	**-**	-
Borrowings	42	**316,792**	256,116	**-**	-
Retirement benefit obligations	43	**2,662**	3,764	**-**	-
Deferred tax liabilities	36	**813**	239	**-**	-
		4,141,715	3,587,389	**7,198**	5,751
Liabilities held for sale	32	**12,515**	-	**-**	-
Total liabilities		**4,154,230**	3,587,389	**7,198**	5,751

STATEMENT OF FINANCIAL POSITION

		Group		Company	
		31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	Note	₦'million	₦'million	₦'million	₦'million
EQUITY					
Share capital	44	**17,948**	17,948	**17,948**	17,948
Share premium	45	**233,392**	252,892	**233,392**	252,892
Retained earnings	45	**161,631**	163,198	**8,008**	5,885
Other reserves					
Statutory reserve	45	**76,226**	66,647	**-**	-
Capital reserve	45	**1,223**	1,223	**10**	10
SSI reserve	45	**6,076**	6,076	**-**	-
AFS fair value reserve	45	**27,507**	56,241	**347**	345
Contingency reserve	45	**727**	438	**-**	-
Statutory credit reserve	45	**23,640**	2,433	**-**	-
Foreign currency translation reserve	45	**34,753**	8,029	**-**	-
		583,123	575,125	**259,705**	277,080
Non-controlling interest		**(548)**	3,675	**-**	-
Total equity		**582,575**	578,800	**259,705**	277,080
Total equity and liabilities		**4,736,805**	4,166,189	**266,903**	282,831

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2017 and signed on its behalf by:

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



UK Eke, MFR
Group Managing Director
FRC/2013/ICAN/00000002352

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent													
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Statutory reserve ₦'million	SSI reserve ₦'million	AFS fair value reserve ₦'million	Contingency reserve ₦'million	Statutory credit reserve ₦'million	Treasury shares ₦'million	FCTR ₦'million	Total ₦'million	Non-controlling interest ₦'million	Total equity ₦'million
Balance at 1 January 2015	16,316	254,524	109,809	1,223	65,278	6,076	12,532	217	46,673	(18)	7,399	520,029	4,033	524,062
Profit/(loss) for the year	-	-	15,406	-	-	-	-	-	-	-	-	15,406	(258)	15,148
Other comprehensive income														
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	630	630	-	630
Fair value movements on available for sale financial assets	-	-	-	-	-	-	43,709	-	-	-	-	43,709	(2,171)	41,538
Remeasurement of defined benefit pension scheme	-	-	(1,404)	-	-	-	-	-	-	-	-	(1,404)	-	(1,404)
Total comprehensive income	-	-	14,002		-	-	43,709	-	-	-	630	58,341	(2,429)	55,912
Transactions with owners														
Dividends	-	-	(3,263)		-	-	-	-	-	-	-	(3,263)	(344)	(3,607)
Bonus issue	1,632	(1,632)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-		-	-	-	-	-	18	-	18	-	18
Loss of control in Ivory Trust Fund (excluding NSIA II)	-	-	-		-	-	-	-	-	-	-	-	1,127	1,127
Additional investment in FBN Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	-	1,326	1,326
Other Changes*	-	-		-	-	-	-	-	-	-	-	-	(38)	(38)
Transfer between reserves	-	-	42,650	-	1,369	-	-	221	(44,240)	-	-	-	-	-
Total transactions with owners	1,632	(1,632)	39,387	-	1,369	-	-	221	(44,240)	18	-	(3,245)	2,071	(1,174)
At 31 December 2015	17,948	252,892	163,198	1,223	66,647	6,076	56,241	438	2,433	-	8,029	575,125	3,675	578,800
Profit/(loss) for the year	-	-	14,122	-	-	-	-	-	-	-	-	14,122	(1,879)	12,243
Other comprehensive income														
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	26,724	26,724	-	26,724
Fair value movements on available for sale financial assets	-	-	-	-	-	-	(28,710)	-	-	-	-	(28,710)	(2,607)	(31,317)
Remeasurement of defined benefit pension scheme	-	-	1,494	-	-	-	-	-	-	-	-	1,494	-	1,494
Total comprehensive income	-	-	15,616		-	-	(28,710)	-	-	-	26,724	13,630	(4,486)	9,144
Transactions with owners														
Dividends	-	-	(5,384)		-	-	-	-	-	-	-	(5,384)	(1,243)	(6,627)
Loss of control in NSIA II and FBN Heritage Fund	-	-	(224)	-	-	-	(24)	-	-	-	-	(248)	1,558	1,310
Business restructuring**	-	(19,500)	19,500	-	-	-	-	-	-	-	-	-	-	-
Other Changes*	-	-	-		-	-	-	-	-	-	-	-	(52)	(52)
Transfer between reserves	-	-	(31,075)	-	9,579	-	-	289	21,207	-	-	-	-	-
Total transactions with owners	-	(19,500)	(17,183)	-	9,579	-	(24)	289	21,207	-	-	(5,632)	263	(5,369)
At 31 December 2016	**17,948**	**233,392**	**161,631**	**1,223**	**76,226**	**6,076**	**27,507**	**727**	**23,640**	**-**	**34,753**	**583,123**	**(548)**	**582,575**

*Other changes represent the change in non-controlling interest arising from acquisition or disposal of unit holdings in FBN Heritage Fund. FBN Heritage Fund is an open-ended mutual fund, which allows unit holders to buy and sell holdings, resulting in changes in value of non-controlling interest.

**Pursuant to the approval of the shareholders at the Annual General Meeting of FBN Holdings Plc. (FBNH) on May 25, 2016 and the approvals of the relevant regulatory bodies, the Group concluded the restructuring of ₦19.5billion convertible loan in FBN Trustees Limited (FTNL). The impact of the restructuring on the company was the write down of the investment against the share premium of FBNH.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	AFS fair value reserve ₦'million	Total ₦'million
Balance at 1 January 2015	16,316	254,524	6,968	10	362	278,180
Profit for the year	-	-	2,180	-	-	2,180
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	(17)	(17)
Total comprehensive income	-	-	2,180	-	(17)	2,163
Transactions with owners						
Dividends	-	-	(3,263)	-	-	(3,263)
Bonus issue	1,632	(1,632)	-	-	-	-
Total transactions with owners	1,632	(1,632)	(3,263)	-	-	(3,263)
At 31 December 2015	17,948	252,892	5,885	10	345	277,080
Profit for the year	-	-	7,507	-	-	7,507
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	2	2
Total comprehensive income	-	-	7,507	-	2	7,509
Transactions with owners						
Dividends	-	-	(5,384)	-	-	(5,384)
Business restructuring*	-	(19,500)	-	-	-	(19,500)
Total transactions with owners	-	(19,500)	(5,384)	-	-	(24,884)
At 31 December 2016	**17,948**	**233,392**	**8,008**	**10**	**347**	**259,705**

*Pursuant to the approval of the shareholders at the Annual General Meeting of FBN Holdings Plc. (FBNH) on May 25, 2016 and the approvals of the relevant regulatory bodies, the Group concluded the restructuring of ₦19.5billion convertible loan in FBN Trustees Limited (FTNL). The impact of the restructuring on the company was the write down of the investment against the share premium of FBNH.

STATEMENT OF CASH FLOWS

		Group		Company	
	Note	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Operating activities					
Cash flow (used in)/generated from operations	46	(64,780)	234,804	(1,728)	(1,533)
Income taxes paid	19	(7,889)	(12,267)	(20)	-
Interest received		388,128	388,584	538	604
Interest paid		(84,173)	(128,555)	-	-
Net cash flow generated from/(used in) operating activities		231,285	482,566	(1,209)	(929)
Investing activities					
Acquisition/additional investment in subsidiary		-	-	-	(6,400)
Disposal of subsidiaries, net of cash disposed		801	(37,037)	3,420	380
Disposal of associates		1,644	-	1,644	-
Purchase of investment securities		(1,536,213)	(997,897)	(16,441)	(9,762)
Proceeds from the sale of investment securities		1,339,055	834,991	11,439	5,578
Dividends received		897	1,531	2,319	14,525
Purchase of investment properties		(12)	(1)	-	-
Proceeds from the disposal of investment property		265	-	-	-
Purchase of property, plant and equipment	34	(12,844)	(11,594)	(39)	(115)
Purchase of intangible assets	35	(6,161)	(4,371)	-	-
Proceeds on disposal of property, plant and equipment		857	347	-	51
Proceeds on disposal of intangible assets		55	-	-	-
Net cash flow (used in)/generated from investing activities		(211,656)	(214,031)	2,341	4,257
Financing activities					
Proceeds from sale of treasury shares		-	18	-	-
Dividend paid		(5,986)	(3,607)	(5,384)	(3,263)
Proceeds from new borrowings	42	34,516	75,961	-	-
Repayment of borrowings	42	(59,306)	(200,445)	-	-
Interest paid on borrowings	42	(15,879)	(12,102)	-	-
Additional (disposal)/investment by NCI		(52)	1,288	-	-
Net cash flow used in financing activities		(46,707)	(138,887)	(5,384)	(3,263)
(Decrease)/increase in cash and cash equivalents		(27,078)	129,648	(4,252)	65
Cash and cash equivalents at start of year		666,368	532,456	4,792	4,727
Effect of exchange rate fluctuations on cash held		106,941	4,264	105	-
Cash and cash equivalents at end of year	21	746,231	666,368	645	4,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Holdings Plc. (the Company), and its subsidiaries (hereafter referred to as 'the Group'). The Registered office address of the Company is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.

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

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 6 April 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of separate and consolidated financial statements of the parent and the Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group's consolidated financial statements for the year 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

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

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

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

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

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2016.

(i) Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11

- disclose the information required by IFRS 3 and other IFRSs for business combinations.

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The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendments did not have any impact on the consolidated financial statements of the Group, as the Group did not acquire any interest in joint operations.

(ii) Amendments to IAS 1 - Presentation of financial statements (effective 1 January 2016)

These amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(iii) Amendments to IAS 27 - Separate financial statements (effective 1 January 2016)

These amendments restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments did not have any impact on the separate or consolidated financial statements of the Group, as the entities within the Group continues to measure investments in subsidiaries, joint ventures and associates at cost in their separate financial statements.

(iv) Amendments to IAS 16 – Property, Plant and Equipment (effective 1 January 2016)

These amendments clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(v) Amendments to IAS 38 – Intangible Assets (effective 1 January 2016)

These amendments introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as stated in amendment to IAS 16 above. The amendment stated that there are limited circumstances where the rebuttable presumption can be overcome. This is when the intangible asset is expressed as a measure of income and when it can be demonstrated that revenue and consumption of economic benefits of the intangible asset are highly correlated although there are no clear details as to the admissible evidence that is required to overcome the presumption.

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(vi) IFRS 14- Regulatory deferral accounts (effective 1 January 2016)

IFRS 14 is designed as a limited scope standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities.

This standard did not have an impact on the Group as it is not a first time preparer of IFRS financial statements.

(vii) Amendments to IFRS 10 - Consolidated Financial Statements (effective 1 January 2016)

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments did not have a significant impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements.

(i) Amendments to IFRS 7 - Financial Instruments: Disclosures (effective 1 July 2016)

Amends IFRS 7 to remove the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that offsetting disclosures is not required in the condensed interim financial report . However, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, an entity is required to include the disclosures in the condensed interim financial report.

On servicing contract, it clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

(ii) Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective 1 July 2016)

Amends IAS 19 to clarify that high quality corporate bonds used in estimating the discount rate for post employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

(iii) Amendments to IAS 34 – Interim Financial Reporting (effective 1 July 2016)

Amends IAS 34 to clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross reference between the financial statements and wherever they are included within the greater interim financial report (e.g. management commentary or risk report).

(iv) IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2017)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are Identification of the contract with the customer, Identification of the performance obligations in the contract, Determination of the transaction price, Allocation of the transaction price to the performance obligations in the contracts, and Recognition of revenue when (or as) the entity satisfies a performance obligation.

(v) Amendments to IFRS 5 - Non Current Asset Held for Sale and Discontinued Operations (effective 1 July 2016)

Amends IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

(vi) IFRS 9 - Financial instruments (1 January 2018)

IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. This requirement of IFRS 9 is expected to significantly impact the banking businesses in the Group. The relevant businesses within the Group are yet to quantify the impact of this change although it is expected to lead to an increased impairment charge than recognized under IAS 39.

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Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Group is making consultations to assess the full impact of the adoption of IFRS 9.

(vii) IFRS 16 – Leases (effective 1 January 2019)

IFRS 16 has been issued to replace IAS 17.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

The Group will apply the IFRSs that are yet to be effective in the preparation of its consolidated financial statements on the effective dates as stipulated by the respective accounting standards.

2.3 Consolidation

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

a. Subsidiaries

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

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the elements of control.

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

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

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

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest

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measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

b. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c. Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d. Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates is measured at cost in the separate financial statements of the investor. Investments in associates are accounted for using the equity method of accounting in the Consolidated Financial Statements of the Group. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

e. Investment entities

Some of the entities within the Group are investment entities. Equity investments held by these entities in the investee companies are carried in the balance sheet at fair value through profit or loss even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, `Investment in associates', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised in the income statement in the period of the change.

2.4 Segment reporting

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

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

2.5 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgment in developing and applying an accounting policy that is relevant and reliable. In making this judgment, directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

Directors also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or interpretation.

Accordingly, the Group's policy is that the assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS. The Company incorporates the results of the acquired businesses only from the date on which the business combination occurs.

2.6 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Nigerian Naira which is the group's presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re- measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

c. Group companies

The results and financial position of all the group entities which have functional currency different from the Group's presentation currency, are translated into the Group's presentation currency as follows:

- assets and liabilities of each foreign operation are translated at the rates of exchange ruling at the reporting date;
- income and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case income and expenses are translated at the exchange rate ruling at transaction date; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate . Exchange differences arising are recognised in other comprehensive income.

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2.7 Income taxation

a. Current income tax

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

b. Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Inventories

The Group purchases and constructs properties for resale.

The Group recognises property as inventory under the following circumstances:

i. property purchased for the specific purpose of resale

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

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

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

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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 at fair value through profit or loss'. Interest income and expense and dividend income on financial assets held for trading are included in 'Net interest income' or 'Dividend income' respectively.

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

b. Loans and receivables

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

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

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

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

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

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

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.

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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 statement.

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

e. Recognition

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

2.9.2 Financial liabilities

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

a. Financial liabilities at fair value through profit or loss

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

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

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

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

b. Other liabilities measured at amortised cost

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

2.9.3 Derivative financial instruments

Derivative financial instruments include swaps, forward rate agreements, futures, options and combinations of these instruments, and they primarily affect the Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. All derivative financial instruments are held at fair value through profit or loss.

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

2.9.4 Embedded derivatives

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

2.9.5 Determination of fair value

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, the Nigerian Stock Exchange (NSE)) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted securities (including those with embedded derivatives) and other instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The impact on other comprehensive income of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in note 3.7.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The estimated fair value of loans and advances represents an estimation of the value of the loans using average benchmarked lending rates, which were adjusted for specific entity risks based on history of losses.

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2.9.6 De-recognition of financial instruments

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

2.9.7 Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

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b. Fees and commission income

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

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

c. Dividend income

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

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

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

2.13 Impairment of non-financial assets

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

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

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

2.14 Collateral

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

The Group may also use other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.15 Discontinued operations

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

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

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

iii. is a subsidiary aquired exlusively with a view to resale.

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

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

2.16 Leases

Leases are divided into finance leases and operating leases.

a. The group is the lessee

i Operating lease

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

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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.

ii **Finance lease**

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

b **The group is the lessor**

i **Operating lease**

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis.

ii **Finance lease**

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

2.17 Investment Properties

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

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

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

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

Transfer to, or from, investment property is recognized only when there is a change in use, evidenced by one or more of the following:

i. commencement of owner-occupation (transfer from investment property to owner-occupied property)

ii. commencement of development with the view to sale (transfer from investment property to inventories)

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ii. commencement of development with the view to sale (transfer from investment property to inventories)

iii. end of owner-occupation (transfer from owner-occupied property to investment property)

iv. commencement of an operating lease to another party (transfer from inventories to investment property)

v. end of construction or development (transfer from property in the course of construction/development to investment property)

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

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

2.18 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33.3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for leases under 50 years
Land	Not depreciated

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

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

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

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

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

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

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2.19 Intangible assets

a. Goodwill

Goodwill arises on the acquisition of subsidiary and associates, and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill which is recognised as an asset is reviewed at least annually for impairment. Any impairment loss is immediately recognised in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit that is expected to derive benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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

b. Computer software

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

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

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

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

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

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

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

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

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

c. Brand, customer deposits and customer relationships

Brand, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively.

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2.20 Investment contracts

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

2.21 Cash and cash equivalents

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

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

2.22 Employee benefits

i Post-employment benefits

The Group has both defined benefit and defined contribution plans.

a. Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

b. Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the Estimated future cash outflows using interest rates of Federal government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

ii Short-term benefits

Short-term benefits consists of salaries, accumulated leave allowances, bonuses and other non-monetary benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related services provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

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2.23 Provisions

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

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

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

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

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

2.24 Insurance contracts

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

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

a. Classification of contracts

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

b. Recognition and measurement

i Short-term insurance contracts

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

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported

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to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

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

ii Long-term insurance contracts with fixed and guaranteed terms

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

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.

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2.25 Fiduciary activities

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

2.26 Issued debt and equity securities

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

2.27 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. Earnings per share

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

c. Treasury shares

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

d. Statutory credit reserve

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

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

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

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

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

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

2.28 Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at the fair value, and the initial fair value is amortised over the life of the financial guarantee. The guaranteee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guaranteee has become probable).

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

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

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

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

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

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

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

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- 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.

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

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

- The Commercial Banking subgroup does not lend to non investment grade obligors, on an unsecured basis, except as specified under a product programme. The 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 (CRR) grid indicates the acceptable collateral types rated 1-8 from best to worst in order of liquidity.

CRR (rating bucket)	Collateral type
1	Cash
2	Treasury bills/govt securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture trust deed/fixed debenture and mortgage debenture
4	Legal mortgage on residential business real estate in prime locations A & B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A & B
5	Domiciliation of receivables from acceptable corporates
5	Enforceable lien on fast moving inventory in bonded warehouses
6	Equitable mortgages on real estates in any location
6	Negative pledge/clean lending
6	Domiciliation of other receivables
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Letter of hypothecation, personal guarantee

3.2.2 Risk limit control and mitigation policies

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

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

a Portfolio limits

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews macro-economic, regulatory and political factors, identifies sectors/industries with opportunity as well as the Group's business targets to determine appropriate portfolio and sub-portfolio limits.

The Group's Portfolio limit includes:

- Maintain aggregate large exposure of not more than 400% of Bank's shareholders' funds.
- Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'BB'
- Maintain minimum weighted average facility risk rating (facility-WARR) of 'BB'

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The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:

- The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
- No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
- No more than 10% of the Group's portfolio in any single industry rated 'B' or worse.

b Geographical limits

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

c Single obligor limits

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

For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:

- No single retail loan should amount to more than 0.2% of total retail portfolio.

The Group also sets internal credit approval limits for various levels in the credit process and these are shown in the table below.

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

Standard credit approval grid for wholesale and retail lending (Firstbank)

	Approval levels	Investment grade (₦'000)	Non - investment grade (₦'000)
1	Board of Directors	>25,000, 000 but not more than 15% of SHF or 75% of SOL/legal lending limit	>10,000,000 but not more than 5% of SHF
2	Board Credit Committee	25,000,000	10,000,000
3	Management Credit Committee	10,000,000	5,000,000
4	Managing Director + Chief Risk Officer + Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	5,000,000	2,000,000
5	Chief Risk Officer + Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	1,000,000	500,000
6	Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	250,000	100,000
7	Risk Senior Credit Officer 2 + SCO3 + Business Senior Credit Officer 1/SCO2	100,000	50,000
8	Risk Senior Credit Officer 3 + SCO4 + Group Head + Business Development Manager	50,000	25,000

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The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

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

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

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

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

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

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3.2.4 Exposure management

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

3.2.5 Delinquency management/loan workout

The Group's delinquency management process involves effective and timely management of accounts showing signs of delinquency to reduce the crystallisation of impairment loss. In line with the Group's delinquency management process, all activities are geared towards resuscitating delinquent loans and includes restructuring and loan work-out arrangements.

3.2.6 Credit recovery

In the event of continued delinquency and failure of remediation, full credit recovery action is initiated to recover on such exposures and minimise the overall credit loss to the Group. Recovery action may include appointment of a receiver manager, external recovery agent and/or sale of pledged assets.

3.2.7 Management of concentration risk

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

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

3.2.8 Impairment and provisioning policies

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

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3.2.9 Measurement basis of financial assets and liabilities

GROUP 31 December 2016	Fair value through P/L held for trading ₦'million	Fair value through OCI available for sale ₦'million	Amortised cost loans and Receivables ₦'million	Amortised cost held to maturity ₦'million	Total ₦'million
Financial assets					
Cash and balances with central banks	-	-	690,165	-	690,165
Loans and advances to banks	-	-	444,871	-	444,871
Loans and advances to customers:					
- Overdrafts	-	-	282,687	-	282,687
- Term loans	-	-	1,687,703	-	1,687,703
- Staff loans	-	-	7,417	-	7,417
- Project finance	-	-	104,783	-	104,783
- Advances under finance lease	-	-	1,304	-	1,304
Financial assets at fair value through profit or loss	46,711	-	-	-	46,711
Investment securities:					
- Available-for-sale investments	-	921,753	-	-	921,753
- Held-to-maturity investments	-	-	-	108,479	108,479
- Loans and receivables	-	-	20,356	-	20,356
Asset pledged as collateral	10,412	103,328	-	83,680	197,420
Other assets	-	-	34,602	-	34,602
Total financial assets	57,123	1,025,081	3,273,887	192,159	4,548,251

	Fair value through P/L ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	416,078	416,078
Deposits from customers	-	3,104,221	3,104,221
Financial liabilities at fair value through profit or loss	37,137	-	37,137
Other liabilities	-	235,388	235,388
Liability on investment contracts	-	9,440	9,440
Borrowings	-	316,792	316,792
Total financial liabilities	37,137	4,081,919	4,119,056

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GROUP 31 December 2015	Fair value through P/L held for trading ₦'million	Fair value through OCI available for sale ₦'million	Amortised cost loans and receivables ₦'million	Amortised cost held to maturity ₦'million	Total ₦'million
Financial assets					
Cash and balances with Central banks	-	-	715,871	-	715,871
Loans and advances to banks	-	-	385,769	-	385,769
Loans and advances to customers:					
- Overdrafts	-	-	316,571	-	316,571
- Term loans	-	-	1,402,123	-	1,402,123
- Staff loans	-	-	8,330	-	8,330
- Project finance	-	-	88,280	-	88,280
- Advances under finance lease	-	-	1,967	-	1,967
Financial assets at fair value through profit or loss	26,426	-	-	-	26,426
Investment securities:					
- Available-for-sale investments	-	799,850	-	-	799,850
- Held-to-maturity investments	-	-	-	106,623	106,623
- Loans and receivables	-	-	7,306	-	7,306
Asset pledged as collateral	-	23,626	-	82,020	105,646
Other assets	-	-	21,070	-	21,070
Total financial assets	26,426	823,476	2,947,287	188,643	3,985,832

	Fair value through P/L ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	144,652	144,652
Deposits from customers	-	2,970,922	2,970,922
Financial liabilities at fair value through profit or loss	12,488	-	12,488
Other liabilities	-	168,441	168,441
Liability on investment contracts	-	10,157	10,157
Borrowings	-	256,116	256,116
Total financial liabilities	12,488	3,550,288	3,562,776

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COMPANY 31 December 2016	Fair value through P/L Held for trading ₦'million	Fair value through OCI available for sale ₦'million	Amortised cost loans and receivables ₦'million	Amortised cost held to maturity ₦'million	Total ₦'million
Financial assets					
Loans and advances to banks	-	-	645	-	645
Loans and advances to customers	-	-	65	-	65
Investment securities:					
- Available-for-sale investments	-	12,350	-	-	12,350
- Held-to-maturity investments	-	-	-	-	-
Other assets	-	-	10,260	-	10,260
Total financial assets	-	12,350	10,970	-	23,320

	Fair value through P/L ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	7,114	7,114
Total financial liabilities	-	7,114	7,114

COMPANY 31 December 2015	Fair value through P/L held for trading ₦'million	Fair value through OCI available for sale ₦'million	Amortised cost loans and receivables ₦'million	Amortised cost held to maturity ₦'million	Total ₦'million
Financial liabilities					
Loans and advances to banks	-	-	4,792	-	4,792
Loans and advances to customers					
- Staff loans	-	-	63	-	63
Investment securities:					
- Available-for-sale investments	-	7,019	-	-	7,019
Other assets	-	-	4,454	-	4,454
Total financial assets	-	7,019	9,309	-	16,328

	Fair value through P/L ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	5,751	5,751
Total financial liabilities	-	5,751	5,751

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

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

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Balances with central banks	**588,910**	639,561	**-**	-
Loans and advances to banks	**444,871**	385,769	**645**	4,792
Loans and advances to customers				
- Overdrafts	**282,687**	316,571	**-**	-
- Term loans	**1,687,703**	1,402,123	**-**	-
- Staff loans	**7,417**	8,330	**65**	63
- Project finance	**104,783**	88,280	**-**	-
- Advances under finance lease	**1,304**	1,967	**-**	-
Financial assets at fair value through profit or loss	**41,183**	19,220	**-**	-
Investment securities - Debt				
- Available-for-sale investments	**862,009**	741,966	**9,516**	4,183
- Held-to-maturity investments	**108,479**	106,623	**-**	-
- Loans and receivables	**20,356**	7,306	**-**	-
Asset pledged as collateral	**197,420**	105,646	**-**	-
Other assets	**34,602**	21,070	**10,260**	4,454
	4,381,723	3,844,432	**20,486**	13,492
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	**14,203**	33,342	**-**	-
Letter of credit and other credit related obligations	**470,624**	421,696	**-**	-
	484,827	455,038	**-**	-
Total maximum exposure	**4,866,550**	4,299,470	**20,486**	13,492

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3.2.11 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2016 and 31 December 2015. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
GROUP							
Balances with central banks	573,072	-	-	15,526	312	-	588,910
Loans and advances to banks	178,607	-	-	40,494	168,388	57,382	444,871
Loans and advances to customers							
- Overdrafts	153,687	67,650	19,408	40,457	620	865	282,687
- Term loans	1,212,318	190,685	57,318	102,969	13,180	111,233	1,687,703
- Staff loans	5,324	-	20	2,030	43	-	7,417
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets at fair value through profit or loss	39,148	-	-	449	1,586	-	41,183
Investment securities							
- Available-for-sale investments	592,323	3,953	1,950	16,170	18,486	229,127	862,009
- Held-to-maturity investments	87,479	3,184	-	17,816	-	-	108,479
- Loans and receivables	20,356	-	-	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	10,043	-	-	197,420
Other assets	21,303	3,746	919	5,100	3,534	-	34,602
31 December 2016	**3,129,244**	**269,825**	**95,493**	**276,162**	**212,393**	**398,607**	**4,381,723**

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

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loan commitments	8,116	2,939	6	3,142	-	-	14,203
Letters of credit and other credit related obligations	300,439	122,341	15,410	6,931	11,736	13,767	470,624
31 December 2016	**308,555**	**125,280**	**15,416**	**10,073**	**11,736**	**13,767**	**484,827**

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	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
GROUP							
Balances with central banks	629,961	-	-	9,331	269	-	639,561
Loans and advances to banks	120,595	-	3,350	40,679	158,277	62,868	385,769
Loans and advances to customers							
- Overdrafts	229,116	52,039	11,091	22,001	1,541	783	316,571
- Term loans	914,746	196,469	63,064	105,698	47,632	74,514	1,402,123
- Staff loans	6,842	-	-	1,448	40	-	8,330
- Project finance	40,031	2,246	11,614	31,057	3,220	112	88,280
- Advances under finance lease	1,374	561	32	-	-	-	1,967
Financial assets at fair value through profit or loss	16,655	-	-	303	2,262	-	19,220
Investment securities							
- Available-for-sale investments	713,582	5,384	2,617	-	10,368	10,015	741,966
- Held-to-maturity investments	89,457	4,919	130	12,117	-	-	106,623
- Loans and receivables	7,306	-	-	-	-	-	7,306
Asset pledged as collateral	105,646	-	-	-	-	-	105,646
Other assets	18,938	-	-	2,132	-	-	21,070
31 December 2015	2,894,249	261,618	91,898	224,766	223,609	148,292	3,844,432

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

Loan commitments	28,887	3,286	9	1,060	100	-	33,342
Letters of credit and other credit related obligations	336,189	48,782	19,431	7,230	6,128	3,936	421,696
31 December 2015	365,076	52,068	19,440	8,290	6,228	3,936	455,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
COMPANY							
Loans and advances to banks	645	-	-	-	-	-	645
Loans and advances to customers							
- Staff loans	65	-	-	-	-	-	65
Investment securities							
- Available-for-sale investments	9,516	-	-	-	-	-	9,516
Other assets	10,260	-	-	-	-	-	10,260
31 December 2016	20,486	-	-	-	-	-	20,486

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	4,792	-	-	-	-	-	4,792
Loans and advances to customers							
- Staff loans	63	-	-	-	-	-	63
Investment securities							
- Available-for-sale investments	4,183	-	-	-	-	-	4,183
Other assets	4,454	-	-	-	-	-	4,454
31 December 2015	13,492	-	-	-	-	-	13,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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b Industry sectors

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

	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment securities (Debt)-available for sale ₦'million	Investment securities-held to maturity ₦'million	Investment securities-loans and receivables ₦'million	Asset pledged as collateral ₦'million
GROUP							
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	104	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	588,910	444,871	7,107	274,324	5,280	20,356	10,043
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	34,076	587,581	103,199	-	187,377
Total at 31 December 2016	588,910	444,871	41,183	862,009	108,479	20,356	197,420

		Loans to customers					
	Other assets ₦'million	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	2,285	7,632	108,397	-	-	1	116,030
Oil and gas	-	78,915	569,995	-	50,415	-	699,325
Consumer credit	-	5,964	112,932	5,410	-	-	124,306
Manufacturing	-	45,797	308,501	-	18,304	179	372,781
Real estate	-	29,630	117,349	1,717	-	-	148,696
Construction	968	40,246	18,376	-	15,859	9	74,490
Finance and insurance	24,917	638	7,922	-	4,121	-	12,681
Transportation	-	1,818	11,833	-	9,080	13	22,744
Communication	-	12,790	62,388	-	6,185	-	81,363
General commerce	2,687	25,501	27,282	-	-	3	52,786
Utilities	2,790	4,392	99,573	-	-	-	103,965
Retail services	457	29,173	44,031	290	-	1,099	74,593
Public sector	500	191	199,124	-	819	-	200,134
Total at 31 December 2016	34,602	282,687	1,687,703	7,417	104,783	1,304	2,083,894

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	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment securities (Debt)- available for sale ₦'million	Investment securities- held to maturity ₦'million	Investment securities- loans and receivables ₦'million	Asset pledged as collateral ₦'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	126	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	639,561	385,769	4,719	45,448	5,540	3,955	3,428
Transportation	-	-	-	1,096	-	-	-
Communication	-	-	-	-	-	3,351	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	14,501	695,296	101,083	-	102,218
Total at 31 December 2015	639,561	385,769	19,220	741,966	106,623	7,306	105,646

		Loans to customers					
	Other assets ₦'million	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	-	2,686	55,663	-	-	-	58,349
Oil and gas	3,206	123,098	432,616	20	34,748	197	590,679
Consumer credit	-	5,220	134,776	5,830	-	-	145,826
Manufacturing	-	51,381	296,766	-	18,486	298	366,931
Real estate	-	20,174	92,705	2,090	-	-	114,969
Construction	517	30,477	16,964	-	18,004	9	65,454
Finance and insurance	16,517	3,907	20,776	21	3,986	125	28,815
Transportation	-	3,125	16,928	-	6,519	83	26,655
Communication	-	10,138	54,244	-	-	-	64,382
General commerce	830	35,230	38,831	-	110	6	74,177
Utilities	-	8,788	55,064	-	-	-	63,852
Retail services	-	21,397	39,699	369	5,542	1,236	68,243
Public sector	-	950	147,091	-	885	13	148,939
Total at 31 December 2015	21,070	316,571	1,402,123	8,330	88,280	1,967	1,817,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Investment securities (Debt)- available for sale ₦'million	Investment securities- held to maturity ₦'million	Investment securities- loans and receivables ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
COMPANY							
Finance and insurance	-	645	-	-	-	-	10,260
Public sector	-	-	9,517	-	-	-	-
Total at 31 December 2016	-	645	9,517	-	-	-	10,260

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Consumer credit	-	-	19	-	-	19
Real estate	-	-	46	-	-	46
Total at 31 December 2016	-	-	65	-	-	65

	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Investment securities (Debt)- available for sale ₦'million	Investment securities- held to maturity ₦'million	Investment securities- loans and receivables ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
COMPANY							
Finance and insurance	-	4,792	-	-	-	-	4,454
Public sector	-	-	4,183	-	-	-	-
Total at 31 December 2015	-	4,792	4,183	-	-	-	4,454

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Consumer credit	-	-	24	-	-	24
Real estate	-	-	39	-	-	39
Total at 31 December 2015	-	-	63	-	-	63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Loan commitments 31-Dec-16 ₦'million	Letter of credit and other related obligations 31-Dec-16 ₦'million	Loan commitments 31-Dec-15 ₦'million	Letter of credit and other related obligations 31-Dec-15 ₦'million
GROUP				
Agriculture	-	11,331	-	4,056
Oil and gas	8,539	44,141	10,026	46,212
Consumer credit	-	118	-	10
Manufacturing	3,437	116,774	6,290	77,589
Real estate	157	878	891	1,079
Construction	-	76,244	13	63,956
Finance and insurance	30	113,326	-	120,593
Transportation	522	444	564	1,068
Communication	618	1,880	74	1,862
General commerce	879	55,379	8,249	37,183
Utilities	-	24,295	6,619	45,592
Retail services	21	25,814	577	21,419
Public sector	-	-	39	1,077
Total	14,203	470,624	33,342	421,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3.2.12 Loans and advances to customers

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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
GROUP						
31 December 2016						
Neither past due nor impaired	201,193	1,278,563	7,436	83,040	1,059	1,571,291
Past due but not impaired	38,489	191,541	6	8,998	256	239,290
Individually impaired	152,773	393,568	15	23,885	497	570,738
Collectively impaired	1,415	11,972	45	-	27	13,459
Gross	393,870	1,875,644	7,502	115,923	1,839	2,394,778
Less: allowance for impairment (note 23)	(111,183)	(187,941)	(85)	(11,140)	(535)	(310,884)
Net	282,687	1,687,703	7,417	104,783	1,304	2,083,894
Individually impaired	106,323	156,756	3	10,837	497	274,416
Portfolio allowance	4,860	31,185	82	303	38	36,468
Total	111,183	187,941	85	11,140	535	310,884

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
GROUP						
31 December 2015						
Neither past due nor impaired	210,781	1,206,638	8,333	76,319	1,978	1,504,049
Past due but not impaired	27,702	59,554	64	12,098	-	99,418
Individually impaired	117,034	220,775	2	-	332	338,143
Collectively impaired	2,941	12,430	1	-	11	15,383
Gross	358,458	1,499,397	8,400	88,417	2,321	1,956,993
Less: allowance for impairment (note 23)	(41,887)	(97,274)	(70)	(137)	(354)	(139,722)
Net	316,571	1,402,123	8,330	88,280	1,967	1,817,271
Individually impaired	39,089	67,275	-	-	322	106,686
Portfolio allowance	2,798	29,999	70	137	32	33,036
Total	41,887	97,274	70	137	354	139,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
COMPANY						
31 December 2016						
Neither past due nor impaired	-	-	65	-	-	65
Net	-	-	65	-	-	65
31 December 2015						
Neither past due nor impaired	-	-	63	-	-	63
Net	-	-	63	-	-	63

GROUP

31 December 2016

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).

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Grade:						
AAA	860	5,241	587	-	-	6,688
AA	2,227	59,787	80	-	-	62,094
A	3	59,359	41	-	-	59,403
BBB	8,919	102,409	131	-	-	111,459
BB	71,884	501,917	2,145	16,840	679	593,465
B	83,832	259,627	2,855	4,429	380	351,123
CCC	11,982	25,902	1,554	-	-	39,438
CC	-	1,700	-	-	-	1,700
C	21,486	262,621	43	61,771	-	345,921
	201,193	1,278,563	7,436	83,040	1,059	1,571,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

b Loans and advances past due but not impaired

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	16,112	143,171	4	8,581	186	168,054
Past due by 30 - 60 days	18,175	25,850	2	-	70	44,097
Past due 60-90 days	4,202	22,520	-	417	-	27,139
Gross amount	38,489	191,541	6	8,998	256	239,290

c Collectively impaired loans

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Collectively impaired loans	1,415	11,972	45	-	27	13,459

d Loans and advances individually impaired

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	152,773	393,568	15	23,885	497	570,738
Specific impairment	(106,323)	(156,756)	(3)	(10,837)	(497)	(274,416)
Net amount	46,450	236,812	12	13,048	-	296,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP
31 December 2015

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Grades:						
AAA	359	7,695	580	-	-	8,634
AA	-	23,838	-	-	-	23,838
A	1,388	20,452	-	-	-	21,840
BBB	26,998	95,348	97	-	-	122,443
BB	125,899	625,603	2,150	7,288	941	761,881
B	50,357	222,816	5,469	2,259	1,037	281,938
CCC	283	725	-	-	-	1,008
CC	-	-	-	-	-	-
C	5,497	210,161	37	66,772	-	282,467
	210,781	1,206,638	8,333	76,319	1,978	1,504,049

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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	211	5,200	2	19	-	5,432
Past due by 30 - 60 days	24,729	45,546	1	11,706	-	81,982
Past due 60-90 days	2,762	8,808	61	373	-	12,004
Gross amount	27,702	59,554	64	12,098	-	99,418

c **Collectively impaired loans**

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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Collectively impaired loans	2,941	12,430	1	-	11	15,383

d **Loans and advances individually impaired**

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	117,034	220,775	2	-	332	338,143
Specific impairment	(39,089)	(67,275)	-	-	(322)	(106,686)
Net amount	77,945	153,500	2	-	10	231,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

e Sensitivity analysis on impairment

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

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

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

Approach to sensitivity analysis

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

Scenario 1

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

Scenario 2

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

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

	Impairment charge in profit or loss		
	Current year ₦'million	Scenario 1 ₦'million	Scenario 2 ₦'million
31 December 2016			
- Overdrafts	80,694	81,375	81,424
- Term loans	76,945	82,956	83,502
- Staff loans	-	12	12
- Project finance	1,531	1,591	1,591
- Advances under finance lease	181	188	189
Total	159,351	166,122	166,718
31 December 2015			
- Overdrafts	37,858	38,118	38,167
- Term loans	83,451	84,660	85,127
- Staff loans	1	15	15
- Project finance	(14)	13	13
- Advances under finance lease	119	123	124
Total	121,415	122,929	123,446

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FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 and 31 December 2015.

	Group Loans to banks ₦'million
31 December 2016	
A+ to A-	**112,514**
B+ to B-	**69,709**
Unrated	**262,646**
	444,871
31 December 2015	
A+ to A-	85,279
B+ to B-	18,706
Unrated	281,784
	385,769

3.2.14 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 2016 and 31 December 2015.

Group 31 December 2016	Treasury bills as reported in the AFS portfolio ₦'million	Bonds as reported in the AFS portfolio ₦'million	Treasury bills as reported in the HTM portfolio ₦'million	Bonds as reported in the HTM portfolio ₦'million	Loans and receivables ₦'million	Other assets ₦'million
A+ to A-	**257,808**	**69,976**	**-**	**16,994**	**-**	**10,952**
B+ to B-	**513,163**	**122,326**	**-**	**138,545**	**-**	**715**
Unrated	**2,064**	**-**	**31,387**	**5,233**	**20,356**	**22,936**
	773,035	**192,302**	**31,387**	**160,772**	**20,356**	**34,602**
31 December 2015						
A+ to A-	20,954	69,458	1,835	18,813	-	4,735
B+ to B-	474,984	195,802	4,191	158,222	-	237
Unrated	2,830	1,565	8,412	-	7,306	16,098
	498,768	266,825	11,608	177,035	7,306	21,070

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	Treasury bills as reported in the AFS portfolio ₦'million	Bonds as reported in the AFS portfolio ₦'million	Treasury bills as reported in the HTM portfolio ₦'million	Bonds as reported in the HTM portfolio ₦'million	Loans and receivables ₦'million	Other assets ₦'million
A+ to A-	8,862	654	-	-	-	-
Unrated	-	-	-	-	-	10,260
	8,862	654	-	-	-	10,260
31 December 2015						
A+ to A-	3,532	651	-	-	-	-
Unrated	-	-	-	-	-	4,454
	3,532	651	-	-	-	4,454

3.2.15 Collaterised Assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2016 and 31 December 2015 are as shown below

Group

31 December 2016

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	444,871	24,552
Financial assets at fair value through profit or loss	-	-	46,711	1,596
Total financial assets	-	-	491,582	26,148
31 December 2015				
Financial assets				
Loans and advances to banks	-	-	385,769	19,837
Financial assets at fair value through profit or loss	-	-	26,426	5,983
Total financial assets	-	-	412,195	25,820

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

The underlisted financial assets are not collaterised:

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

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

3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

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

(a) Table A - Liquidity analysis on a contractual basis

Group

31 December 2016

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
Financial liabilities							
Deposits from banks	321,275	78,833	638	15,417	-	-	416,163
Deposits from customers	2,288,499	324,768	156,242	120,199	198,247	24,038	3,111,993
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	72,930	112,112	3,469	2,754	5,812	-	197,076
Investment contracts	-	-	-	-	9,440	-	9,440
Total financial liabilities	2,690,038	528,661	162,548	153,243	558,300	48,477	4,141,265
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,021	200,236	470,624
Total commitments	20,560	42,575	80,551	72,295	68,601	200,246	484,827
Assets held for managing liquidity risk	756,315	330,440	188,456	388,002	339,075	125,890	2,128,177
31 December 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,641
Deposits from customers	2,230,551	364,398	109,762	135,532	126,109	12,495	2,978,847
Financial liabilities at fair value through profit or loss	-	-	367	-	-	-	367
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	133,470	10,007	3,199	10,513	25	168,441
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	2,328,767	529,436	173,712	160,690	286,238	144,661	3,623,504
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,012	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

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Company
31 December 2016

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
Financial liabilities							
Other liabilities	-	-	-	7,114	-	-	7,114
Total financial liabilities	-	-	-	7,114	-	-	7,114
Assets held for managing liquidity risk	645	-	-	10,260	-	-	10,906
31 December 2015							
Financial liabilities							
Other liabilities	-	-	-	5,751	-	-	5,751
Total financial liabilities	-	-	-	5,751	-	-	5,751
Assets held for managing liquidity risk	4,792	-	-	4,454	-	-	9,247

b Table B – Liquidity analysis on a behavioural basis

Group
31 December 2016

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
Financial liabilities							
Deposits from banks	**256,830**	**78,838**	**65,078**	**15,417**	**-**	**-**	**416,163**
Deposits from customers	**304,971**	**379,190**	**265,423**	**289,409**	**578,608**	**1,276,844**	**3,094,445**
Borrowings	**7,334**	**12,948**	**2,198**	**14,873**	**344,801**	**24,439**	**406,593**
Other liabilities	**72,930**	**109,269**	**7,874**	**2,754**	**5,812**	**-**	**198,638**
Investment contracts	**9,440**	**-**	**-**	**-**	**-**	**-**	**9,440**
Total financial liabilities	**651,505**	**580,245**	**340,573**	**322,453**	**929,221**	**1,301,283**	**4,125,279**
Loan commitments	**145**	**60**	**2,371**	**1,039**	**10,580**	**9**	**14,203**
Letters of credit and other credit related obligations	**20,419**	**42,515**	**78,180**	**71,256**	**58,017**	**200,236**	**470,624**
Total commitments	**20,564**	**42,574**	**80,551**	**72,295**	**68,597**	**200,246**	**484,827**
Assets held for managing liquidity risk	**756,315**	**330,440**	**188,456**	**388,002**	**339,075**	**125,890**	**2,128,177**
31 December 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,642
Deposits from customers	477,416	388,168	196,170	266,588	369,326	1,264,287	2,961,955
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	129,733	10,007	3,199	10,513	25	164,704
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	575,633	549,469	259,753	291,746	529,455	1,396,453	3,602,509
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,011	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

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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 banks 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 banks and other market participants
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios
- The ability to access incremental short term funding by interbank borrowing from the interbank market

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer-term. On an actuarial basis, the bank's demand deposits exhibit much longer duration, with 75.53% of the bank's current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the bank typically holds significant short-term liquidity in currency placements or taps the repo markets to raise short-term funding as is required. To grow local currency liquidity, the bank has also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid shorter dated treasury bills over longer-term bonds, to allow more flexibility in managing liquidity. Whilst on the foreign currency side, the bank has built up placement balances with our offshore correspondents.

3.3.5 Derivative liabilities

a Derivatives settled on a net basis

The put options and the accumulator forex contract will be settled on a net basis.

The table below analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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Group

	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2016							
Derivative liabilities							
Put options	**(295)**	**(364)**	**(468)**	**(917)**	**(1,458)**	**-**	**(3,502)**
	(295)	**(364)**	**(468)**	**(917)**	**(1,458)**	**-**	**(3,502)**
Derivative assets							
Forward contract	**286**	**350**	**436**	**865**	**1,457**	**-**	**3,394**
	286	**350**	**436**	**865**	**1,457**	**-**	**3,394**
	(9)	**(14)**	**(32)**	**(52)**	**(1)**	**-**	**(108)**
At 31 December 2015							
Derivative liabilities							
Put options	(522)	(222)	-	-	(2,645)	-	(3,389)
	(522)	(222)	-	-	(2,645)	-	(3,389)
Derivative assets							
Cross-currency swap	367	-	-	-	-	-	367
Forward contract	571	235	-	-	2,958	-	3,764
	937	235	-	-	2,958	-	4,130
	415	13	-	-	313	-	741

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b Derivatives settled on a gross basis.

The Group's derivatives that will be settled on a gross basis are foreign exchange derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2016							
Liabilities held for trading							
FX Swap - Payable	**(10,675)**	**(4,575)**	**(21,350)**	**-**	**-**	**-**	**(36,600)**
FX Swap - Receivable	**11,177**	**4,995**	**23,182**	**-**	**-**	**-**	**39,354**
Forward Contract - Payment	**(120,887)**	**(115,327)**	**(103,918)**	**(120,978)**	**-**	**-**	**(461,111)**
Forward Contract - Receipt	**-**	**28,640**	**2,211**	**-**	**-**	**-**	**30,851**
	(120,385)	**(86,267)**	**(99,875)**	**(120,978)**	**-**	**-**	**(427,506)**
At 31 December 2015							
Liabilities held for trading							
FX Swap - Payable	(2,985)	(24,285)	(12,994)	-	-	-	(40,264)
FX Swap - Receivable	3,132	23,876	12,920	-	-	-	39,928
Forward Contract - Payment	-	(4,433)	(218,574)	(98,944)	-	-	(321,951)
Forward Contract - Receipt	-	-	-	-	-	-	-
Put option	-	-	-	-	46	-	46
	147	(4,842)	(218,648)	(98,944)	46	-	(322,241)

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.

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3.4.1 Management of market risk

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

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

3.4.2 Market risk measurement techniques

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

a Value at risk (VaR)

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

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

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

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

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

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

The treasury bill trading VaR is ₦1.2 billion as at 31 December 2016 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was ₦31 million as at 31 December 2016, reflecting the new regulatory Trading Open Position of 0.5% of Shareholders' Fund stipulated by the CBN.

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VaR summary	Group		
	12 months to 31 December 2016		
	Average	High	Low
Foreign exchange risk	32	118	-
Interest rate risk	943	3,241	219
Total VaR	975	3,359	219
	12 months to 31 December 2015		
	Average	High	Low
Foreign exchange risk	7	25	-
Interest rate risk	354	1,155	82
Total VaR	361	1,180	82

b Stress tests

Based on the reality of unpredictable market environment and the frequency of regulations that have had significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

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

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

Non-trading portfolio

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

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

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

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

Hedged non-trading market risk exposures

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

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3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016 and 31 December 2015. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group
31 December 2016

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
Financial assets						
Cash and balances with central banks	631,916	5,476	610	16,115	36,048	690,165
Loans and advances to banks	85,874	43,650	16,028	281,821	17,497	444,871
Loans and advances						
- Overdrafts	163,822	105,351	1,102	7,128	5,283	282,687
- Term loans	580,231	1,009,017	56,769	30,563	11,123	1,687,703
- Staff loans	5,345	1,489	43	8	532	7,417
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
- Available-for-sale investments	626,686	295,067	-	-	-	921,753
- Held-to-maturity investments	90,662	-	-	-	17,816	108,479
- Loans and receivables	19,898	458	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	-	10,043	197,420
Financial assets at fair value through profit or loss	31,534	15,177	-	-	-	46,711
Other assets	21,690	4,625	1,567	1,618	5,102	34,602
	2,466,627	1,560,659	76,119	341,401	103,445	4,548,251
Financial liabilities						
Customer deposits	2,083,708	552,946	381,545	35,679	50,342	3,104,221
Deposits from banks	34,568	352,217	17,387	8,142	3,763	416,078
Financial liabilities at fair value through profit or loss	-	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	102,446	116,512	1,727	9,202	5,501	235,388
Investment contracts	9,440	-	-	-	-	9,440
	2,283,890	1,318,209	400,659	53,231	63,067	4,119,056

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Group
31 December 2015

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
Financial assets						
Cash and balances with central banks	678,502	5,791	6,576	6,215	18,787	715,871
Loans and advances to banks	40,557	214,953	89,649	28,178	12,432	385,769
Loans and advances						
- Overdrafts	180,309	125,885	307	3,603	6,468	316,571
- Term loans	539,978	744,698	41,768	67,463	8,216	1,402,123
- Staff loans	6,846	1,126	40	-	318	8,330
- Project finance	18,026	66,209	-	4,045	-	88,280
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities						
- Available-for-sale investments	671,603	70,363	-	-	-	741,966
- Held-to-maturity investments	94,506	-	-	3	12,114	106,623
- Loans and receivables	7,306	-	-	-	-	7,306
Asset pledged as collateral	103,514	-	-	-	2,132	105,646
Financial assets at fair value through profit or loss	16,036	3,184	-	-	-	19,220
Other assets	12,358	3,274	452	18	4,968	21,070
	2,371,508	1,235,483	138,792	109,525	65,435	3,920,743
Financial liabilities						
Customer deposits	2,049,590	507,269	357,541	23,680	32,842	2,970,922
Deposits from banks	8,021	114,100	15,285	6,704	542	144,652
Financial liabilities at fair value through profit or loss	367	10,743	-	1,378	-	12,488
Borrowings	82,332	171,669	127	-	1,988	256,116
Other liabilities	101,946	56,597	2,690	4,723	2,485	168,441
Investment contracts	10,157	-	-	-	-	10,157
	2,252,413	860,378	375,643	36,485	37,857	3,562,776

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

The following table details the Group's sensitivity to a 25% increase and decrease in Naira against the US dollar and EURO. In view of the significant devaluation experienced in 2016, management believe that a 25% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and EURO denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 25% against the US dollar and EURO. For a 25% strengthening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2016	31 Dec 2015
Naira strengthens by 25% against the US dollar (2015:10%) Profit/(loss)	**(60,613)**	(37,511)
Naira weakens by 25% against the US dollar (2015:10%) Profit/(loss)	**60,613**	37,511
Naira strengthens by 25% against the EURO (2015:10%) Profit/(loss)	**(72,043)**	(7,304)
Naira weakens by 25% against the EURO (2015:10%) Profit/(loss)	**72,043**	7,304

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3.4.4 Interest rate risk

Interest rate risk is the risk of loss in income or portfolio value as a result of changes in market interest rates. The Group is exposed to interest rate risk in its fixed income securities portfolio, as well as on the interest sensitive assets and liabilities in the course of banking and or trading. The Board sets limits on the level of mismatch of interest rate repricing and 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 ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
GROUP **31 December 2016**				
Financial assets				
Cash and balances with central banks	690,165	15,255	8,000	666,910
Loans and advances to banks	444,871	192,410	67,121	185,340
Loans and advances to customers				
- Overdrafts	282,687	282,687	-	-
- Term loans	1,687,703	1,673,368	14,335	-
- Staff loans	7,417	1	7,416	-
- Project finance	104,783	104,783	-	-
- Advances under finance lease	1,304	1,304	-	-
Financial assets at fair value through profit or loss	46,711	-	31,534	15,177
Investment securities:				
- Available-for-sale investments	921,753	-	862,007	59,746
- Held-to-maturity investments	108,479	-	108,479	-
- Loans and receivables	20,356	-	20,356	-
Assets pledged as collateral	197,420	-	197,420	-
Other assets	34,602	-	-	34,602
	4,548,250	2,269,808	1,316,669	961,773
Financial liabilities				
Deposits from customers	3,104,221	1,520,178	1,107,766	476,277
Deposits from banks	416,078	263,854	151,943	281
Financial liabilities at fair value through profit or loss	37,137	-	-	37,137
Other liabilities	235,388	-	-	235,388
Liability on investment contracts	9,440	9,440	-	-
Borrowings	316,792	5,824	310,968	-
	4,119,056	1,799,296	1,570,678	749,083
Interest rate mismatch		470,512	(254,009)	212,692

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	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
Group				
31 December 2015				
Financial assets				
Cash and balances with central banks	715,871	15,255	8,000	692,616
Loans and advances to banks	385,769	247,947	78,802	59,020
Loans and advances				
- Overdrafts	316,571	316,571	-	-
- Term loans	1,402,123	1,356,123	46,000	-
- Staff loans	8,330	20	8,310	-
- Project finance	88,280	88,280	-	-
- Advances under finance lease	1,967	1,967	-	-
Financial assets at fair value through profit or loss	26,426	46	16,208	10,172
Investment securities:				
- Available-for-sale investments	799,850	4,634	737,874	57,342
- Held to maturity investments	106,623	-	106,620	3
- Loans and receivables	7,306	-	7,306	-
Assets pledged as collateral	105,646	-	105,646	-
Other assets	21,070	-	-	21,070
	3,985,832	2,030,843	1,114,766	840,223
Financial liabilities				
Customer deposits	2,970,922	1,378,045	1,080,460	512,417
Deposits from banks	144,652	86,864	53,061	4,727
Financial liabilities at fair value through profit or loss	12,488	-	-	12,488
Other liabilities	168,441	-	-	168,441
Liability on investment contracts	10,157	10,157	-	-
Borrowings	256,116	13,139	242,977	-
	3,562,776	1,488,205	1,376,498	698,073
Interest rate mismatch		542,638	(261,732)	142,151

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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 2016. 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 ₦'bn	<=30 Days	31 - 90 Days	91 - 180 Days	181 - 365 Days	1 - 2 Years	2 Years & Above	Rate Sensitive
Treasury bills	14	37	63	321	-	-	435
Government bonds	-	-	24	5	8	62	98
Corporate bonds	-	-	-	-	-	1	1
Loans and advances to banks	24	-	-	-	-	-	24
Project finance	16	-	-	-	-	11	26
Term loans	234	27	11	74	210	865	1,422
Overdraft	105	57	14	58	1	3	238
Equipment on Lease	-	-	-	-	1	-	1
Staff loans	-	-	-	-	1	3	5
Total assets	394	121	113	459	220	945	2,251
Deposits from customers	330	215	143	218	328	456	1,689
Deposits from banks	25	-	-	15	-	-	40
Medium term loan	27	26	9	-	-	-	62
Total liabilities	381	241	153	234	327	456	1,792
	13	(120)	(40)	225	(107)	489	459

Current and Savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice however, these deposits form a stable base for the bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

3.5 Management of insurance risk

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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

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

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3.5.1 Underwriting risk

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

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

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

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

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

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

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

3.5.2 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information are not readily available.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

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The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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

	31 December 2016			31 December 2015		
	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million
Individual traditional	5,702	-	5,702	8,554	-	8,554
Individual linked contracts	9,440	-	9,440	-	-	-
Group credit life	481	-	481	560	-	560
Group Life – UPR incl AURR	152	(13)	139	725	(1)	724
General business – UPR incl AURR	751	(308)	443	515	-	515
Group life - IBNR	362	(21)	341	251	(1)	249
Annuity	1,519	-	1,519	-	-	-
Additional reserves	94	-	94	852	(350)	502
Claims reserve - Life business	363	(37)	326	382	(36)	345
General business - IBNR	252	(104)	148	252	(105)	146
Claims reserve - General business	611	(406)	205	376	(244)	132
Total	19,727	(889)	18,838	12,465	(738)	11,727

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

	31 December 2016			31 December 2015		
	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million
Group life	694	(130)	565	1,271	(108)	1,163
Group credit life	208	-	208	339	-	339
Annuity	108	-	108	-	-	-
Individual life	1,184	-	1,184	1,640	-	1,640
Bancassurance	2	-	2	-	-	-
General business	917	(647)	270	569	(364)	205
Total	3,113	(776)	2,336	3,819	(472)	3,347

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3.5.3 Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behavior.

The insurance 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 ₦100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a max. of ₦5million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lump sum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no 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 Disability & Critical Illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of ₦500,000.00 (subjected to ₦1 million for a maximum of 2 lines) for a registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution from on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the bank. 2. The scheme pays a maximum of 6 months instalment after loss of job by the borrower to the bank.	Death and loss of job.
General Business-Short Term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured	Accident-motor & general accident, fire outbreak, burglary and other hazards

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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	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Fergusion method

Individual business

A gross premium method was used for individual risk business. This is a monthly cashflow projection approach taking into account the incidence of all expected future cashflows including office premiums, expenses and benefit payments satisfying the Liability Adequacy Test.

For the endowment plans, the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The Flexi save Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. Flexi save is an embedded product having components of insurance and financial risk. The product has not be unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cashflows including expenses.

Interest is allocated to policyholder Flexisave accounts at a rate of 2% below the Monetary Policy Rate (MPR). In order to accurately consider the potential cost of the life cover to the Group from this product (and hence the reserves that should be held) the policyholder funds was projected; this enabled a comparison of the expected future income to the Group from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgo (death benefits and expenses). A reserve is then set up to meet any shortfalls.

Life cover is only available for “active” policies, being those that paid a premium in the year. The risk reserves will allow for future life cover on policies that are active at the valuation date. Policyholders are able to reinstate their life cover by paying any outstanding premiums. Allowance for reinstated policies are made within the additional reserves.

Group business

Reserves for Group Life business comprise an unexpired premium reserve (UPR) and where necessary, a reserve for Incurred But Not Reported Claims (IBNR) to make an allowance for the delay in reporting of claims.

The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR has been tested by comparing against an Additional Unexpired Risk Reserve (AURR), which has been calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach has been used for IBNR reserving, which considers the pattern of claims emerging.

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

Due to the limited nature of data captured for credit life business, the cashflow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

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Non-life business

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The Basic Chain Ladder Method (BCL), a Loss ratio method adjusted for assumed experience to date and in more recent years and where the claim development seems different than in the past a Bornheutter – Ferguson Method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to sub-divide claims between large and small claims. Sub-dividing the data would reduce the volume of the data in the triangles and compromise the credibility. Extreme large claims however were removed from the triangulations to avoid distorting development patterns.

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

Net valuation interest rate of 14.65% pa was adopted for all long-term business excluding annuity and 14.6% per annum for annuity business, which has been applied as a single long-term rate of return. As at 31 December 2016, the average yield on 20 year FGN bond yield was 15.85%. By comparison long-term bonds were yielding 11.5% at December 2015.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long term yield to arrive at a gross valuation interest rate of 15.6%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	Annuity
Long-term FGN bond yield	15.80%	16.00%
Less 0.25% risk adjustment	-0.25%	-0.25%
Less reinvestment risk margin	0.00%	-0.25%
Less 0.65% tax	-0.93%	-0.93%
Net valuation rate	14.62%	14.57%
Rates adopted	14.65%	14.60%

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

Type of Business	Current Valuation	Previous valuation
Risk products	14.65%	10.25%
Risk reserves for deposit-based policies	14.65%	10.25%
Pension annuity	14.60%	10.25%

Expenses

The Group makes provisions for expenses in its mathematical reserves of an amount, which is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

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Future maintenance expenses

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

1 Per policy maintenance charges

2 Allocated operating expenses

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

The Group performed an expense analysis in during the year, which suggests actual expense experience over the year of:

1 Individual life: ₦4,200 per policy

2 Credit life: ₦550 per policy

3 Family shield: ₦770 per policy

The Group adopted a valuation expense assumption of ₦4,200 per policy on risk policies excluding family shield and ₦550 per policy for credit life while expense per policy for family shield is set at ₦770. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of Business	Current valuation	Previous valuation
Individual life	₦4,200 pp	₦4,300 pp
Credit life	₦550 pp	₦600 pp
Family shield	₦770 pp	₦500 pp

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2016 was 18.5%. We do not expect the current high inflation levels to persist, moreso, we expect internal efficiencies to be put in place - hence our assumed low inflation rate.

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.

Annuity valuation and future mortality improvements

We have strengthened the annuitant mortality basis to PA90 with an age rating of -1 (previously no age adjustment). We recently carried out a longevity study based on Nigerian pensioners data. Although its early days, the data indicates that pensioners are living longer than expected.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and Flexisave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the Flexisave surrender values are apportioned on the basis of sum insured.

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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

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and cashflow	Lapse rate p.a	Surrender rate p.a
Year 1	12.5%	-
Year 2	-	10.0%
Year 3	-	5.0%
Year 4	-	5.0%
Year 5+	-	5.0%

i. For individual policies the valuation age has been taken as Age Last Birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.

ii. The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

iii. No specific adjustment has been made for immediate payment of claims.

iv. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies.

vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

Bonuses

We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% pa for the Cashflow Endowment.

Group and Credit life businesses

Unexpired premium reserves (UPR) are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred.

Acquisition expense ratio of 20% of gross premium was adopted. Group Life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, stamp duty of 0.15% and management expenses.

The following assumptions were adopted for the credit life valuation:

i Where no effective (start) date has been provided, we assumed the credit date.

ii Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.

iii The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.

iv The IBNR was estimated based on an average claims notification delay period of 3 months, which was derived from the claims experience data.

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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	2016	2015
Expense overrun	0%	0%
Worsening of mortality experience	0%	0%

Reinsurance agreements

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

Changes in assumptions

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

3.5.5 Insurance and Market risk sensitivities

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

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

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

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

b Expenses +/- 10%

c Expense inflation +/-2%

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

2016	Base	VIR		Expenses		Expense inflation	
₦'million		1%	-1%	10%	-10%	2%	-2%
Individual risk reserves	6,207	5,147	7,700	6,494	5,860	7,007	5,864
PRA regulated annuities	1,519	1,441	1,607	1,522	1,517	1,526	1,515
Investment linked contracts	9,440	9,440	9,440	9,440	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003	1,003	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152	152	152	152	152
Group life - IBNR	362	362	362	362	362	-	362
Additional reserves	-	-	-	-	-	-	-
Reinsurance	35	35	35	35	35	35	35
Net liability	18,719	17,580	20,299	19,008	18,368	19,163	18,371
% change in net liability		-6.4%	8.9%	1.6%	-2.0%	4.6%	-2.0%
Assets	26,769	26,773	26,773	26,773	26,773	26,773	26,773
Surplus	8,051	9,193	6,474	7,765	8,405	7,611	8,402

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2016 ₦'million	Base	Mortality 5%	 -5%
Individual risk reserves	6,207	6,282	6,134
PRA regulated annuities	1,519	1,524	1,515
Investment linked contracts	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152
Group life - IBNR	362	362	362
Additional reserves	-	-	-
Reinsurance	35	35	35
Net liability	18,718	18,798	18,642
% change in net liability		0.4%	-0.4%
Assets	26,769	26,773	26,773
Surplus	8,051	7,975	8,132

2015 ₦'million	Base	VIR 1%	 -1%	Expenses 10%	 -10%	Expense inflation 2%	 -2%
Individual traditional	8,552	7,476	10,105	8,876	8,116	9,853	7,858
Individual savings	560	560	560	568	551	560	560
Group credit life	725	725	725	725	725	725	725
Group life – UPR incl AURR	515	515	515	515	515	515	515
Group life - IBNR	251	251	251	251	251	251	251
Additional reserves	225	225	225	225	225	225	225
Reinsurance	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net liability	10,826	9,750	12,379	11,158	10,381	12,127	10,132
% change in net liability		90.1%	114.4%	103.1%	95.9%	112.0%	93.6%
Assets	13,783	13,783	13,783	13,783	13,783	13,783	13,783
Surplus	2,957	4,033	1,404	2,625	3,402	1,656	3,651

2015 ₦'million	Base	Mortality 5%	 -5%
Individual traditional	8,552	8,607	8,498
Individual savings	560	560	560
Group credit life	725	725	725
Group Life – UPR incl AURR	515	515	515
Group Life - IBNR	251	251	251
Additional reserves	225	225	225
Reinsurance	(2)	(2)	(2)
Net liability	10,826	10,881	10,771
% change in net liability		100.5%	99.5%
Assets	13,783	13,783	13,783
Surplus	2,957	2,902	3,012

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

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3.5.6 Solvency

The solvency level at the valuation date was 115% (2015: 121%). That is, assets representing life and non-life fund on the Group's balance sheet (₦22.9b) were 115% of the value of the actuarially calculated net liabilities (₦19.7b).

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

	2016 ₦'million	2015 ₦'million
Government bonds	**7,955**	1,386
Treasury bills	**13,984**	9,055
Cash and bank balances	**766**	1,970
Commercial papers	**33**	1,075
Investment properties	**-**	80
Investment in quoted equity	**162**	217
Total	**22,900**	13,783

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 ₦2.8billion (2015: ₦1.6billion), while life and non-life shows a surplus of ₦3.7billion (2015: ₦1.9billion).

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 2016, the market value of quoted securities held by the Group is ₦1.65 billion (2015: ₦3.73 billion). If the all share index of the NSE moves by 1600 basis points from the 26,874.62 position at 31 December 2016, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦264 million.

The Group holds a number of investments in unquoted securities with a market value of ₦63.46 billion (2015: ₦61.37 billion) of which investments in Airtel Nigeria Ltd (44%), and African Finance Corporation (AFC) (54%) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments, see sensitivity analysis in note 3.7.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

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3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

The following table presents the group's assets and liabilities that are measured at fair value at reporting date.

GROUP 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	24,522	1,484	-	26,006
Equity	286	1,761	3,481	5,528
Derivatives	-	15,177	-	15,177
Available-for-sale financial assets				
Investment securities - debt	813,286	48,195	527	862,008
Investment securities - unlisted equity	-	3,262	55,120	58,382
Investment securities - listed equity	1,362	-	-	1,362
Assets pledged as collateral	103,329	-	-	103,329
Financial liabilities at fair value through profit or loss				
Derivatives	-	37,137	-	37,137

GROUP 31 December 2015	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets at fair value through profit or loss				
Debt Securities	15,990	-	-	15,990
Equity	1,438	2,083	3,685	7,206
Derivatives	-	3,230	-	3,230
Available-for-sale financial assets				
Investment securities - debt	718,411	23,556	-	741,967
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	4,483	5,215	45,899	55,597
Investment securities - listed equity	2,288	-	-	2,288
Assets pledged as collateral	22,033	-	-	22,033
Financial liabilities at fair value through profit or loss				
Derivatives	-	12,121	367	12,488

COMPANY 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	9,517	-	-	9,517
Investment securities - unlisted equity	-	2,834	-	2,834
31 December 2015				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	4,183	-	-	4,183
Investment securities - unlisted equity	-	2,836	-	2,836

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(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 properties in close proximity , are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for certain unquoted equities and equity derivatives explained below.

(c) Financial instruments in level 3

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

The following table presents changes in level 3 instruments

GROUP	
At 1 January 2015	48,035
Sales	(21)
Realised gain on sale	(3,709)
Total gains/(losses) recognised through OCI	5,012
Transfer out of Level 3 due to change in observability of market data	(100)
At 31 December 2015	49,217
Acquisitions	1,026
Total gains/(losses) recognised through profit/loss	653
Total gains/(losses) recognised through OCI	8,199
Transfer into Level 3 due to change in observability of market data	33
At 31 December 2016	**59,128**

During the year ended 31 December 2016, there was no transfers between level 1 and 2 fair value measurements. Although there was no transfer out of level 3 fair value measurements, there was an immaterial transfer between level 3 and level 1 during the year.

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

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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	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS Plc	P/E multiples	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM Bank Ltd	P/B multiples	15% 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
VT Leasing Limited (Ordinary shares)	EV/EBITDA	14.9% illiquidity discount	the higher the illiquidity discount the lower the fair value
Resourcery Plc (Ordinary shares)	EV/Revenue	15% illiquidity discount	the higher the illiquidity discount the lower the fair value
Resourcery Plc (Convertible notes)	Income Approach (Discounted Cashflow)	18.5% cost of capital	the higher the cost of capital the lower the fair value

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

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

A 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Cash and balances with central banks	-	690,165	-	690,165
Loans and advances to banks	-	444,870	-	444,870
Loans and advances to customers:				
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,687,703	1,687,703
- Staff loans	-	-	7,417	7,417
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held-to-maturity investments	64,913	43,566	-	108,479
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	34,603	-	34,603
Financial liabilities				
Deposit from customers	-	3,104,220	-	3,104,220
Deposit from bank	-	416,078	-	416,078
Borrowing	-	316,792	-	316,792
Other liabilities	-	235,388	-	235,388
Investment contracts	-	9,440	-	9,440

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GROUP 31 December 2015	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Cash and balances with central banks	-	715,871	-	715,871
Loans and advances to banks	-	385,769	-	385,769
Loans and advances to customers	-	-	-	
- Overdrafts	-	-	316,571	316,571
- Term loans	-	-	1,402,123	1,402,123
- Staff loans	-	-	8,330	8,330
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Held-to-maturity investments	80,533	26,090	-	106,623
Asset pledged as collateral	79,888	2,131	-	82,020
Other assets	-	21,070	-	21,070
Financial liabilities				
Deposit from customers	-	2,970,921	-	2,970,921
Deposit from bank	-	144,652	-	144,652
Borrowing	-	256,116	-	256,116
Other liabilities	-	168,441	-	168,441
Investment contracts	-	10,157	-	10,157

COMPANY				
31 December 2016				
Financial assets				
Loans and advances to banks	**-**	**645**	**-**	**645**
Loans and advances to customers:				
- Staff loans	**-**	**-**	**65**	**65**
Held-to-maturity investments				
Other assets	**-**	**10,260**	**-**	**10,260**
Financial liabilities				
Other liabilities	**-**	**7,114**	**-**	**7,114**

31 December 2015				
Financial assets				
Loans and advances to banks	-	4,792	-	4,792
Loans and advances to Customers:				
- Staff loans	-	-	63	63
Investment securities:				
Held-to-maturity investments	-	-	-	-
Other assets	-	4,454	-	4,454
Financial liabilities				
Other liabilities	-	5,751	-	5,751

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

	At 31st December 2016		At 31st December 2015	
	Carrying value ₦'million	Fair value ₦'million	Carrying value ₦'million	Fair value ₦'million
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	48,597	44,525	51,055	48,915
Variable rate loans	2,035,297	2,035,298	1,766,217	1,811,618
Investment securities (held to maturity)	108,479	93,472	106,624	104,094
Asset pledged as collateral	83,679	60,582	82,020	51,899
Loan commitments	14,203	14,203	33,342	33,342
Financial liability				
Borrowings	316,792	272,774	256,116	286,016

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy.

Loans and advances to customers have been fair valued using average benchmarked lending rates which are adjusted to specific entity risks based on history of losses.

Borrowings which are listed on stock exchange are fair valued using market prices and are within level 1 of the fair value heirarchy while other borrowings are fair valued using valuation techniques and are within level 2 of the fair value heirarchy.

The carrying value of the following financial assets and liabilities for both the company and group approximate their fair values:

- Cash and balances with central banks
- Loans and advances to banks
- Other assets (excluding prepayments)
- Deposits from banks
- Deposits from customers
- Liability on investment contracts
- Other liabilities (excluding provisions and accruals)

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4. CAPITAL MANAGEMENT

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria, Securities and Exchange Commission, National Insurance Commission etc), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current regulatory capital requirement of FBN Holdings Plc. and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement	Internal Target
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of subsidiaries	Same as regulatory requirement
First Bank of Nigeria Limited	Central Bank of Nigeria	₦100billion Capital; and 15% Capital Adequacy Ratio	1% above regulatory CAR
FBN Merchant Bank Limited	Central Bank of Nigeria	₦15billion Capital; and 10% Capital Adequacy Ratio	2.5% above regulatory CAR
FBN Capital Limited	Securities and Exchange Commission	Issuing House: ₦150million; Trustee: ₦300million; Broker-Dealer: ₦300million; Underwriter: ₦200million; and Fund Manager: ₦150million	Same as regulatory requirement
FBN Insurance Limited	National Insurance Commission	Life Business: ₦2billion; General Business: N3billion	Life: Higher of 17% of net premium or 200% regulatory capital; General: Higher of 20% of net premium or regulatory capital
FBN Insurance Brokers Limited	National Insurance Commission	₦5million Capital	400% of regulatory capital

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an Internal Capital Adequacy Assessment Process which proactively evaluates capital needs vis-a-vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group considers both equity and debt, subject to regulatory limits, as capital.

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During 2016, the Group's strategy, which remains significantly unchanged, was as contained in the table above. The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraph 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2016 and 2015 are as follows:

i. FBN Holdings Plc.

	Proportion of shares held (%)	31 December 2016 ₦'million	31December 2015 ₦'million
Subsidiary Paid-up Capital (FBNHoldings' proportion)			
First Bank of Nigeria Limited	100	**205,557**	205,557
FBN Merchant Bank Limited	100	**8,206**	8,206
FBN Capital Limited	100	**4,300**	4,300
FBN Insurance Limited	65	**4,724**	4,724
FBN Insurance Brokers Limited	100	**25**	25
Rainbow Town Development Limited	55	**5,000**	5,000
Aggregated Capital of Subcos		**227,812**	227,812
FBN Holdings Plc.'s Paid-up Capital		**251,340**	270,840
Excess of FBN Holdings' capital over aggregated capital of subcos		**23,528**	43,028

ii First Bank of Nigeria Limited & FBN Merchant Bank Limited

The Banks' capital is divided into two tiers:

- Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, share premium and general reserve. Non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, unpublished losses and under provisions are deducted in arriving at qualifying Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, Tier 2 capital is restricted to 33 1/3% of Tier 1 capital.

The Central Bank of Nigeria prescribed the minimum limit of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The table below summarises the Basel II capital adequacy ratio for 2016 and 2015. It shows the composition of regulatory capital and ratios for the years. During those years, the Banks complied with all the regulatory capital requirements to which it was subjected.

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	FBN MERCHANT BANK		FIRST BANK OF NIGERIA	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Tier 1 capital				
Share capital	4,302	4,302	16,316	16,316
Share premium	3,905	3,905	189,241	189,241
Statutory reserve	6,561	5,287	70,748	63,237
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	14,014	9,235	153,924	130,787
Less: goodwill/deferred tax	(9,774)	(8,083)	(6,890)	(5,386)
Less: loan to subsidiary (excess over single obligor limit)	-	-	-	(29,181)
Less: Investment in subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 1 capital	19,008	15,184	393,766	333,883
Tier 2 capital				
Fair value reserve	(2,417)	319	29,102	54,090
Other borrowings	-	-	233,976	152,434
Total tier 2 capital	(2,417)	319	263,078	206,524
Tier 2 capital restriction	(2,417)	319	143,138	133,424
Less: Investment in subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 2 capital	(2,417)	319	107,490	96,216
Total regulatory capital	16,591	15,504	501,256	430,099
Total risk-weighted assets	73,431	67,313	2,818,158	2,518,285
Risk-weighted Capital Adequacy Ratio (CAR)	22.59%	23.03%	17.79%	17.08%
Tier 1 CAR	25.88%	22.56%	13.97%	13.26%

iii. **Other Regulated Subsidiaries**

	Regulatory Requirement ₦'million	31 December 2016 ₦'million	Excess/ (Shortfall) ₦'million	31 December 2015 ₦'million	Excess/ (Shortfall) ₦'million
FBN Capital Limited	1,100	15,514	14,414	38,463	37,363
FBN Insurance Limited:					
Life business	2,000	7,784	5,784	9,496	7,496
General business	3,000	4,109	1,109	3,989	989
FBN Insurance Brokers Limited	5	331	326	836	831

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

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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. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 24 months where the financial asset is collaterized.

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. All fair values are on a recurring basis. Refer to note 3.7 for additional sensitivity information for financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

c Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held to maturity investment portfolio was not tainted.

d Retirement benefit obligation

For defined benefit pension plans, the measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 43, "Retirement benefits obligation," for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

e Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 35 for detailed information on impairment assessment performed on the CGU.

There was no impairment charge during the year (2015: ₦872million). The 2015 impairment charges of ₦872million arose in FBN Gambia (₦630million) and FBN Senegal (₦242million), both part of the Commercial Banking Group segment.

6 SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The Group is divided into the following business units:

Commercial Banking Business Group

This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Merchant Banking and Asset Management Business Group (MBAM)

This is the investment-banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance Business Group

This includes the Group's legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South African based Sanlam Group.

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Others

Others, previously referred to as Other Financial Services, comprises of FBN Holdings Plc., the parent company, and Rainbow Town Development Limited. Prior to 2016, this segment included FBN Microfinance Bank Limited which provided microfinance services to the mass-market retail segment. The FBN Holdings Plc.'s interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring events.

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

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Management Committee.

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

Segment result of operations

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2016 is as follows:

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2016					
Total segment revenue	535,539	37,653	12,483	10,905	596,580
Inter-segment revenue	(2,872)	(1,406)	(448)	(10,023)	(14,749)
Revenue from external customers	532,667	36,247	12,035	882	581,831
Interest income	381,672	18,890	3,955	764	405,281
Interest expense	(89,737)	(10,552)	(550)	-	(100,839)
Profit/(loss) before tax	8,276	13,708	3,414	(2,450)	22,948
Income tax expense	1,093	(3,380)	(1,021)	(2,499)	(5,807)
Profit/(loss) for the year from continuing operations	9,369	10,328	2,393	(4,949)	17,141
Loss for the year from discontinued operations	(1,317)			(3,581)	(4,898)
Impairment charge on credit losses	(220,681)	258	-	-	(220,423)
Impairment charge on doubtful receivables	(4,267)	(1,340)	(7)	-	(5,614)
Impairment charge on goodwill	-	-	-	-	-
Depreciation	(10,594)	(407)	(202)	(381)	(11,584)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2016					
Total assets	**4,469,601**	**183,417**	**31,962**	**51,825**	**4,736,805**
Other measures of assets:					
Loans and advances to customers	**2,041,852**	**41,684**	**293**	**65**	**2,083,894**
Expenditure on non-current assets	**83,358**	**1,823**	**1,937**	**1,197**	**88,315**
Investment securities	**961,236**	**51,089**	**25,913**	**12,350**	**1,050,588**
Total liabilities	**3,992,998**	**129,286**	**22,691**	**9,255**	**4,154,230**
At 31 December 2015					
Total segment revenue	463,272	32,976	10,500	7,730	514,478
Inter-segment revenue	(6,571)	(35)	(345)	(4,836)	(11,787)
Revenue from external customers	456,701	32,941	10,155	2,894	502,691
Interest income	371,579	20,520	2,113	950	395,162
Interest expense	(118,509)	(11,428)	-	(59)	(129,997)
Profit/(loss) before tax	12,095	10,346	2,163	(3,023)	21,581
Income tax expense	(6,913)	1,151	(280)	-	(6,042)
Profit/(loss) for the year from continuing operations	5,182	11,497	1,883	(3,023)	15,539
Loss for the year from discontinued operations	129	-	-	(520)	(391)
Impairment charge on credit losses	(116,766)	(257)	-	(19)	(117,042)
Impairment charge on doubtful receivables	(517)	(964)	(14)	(257)	(1,752)
Impairment charge on goodwill	(872)	-	-	-	(872)
Depreciation	(10,551)	(380)	(163)	(385)	(11,479)
At 31 December 2015					
Total assets	3,930,665	155,666	22,746	57,112	4,166,189
Other measures of assets:					
Loans and advances to customers	1,773,660	43,313	236	62	1,817,271
Expenditure on non-current assets	82,353	2,676	1,822	1,547	88,398
Investment securities	830,586	61,956	14,218	7,019	913,779
Total liabilities	3,451,319	113,961	13,144	8,965	3,587,389

Geographical information

Revenues	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Nigeria	**521,661**	450,823
Outside Nigeria	**60,170**	51,868
Total	**581,831**	502,691
Non-current asset		
Nigeria	**79,425**	80,865
Outside Nigeria	**8,890**	7,534
Total	**88,315**	88,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7 INTEREST INCOME

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Investment securities	**115,355**	100,979	**753**	306
Loans and advances to banks	**18,317**	23,123	**121**	292
Loans and advances to customer	**271,609**	271,060	**11**	16
	405,281	395,162	**885**	614

Interest income on loans and advances to customers for the group includes interest income on impaired financial assets of ₦30.77 billion (2015: ₦26.70 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 INTEREST EXPENSE

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Deposit from customers	**78,752**	104,241
Deposit from banks	**3,323**	10,483
Borrowings	**18,764**	15,273
	100,839	129,997

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Loans and advances to customers (refer note 23)		
Increase in collective impairment	**16,224**	24,184
Increase in specific impairment	**206,684**	95,403
	222,908	119,587
Net recoveries on loans previously written off	**(2,485)**	(2,288)
Other assets (refer note 27)		
Increase in impairment	**5,614**	1,495
	226,037	118,794

Included in the impairment charge in the income statement in 2015 was the impairment charge on loans and advances (collective: ₦67 million; specific: ₦210 million) in the books of FBN Microfinance Bank Limited, which was sold in 2015.

10 INSURANCE PREMIUM REVENUE

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Gross premium written	**11,922**	11,848
Unearned premium	**(1,174)**	(538)
	10,748	11,310
Change in insurance contract liabilities	**(1,142)**	(2,862)
	9,606	8,448

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11 FEE AND COMMISSION INCOME

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Credit related fees (i)	**4,707**	5,529
Letters of credit commissions and fees	**1,998**	3,826
Electronic banking fees	**21,837**	15,371
Money transfer commission	**5,178**	3,154
Commission on bonds and guarantees	**1,277**	1,488
Commission on bills and ancilliary services	**495**	1,057
Funds transfer and intermediation fees	**5,364**	4,530
Account maintenance (ii)	**15,628**	15,977
Brokerage and intermediations	**1,953**	1,909
Custodian fees	**4,727**	4,182
Financial advisory fees (iii)	**7,116**	5,338
Fund management fees (iii)	**1,080**	1,499
	71,360	63,860

i The credit related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.

ii The sum of ₦12.6billion in 2015 relates to COT which is no longer in existence.

iii Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activities.

11B FEE AND COMMISSION EXPENSE

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
	11,073	9,583

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

12 NET GAINS ON FOREIGN EXCHANGE

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Revaluation gain (unrealised) on foreign currency balances	**80,232**	10,910	**105**	31
Foreign exchange trading income (realised)	**8,845**	11,316	**-**	-
	89,077	22,226	**105**	31

The revaluation gain arose from exchange rate movements on the Group's long foreign currency balance sheet position as at reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13 NET GAINS/(LOSSES) ON SALE OF INVESTMENT SECURITIES

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Equity securities	56	5,935	-	-
Debt securities	4,188	7,882	(12)	35
Impairment of available for sale financial assets	(314)	(7,151)	-	-
	3,930	6,666	(12)	35

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

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Fair value gain on derivatives	1,815	830
Trading gain on debt securities	1,213	1,059
Fair value (loss)/gain on debt securities	(3,034)	166
	(6)	2,055

15 DIVIDEND INCOME

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
FBN Capital Limited	-	-	8,000	4,852
FBN Merchant Bank Limited	-	-	1,048	-
FBN Insurance Limited	-	-	1,851	339
FBN Insurance Brokers Limited	-	-	600	235
Other entities within the group	-	-	60	206
Entities outside the group	897	1,531	-	-
Withholding tax on dividend	-	-	-	(1,139)
	897	1,531	11,559	4,493

16 OTHER OPERATING INCOME

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
VAT recovered	311	291	-	-
Gain on sale of properties	43	-	-	-
Net gain from fair value adjustment on investment properties (refer note 29)	188	198	-	-
Others*	2,326	1,788	34	22
	2,868	2,277	34	22

*Included in Others for the Group is income from private banking services.

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17 PERSONNEL EXPENSES

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Wages and salaries	**78,828**	77,115	**687**	671
Pension costs:				
- Defined contribution plans	**4,241**	2,639	**15**	14
- Defined benefit cost **(refer note 43)**	**736**	303	**-**	-
	83,805	80,057	**702**	685

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the PV of cash flows discounted at the contractual rate and PV of cash flows discounted at market rate has been recognised as prepaid employee benefit (in prepayments) which is amortised to personnel expenses over the life of the loan.

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

	Group		Company	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Executive director	**1**	1	**1**	1
Management	**191**	214	**5**	5
Non-management	**9,057**	9,641	**25**	21
	9,249	9,856	**31**	27

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

	Group		Company	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Below ₦2,000,000	**435**	912	**6**	3
₦2,000,001 - ₦2,800,000	**309**	214	**1**	1
₦2,800,001 - ₦3,500,000	**1,035**	897	**4**	2
₦3,500,001 - ₦4,000,000	**169**	96	**-**	1
₦4,000,001 - ₦5,500,000	**1,948**	2,114	**3**	2
₦5,500,001 - ₦6,500,000	**1,893**	1,963	**2**	1
₦6,500,001 - ₦7,800,000	**1,350**	1,363	**-**	2
₦7,800,001 - ₦9,000,000	**843**	935	**3**	-
₦9,000,001 and above	**1,271**	1,364	**16**	17
	9,253	9,858	**35**	29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 OPERATING EXPENSES

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Auditors' remuneration*	**803**	731	**25**	25
Directors' emoluments	**3,483**	6,333	**459**	1,047
Loss on sale of property, plant and equipment	**12**	189	**-**	7
Deposit insurance premium	**12,128**	12,438	**-**	-
AMCON resolution cost	**16,697**	17,591	**-**	-
Maintenance	**22,812**	19,270	**111**	176
Insurance premium	**1,212**	1,212	**29**	26
Rent and rates	**4,317**	4,024	**115**	143
Advert and corporate promotions	**6,257**	8,381	**200**	77
Legal and other professional fees	**4,925**	6,134	**670**	585
Donations and subscriptions	**914**	1,418	**6**	6
Stationery and printing	**1,865**	2,433	**44**	73
Communication, light and power	**6,864**	6,940	**20**	5
Cash handling charges	**2,345**	3,508	**-**	-
Operational and other losses	**6,028**	2,194	**-**	-
Passages and travels	**5,687**	6,002	**338**	345
Outsourced cost	**15,621**	15,824	**19**	10
Statutory fees	**55**	153	**36**	44
Underwriting expenses	**2,453**	1,462	**-**	-
WHT on retained dividend	**-**	1,139	**-**	-
Fines and penalties	**102**	1,901	**21**	-
Other operating expenses	**5,450**	6,462	**228**	127
	120,030	125,739	**2,321**	2,696

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 TAXATION - INCOME TAX EXPENSE AND LIABILITY

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
a Income tax expense				
Corporate tax	5,838	7,629	84	-
Education tax	136	160	-	-
Technology tax	723	180	20	-
Under provision in prior years	1,659	1,250	-	-
Current income tax - current period	8,356	9,219	104	-
Origination and reversal of temporary deferred tax differences	(2,549)	(3,177)	-	-
Income tax expense	5,807	6,042	104	-

GROUP	2016			2015
Profit before income tax	22,948			21,582
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%)	6,884	30%	6,475	30%
Effect of tax rates in foreign jurisdictions	13,717	60%	370	2%
Non-deductible expenses	19,788	86%	38,713	182%
Effect of education tax levy	254	1%	160	1%
Effect of Information technology	741	3%	180	1%
Effect of capital gains tax	6	0%	-	0%
Effect of minimum tax	3,052	13%	2,984	14%
Effect of excess dividend tax	1,372	6%	767	4%
Effect of National fiscal levy	15	0%	82	0%
Tax exempt income	(38,992)	-170%	(46,313)	-215%
Tax incentives	9	0%	(109)	-1%
Tax loss effect	2,224	10%	1,719	8%
(Over)/under provided in prior years	49	0%	1,250	6%
Effect of prior period adjustment on deferred tax	(3,312)	-14%	(237)	-1%
Total income tax expense in income statement	5,807	25%	6,042	30%
Income tax expense	5,807	25%	6,042	30%

COMPANY	2016			2015
Profit before income tax	7,611			2,180
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%)	2,283	30%	654	30%
Non-deductible expenses	671	9%	410	19%
Effect of Information technology	20	0%	-	0%
Effect of minimum tax	84	1%	-	0%
Tax exempt income	(3,768)	-50%	(1,940)	-89%
Tax loss effect	814	11%	876	40%
Total income tax expense in income statement	104	1%	-	0%
Income tax expense	104	1%	-	0%

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	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
b Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of the period	**8,773**	11,829	**-**	-
Effect of adjustment on discontinued operations	**(6)**	322		
Tax paid	**(7,889)**	(12,267)	**(20)**	-
Withholding tax credit utilised	**(490)**	(379)	**-**	-
Income tax charge	**8,356**	9,219	**104**	-
Effect of changes in exchange rate	**153**	49		
At 31 December	**8,897**	8,773	**84**	-
Current	**8,897**	8,773	**84**	-

20 CASH AND BALANCES WITH CENTRAL BANKS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Cash	**101,255**	76,310
Balances with central banks excluding mandatory reserve deposits	**46,108**	162,145
	147,363	238,455
Mandatory reserve deposits with the central banks	**542,802**	477,416
	690,165	715,871

Included in balances with central banks is a call placement of ₦7.5 billion for Group (31 December 2015: ₦7.5 billion).

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited had restricted balances of ₦536.95 billion with Central Bank of Nigeria (CBN) as at 31st December 2016 (December 2015: ₦473.12 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2015: 20%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN Bank Ghana and FBN Bank Guinea had restricted balances of ₦2.035 billion and ₦2.273 billion (December 2015: ₦1.090 billion and ₦1.878 billion) respectively with their respective central banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Cash (note 20)	101,255	76,310	-	-
Balances with central banks other than mandatory reserve deposits (note 20)	46,108	162,145	-	-
Loans and advances to banks excluding long-term placements (note 22)	377,500	356,782	645	4,792
Treasury bills included in financial assets at FVTPL (note 24)	5,671	3,985	-	-
Treasury bills and eligible bills excluding pledged treasury bills (notes 25.1&25.2)	215,697	67,146	-	-
	746,231	666,368	645	4,792

22 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Current balances with banks within Nigeria	105,532	130,017	18	3,097
Current balances with banks outside Nigeria	148,719	117,664	-	-
Placements with banks and discount houses (short-term)	123,249	109,101	627	1,695
	377,500	356,782	645	4,792
Long-term placement	67,371	28,987	-	-
Carrying amount	444,871	385,769	645	4,792

Included in loans to banks is non-current placement of ₦67.37 billion for Group (31 December 2015: ₦28.99 billion) which does not qualify as cash and cash equivalent.

All other loans to banks are due within 3 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

23 LOANS AND ADVANCES TO CUSTOMERS

GROUP	Gross amount ₦'million	Specific impairment ₦'million	Collective impairment ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2016					
Overdrafts	393,870	(106,323)	(4,860)	(111,183)	282,687
Term loans	1,875,644	(156,756)	(31,185)	(187,941)	1,687,703
Staff loans	7,502	(3)	(82)	(85)	7,417
Project finance	115,923	(10,837)	(303)	(11,140)	104,783
	2,392,939	(273,919)	(36,430)	(310,349)	2,082,590
Advances under finance lease	1,839	(497)	(38)	(535)	1,304
	2,394,778	(274,416)	(36,468)	(310,884)	2,083,894
31 December 2015					
Overdrafts	358,458	(39,089)	(2,798)	(41,887)	316,571
Term loans	1,499,397	(67,275)	(29,999)	(97,274)	1,402,123
Staff loans	8,400	-	(70)	(70)	8,330
Project finance	88,417	-	(137)	(137)	88,280
	1,954,672	(106,364)	(33,004)	(139,368)	1,815,304
Advances under finance lease	2,321	(322)	(32)	(354)	1,967
	1,956,993	(106,686)	(33,036)	(139,722)	1,817,271
COMPANY					
31 December 2016					
Staff loans	65	-	-	-	65
	65	-	-	-	65
31 December 2015					
Staff loans	63	-	-	-	63
	63	-	-	-	63

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Current	1,090,599	860,104	12	12
Non-current	993,295	957,167	53	51
	2,083,894	1,817,271	65	63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CBN/Bank of Industry facilities

Included in Loans and Advances to customers are term loans granted to customers in line with Central Bank of Nigeria (CBN) ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agriculture Credit (CACS)

This relates to the balance on term loan facilities granted to customers under Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of 7 years at 9% interest per annum. These balances are included in the loans and advances.

	31-Dec-16 ₦'million	31-Dec-15 ₦'million
CBN/Bank of Industry	41,357	44,215
CBN/Commercial Agriculture Credit	12,165	11,998

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Overdrafts ₦'million	Term loans ₦'million	Finance lease ₦'million	Other ₦'million	Total ₦'million
At 1 January 2016					
Specific impairment	39,089	67,275	322	-	106,686
Collective impairment	2,798	29,999	32	207	33,036
	41,887	97,274	354	207	139,722
Additional provision/(writeback)					
Specific impairment	84,260	112,100	175	10,149	206,684
Collective impairment	2,803	13,250	6	165	16,224
Loan write off					
Specific impairment	(17,451)	(35,706)	-	-	(53,157)
Collective impairment	(873)	(7,420)	-	-	(8,293)
Exchange difference					
Specific impairment	442	13,360	-	692	14,494
Collective impairment	132	(4,604)	-	15	(4,457)
Effect of adjustment on discontinued operations					
Specific impairment	(17)	(272)	-	(2)	(291)
Collective impairment	-	(41)	-	(1)	(42)
	111,183	187,941	535	11,225	310,884
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
At 31 December 2016	111,183	187,941	535	11,225	310,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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GROUP	Overdrafts ₦'million	Term loans ₦'million	Finance lease ₦'million	Other ₦'million	Total ₦'million
At 1 January 2015					
Specific impairment	11,845	15,932	241	-	28,018
Collective impairment	3,619	10,744	41	219	14,623
	15,464	26,676	282	219	42,641
Additional provision*					
Specific impairment	38,080	57,287	81	-	95,448
Collective impairment	79	24,027	39	(12)	24,133
Loan write off					
Specific impairment	(10,789)	(6,220)	-	-	(17,009)
Collective impairment	(796)	(4,776)	(48)	-	(5,620)
Exchange difference					
- Specific impairment	(47)	276	-	-	229
- Collective impairment	(104)	4	-	-	(100)
	41,887	97,274	354	207	139,722
Specific impairment	39,089	67,275	322	-	106,686
Collective impairment	2,798	29,999	32	207	33,036
At 31 December 2015	41,887	97,274	354	207	139,722

*Included in 2015 additional provision was impairment charge on loans and advances (collective: ₦16 million; specific: ₦255 million) for FBN Mortgages Limited. In 2016, the subsidiary was classified as discontinued operations, hence results of operations of prior period has been represented.

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

GROUP	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Gross investment in finance lease, receivable		
- No later than 1 year	6	12
- Later than 1 year and no later than 5 years	1,928	2,632
- Later than 5 years	-	-
	1,934	2,644
Unearned future finance income on finance leases	(95)	(323)
Impairment allowance on leases	(535)	(354)
Net investment in finance lease, receivable	1,304	1,967
Net investment in finance lease, receivable is analysed as follows		
- No later than 1 year	6	12
- Later than 1 year and no later than 5 years	1,298	1,955
	1,304	1,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Nature of security in respect of loans and advances:

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Legal mortgage/debenture on business premises, factory assets or real estates	**1,161,781**	470,279	**-**	-
Guarantee/receivables of investment grade banks and state govt.	**645,621**	902,208	**-**	-
Domiciliation of receivables	**400,418**	386,217	**-**	-
Clean/negative pledge	**109,953**	100,725	**-**	-
Marketable securities/shares	**29,425**	16,348	**-**	-
Otherwise secured	**27,293**	65,776	**65**	63
Cash/government securities	**20,287**	15,440	**-**	-
	2,394,778	1,956,993	**65**	63

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The Group did not take legal repossession of any collateral in the year.

24 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Treasury bills with maturity of less than 90 days	**5,671**	3,985
Treasury bills with maturity over 90 days	**5,866**	10,243
Bonds	**14,469**	1,763
Total debt securities	**26,006**	15,991
Listed equity securities	**286**	1,438
Unlisted equity securities	**5,242**	5,768
Total equity securities	**5,528**	7,206
Derivative assets (refer to note 24a)	**15,177**	3,229
Total assets at fair value through profit or loss	**46,711**	26,426
Current	**35,364**	15,195
Non-current	**11,347**	11,231
	46,711	26,426

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.

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.

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The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

	GROUP		
	31-Dec-2016		
	Notional contract amount	Fair values	
		Asset	Liability
a Derivatives	₦'million	₦'million	₦'million
Foreign exchange derivatives			
Forward FX contract	554,263	8,092	(32,347)
Currency swap	36,600	865	(123)
Put options	151,472	6,220	(4,667)
	742,335	15,177	(37,137)
Current	608,161	9,358	(32,825)
Non-current	134,174	5,819	(4,312)
	742,335	15,177	(37,137)

	GROUP		
	31-Dec-2015		
	Notional contract amount	Fair values	
		Asset	Liability
	₦'million	₦'million	₦'million
Foreign exchange derivatives			
Currency swap	41,373	622	(766)
Put options	19,311	2,561	(11,722)
Equity derivatives			
Put options	-	46	-
	60,684	3,229	(12,488)
Current	43,760	967	(4,741)
Non-current	16,924	2,262	(7,747)
	60,684	3,229	(12,488)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 INVESTMENT SECURITIES

25.1 Available-for-sale investments

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**212,755**	65,034	**-**	-
– Treasury bills with maturity of more than 90 days	**456,952**	411,700	**8,862**	3,532
– Bonds	**192,302**	265,232	**654**	651
Equity securities – at fair value:				
– Listed	**1,362**	2,288	**-**	-
Equity securities – at fair value:				
– Unlisted	**58,382**	55,596	**2,834**	2,836
	921,753	799,850	**12,350**	7,019
Current	**770,766**	547,193	**8,862**	4,183
Non-current	**150,987**	252,657	**3,488**	2,836
	921,753	799,850	**12,350**	7,019

25.2 Held-to-maturity investments

	Group 31-Dec-16 ₦'million	Group 31-Dec-15 ₦'million	Company 31-Dec-16 ₦'million	Company 31-Dec-15 ₦'million
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**2,942**	2,112	**-**	-
– Treasury bills with maturity of more than 90 days	**18,401**	7,894	**-**	-
– Bonds	**87,136**	96,617	**-**	-
	108,479	106,623	**-**	-
Current	**48,675**	10,006	**-**	-
Non-current	**59,804**	96,617	**-**	-
	108,479	106,623	**-**	-

25.3 Loans and receivables

	Group 31-Dec-16 ₦'million	Group 31-Dec-15 ₦'million	Company 31-Dec-16 ₦'million	Company 31-Dec-15 ₦'million
Investment in commercial papers	**16,153**	3,955	**-**	-
Investment in promissory notes	**4,203**	3,351	**-**	-
	20,356	7,306	**-**	-
Current	**7,252**	3,351	**-**	-
Non-current	**13,104**	3,955	**-**	-
	20,356	7,306	**-**	-
Total investment securities	**1,050,588**	913,779	**12,350**	7,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 ASSET PLEDGED AS COLLATERAL

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is not permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Financial assets at fair value through profit or loss (note 26.1)	10,412	-
Available-for-sale debt securities (note 26.2)	103,328	23,626
Held-to-maturity debt securities (note 26.3)	83,680	82,020
	197,420	105,646

26.1 Assets pledged as collateral (FVTPL)

Debt securities - at fair value		
- Treasury bills	10,412	-
	10,412	-

26.2 Assets pledged as collateral (available for sale)

Debt securities - at fair value		
- Treasury bills	103,328	22,033
- Bonds	-	1,593
	103,328	23,626

26.3 Assets pledged as collateral (held to maturity)

Debt securities - at amortised cost		
- Treasury bills	10,044	1,602
- Bonds	73,636	80,418
	83,680	82,020
The related liability for assets held as collateral include:		
Bank of Industry	41,357	44,477
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	12,165	11,998
Due to other banks	57,162	-
Borrowings from Deustche Bank	-	6,224

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 ₦17.4bn for the group in December 2016 (2015: ₦20.2bn) for which there is no related liability.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Current	135,346	23,635
Non-current	62,075	82,011
	197,421	105,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

27 OTHER ASSETS

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Financial assets:				
Premium debtors	24	132	-	-
Accounts receivable	41,598	22,877	10,260	4,454
Reinsurance assets	890	690	-	-
	42,512	23,699	10,260	4,454
Less specific allowances for impairment	(7,910)	(2,629)	-	-
	34,602	21,070	10,260	4,454
Non financial assets:				
Stock of consumables	1,610	2,253	-	-
Prepayments	11,442	12,009	339	215.54
Deferred insurance acquisition costs	132	151		
	13,184	14,413	339	216
Net other assets balance	47,786	35,483	10,599	4,670

Reconciliation of reinsurance assets and deferred insurance acquisition costs

	2016					
	Reinsurance assets					Deferred insurance acquisition costs
	Claims recoverable ₦'million	Reinsurer's share of IBNR claims ₦'million	Prepaid reinsurance ₦'million	Minimum & deposit premium ₦'million	Total ₦'million	₦'million
At 1 January 2016	281	106	276	27	690	151
Addition	757	-	1,194	26	1,977	2,344
Receipt from reinsurers	(595)	-	-	-	(595)	-
Amortisation for the year	-	-	(1,175)	(27)	(1,202)	(2,363)
Changes during the year	-	20	-	-	20	-
At 31 December 2016	443	126	295	26	890	132

	2015					
	Reinsurance assets					Deferred insurance acquisition costs
	Claims recoverable ₦'million	Reinsurer's share of IBNR claims ₦'million	Prepaid reinsurance ₦'million	Minimum & deposit premium ₦'million	Total ₦'million	₦'million
At 1 January 2015	146	4	408	27	585	111
Addition	471	-	975	27	1,473	1,695
Receipt from reinsurers	(336)	-	-	-	(336)	-
Amortisation for the year	-	-	(1,107)	(27)	(1,134)	(1,655)
Changes during the year	-	102	-	-	102	-
At 31 December 2015	281	106	276	27	690	151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 OTHER ASSETS CONTINUED

Reconciliation of impairment account

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
At start of period	**2,629**	1,408	**-**	-
Write off	**(333)**	(531)	**-**	-
Increase in impairment*	**5,614**	1,752	**-**	-
At end of period	**7,910**	2,629	**-**	-

*Included in 2015 impairment was impairment charge on other asset of ₦257 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

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

28 INVENTORY

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Work in progress	**-**	41,972
Stock of properties	**-**	7,677
	-	49,649
Current	**-**	7,677
Non-current	**-**	41,972
	-	49,649

Inventory balance in 2015 relates to carrying amount of the real estate development project of Rainbow Town Development Limited and stock of property of FBN Mortgages Limited. The Boards of Directors of FBN Holdings Plc. and First Bank of Nigeria Limited resolved to sell their respective investments in Rainbow Town Development Limited and FBN Mortgages Limited. As a result, all assets (including inventory) and liabilities of Rainbow Town Development Limited are presented as Assets and Liabilities held for sale.

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29 INVESTMENT PROPERTIES

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
At start of period	3,025	2,826
Addition and capital improvement	12	1
Disposal	(222)	-
Net gains from fair value adjustment	188	198
	3,003	3,025

Included in investment properties are mainly land acquired by the Group for capital appreciation. As the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The investment properties fall into level 2 fair value hierarchy and the fair value is recurring.

No rental income (2015: Nil) arose from the investment properties during the year. The rental income, as well as the fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties are as follows:

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	Lagos & Abuja	Lagos
Name of the professional:	Lawal Abdulfatai	Muritala Animasaun
Name of the professional firm/ entity:	Jide Taiwo & Co	Ubosi Eleh & Co
FRC registration number of the professional:	FRC/2015/NIESV/00000011465	FRC/2014/NIESV/00000003997

30 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

i. Seawolf Oilfield Services Limited (SOSL)

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBN Holdings Plc in the company.

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

ii. FBN Heritage Fund

During the year, FBN Holdings Plc. sold 15million units of its interest in FBN Heritage Fund. This sale reduced the Group's interest in the fund to 37.9%, indicating a loss of control.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. The fund manager publishes daily unit price of the fund on the memorandum listing section of the Nigerian Stock Exchange. The unit price of the fund as at reporting date was ₦111.58 (Cost: ₦100). The 15m units held by FBNHoldings was sold at an average price of ₦109.6 per units, resulting in gain on disposal of ₦144million.

Due to the loss of control, FBN Holdings Plc. deconsolidated the fund from the effective date of loss of control, December 31, 2016, and accounted for the remaining holdings as associate using equity method. See detailed disclosure on loss of control in note 33.

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	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
FBN Heritage Fund				
Balance at beginning of year	-	-	1,500	1,500
Reclassification due to loss of control	900	-	-	-
Fair value gain	214	-	-	-
Disposal of investment	-	-	(1,500)	-
At end of year	1,114	-	-	1,500

31 INVESTMENT IN SUBSIDIARIES

31.1 Principal subsidiary undertakings

	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Direct subsidiaires of FBN Holdings Plc.		
First Bank of Nigeria Limited (Note 31 (i))	**205,557**	205,557
FBN Capital Limited (Note 31 (ii))	**4,300**	4,300
FBN Insurance Limited (Note 31 (iii))	**4,724**	4,724
FBN Insurance Brokers Limited (Note 31 (iv))	**25**	25
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	**-**	1,700
FBN Merchant Bank Limited (Note 31 (vi))	**17,206**	17,206
	231,812	233,512
Indirect subsidiaires of FBN Holdings Plc.		
FBN Trustees Limited (Note 31 (vii))	**6,033**	25,533
FBN Funds Limited (Note 31 (viii))	**4,550**	4,550
	10,583	30,083
	242,395	263,595

As at 31 December 2016, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount, resulting in additional impairment charge of ₦1.7billion (Cost: ₦5billion; Total Impairment: ₦5billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except FBNBank Congo DRC, FBN Insurance Limited, New Villa Limited (Rainbow Town Development Limited) and FBN General Insurance Limited (formerly Oasis Insurance Plc.) in which it owned 75%, 65%, 55% and 65% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest as at the end of the year ₦548 million (2015: ₦3.68billion).

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

i. First Bank of Nigeria Limited

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

ii. FBN Capital Limited

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

iii. FBN Insurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc. (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc. and the name of the company was changed to FBN Insurance Limited in 2014.

iv. FBN Insurance Brokers Limited

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

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v. New Villa Limited (Rainbow Town Development Limited)

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

vi. FBN Merchant Bank Limited

FBN Merchant Bank Limited (formerly Kakawa Discount House Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 and was granted a license to carry on the business of a discount house and commenced operations on 16 November 1995. Recently, the Company has transferred into a merchant bank. The Central Bank of Nigeria (CBN) license for merchant banking was obtained in May 2015 and while merchant banking operations commenced on 2 November, 2015.

vii. FBN Trustees Limited

FBN Trustees Limited was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The company was established to engage in the business of trusteeship as well as portfolio management, and financial/ investment advisory services.

viii. FBN Funds Limited

FBN Funds Limited was incorporated on 14 November 2002. It commenced operations on 1 April 2003. Its principal activities are to carry on venture capital and private equity business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES

31 December 2016	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBN Capital Limited ₦'million	FBN Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	FBN Heritage Fund ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
SUMMARIZED INCOME STATEMENT											
Operating income	12,715	434,663	16,961	8,115	11,362	572	456	(4,313)	480,529	(10,611)	469,918
Operating expenses	(5,103)	(199,039)	(7,267)	(3,289)	(7,988)	(534)	(310)	(182)	(223,711)	2,778	(220,933)
Impairment charge for credit losses	-	(224,948)	(1,173)	90	(7)	-	-	-	(226,038)	1	(226,037)
Operating profit	7,611	10,676	8,521	4,916	3,367	38	146	(4,494)	30,780	(7,832)	22,948
Associate	-	-	108	-	-	-	-	-	108	(108)	-
Profit before tax	7,611	10,676	8,630	4,916	3,367	38	146	(4,494)	30,888	(7,940)	22,948
Tax	(104)	1,093	(3,364)	(16)	(986)	(35)	-	-	(3,413)	(2,394)	(5,807)
Profit/(Loss) for the year from continuing operations	7,507	11,768	5,266	4,900	2,380	4	146	(4,494)	27,476	(10,336)	17,141
Loss for the year from discontinued operations	-	(1,317)	-	-	-	-	-	-	(1,317)	(3,580)	(4,898)
Other comprehensive income	2	3,136	(2,464)	(2,736)	(1,091)	91	(32)	-	(3,095)	(4)	(3,099)
Total comprehensive income	7,509	13,586	2,803	2,164	1,289	95	113	(4,494)	18,569	(13,920)	9,144
Total comprehensive income allocated to non controlling interest	-	(789)	(1,427)	-	451	-	42	(2,023)	(3,746)	(740)	(4,486)
Dividends paid to non controlling interest	-	174	-	-	996	-	72	-	1,243	-	1,243
SUMMARIZED FINANCIAL POSITION											
Assets											
Cash and balances with central banks	-	689,598	1	66	500	-	-	-	690,165	-	690,165
Loans and advances to banks	644	437,936	7,404	5,651	1,091	237	16	107	453,086	(8,215)	444,871
Loans and advances to customers	65	2,086,740	-	41,684	244	49	78	-	2,128,860	(44,966)	2,083,894
Financial assets at fair value through profit or loss	-	23,493	5,377	17,678	162	-	1,209	-	47,919	(1,208)	46,711
Investment securities	12,350	961,236	30,254	20,836	25,811	102	1,662	-	1,052,251	(1,663)	1,050,588
Assets pledged as collateral	-	161,134	-	36,286	-	-	-	-	197,420	-	197,420
Other assets	10,598	38,610	4,302	4,645	1,539	102	-	1,504	61,300	(13,514)	47,786
Inventory	-	-	-	-	-	-	-	44,204	44,204	(44,204)	-
Investment properties	-	-	2,898	-	105	-	-	-	3,003	-	3,003
Investment in associates accounted for using the equity method	-	-	1,258	-	-	-	-	-	1,258	(144)	1,114
Investment in subsidiaries	242,395	-	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	849	83,358	766	1,056	1,886	51	-	6	87,972	343	88,315
Intangible assets	-	11,913	2,057	973	382	3	-	6	15,334	(6)	15,328
Deferred tax assets	-	8,296	565	8,398	-	19	-	-	17,278	-	17,278
Assets held for sale	-	12,479	-	-	-	-	-	-	12,479	37,853	50,332
	266,902	4,514,792	54,882	137,272	31,720	563	2,966	45,826	5,054,921	(318,116)	4,736,805

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31 December 2016	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBN Capital Limited ₦'million	FBN Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	FBN Heritage Fund ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by											
Deposits from banks	-	377,214	-	38,864	-	-	-	-	416,078	-	416,078
Deposits from customers	-	3,030,091	17,547	64,728	-	-	-	-	3,112,366	(8,145)	3,104,221
Financial liabilities at fair value through profit or loss	-	37,137	-	-	-	-	-	-	37,137	-	37,137
Current income tax liability	84	4,805	3,164	364	426	53	-	6	8,902	(5)	8,897
Other liabilities	7,114	217,553	15,207	4,358	2,843	170	25	1,898	249,168	(13,780)	235,388
Liability on investment contracts	-	-	-	-	9,440	-	-	-	9,440	-	9,440
Liability on insurance contracts	-	-	-	-	10,287	-	-	-	10,287	-	10,287
Borrowings	-	316,792	-	-	-	-	-	53,619	370,411	(53,619)	316,792
Retirement benefit obligations	-	2,648	6	-	-	8	-	-	2,662	-	2,662
Deferred tax liabilities	-	2	138	-	673	-	-	-	813	-	813
Liabilities held for sale	-	10,611	-	-	-	-	-	-	10,611	1,904	12,515
	7,198	3,996,852	36,062	108,314	23,669	232	25	55,523	4,227,874	(73,644)	4,154,230
Equity and reserves	259,704	517,940	18,820	28,958	8,051	331	2,941	(9,697)	827,049	(244,474)	582,575
Summarised cash flows											
Operating activities											
Interest received	538	367,992	5,763	13,776	-	59	287	-	388,416	(287)	388,128
Interest paid	-	(89,410)	(2,383)	(8,259)	-	-	-	-	(100,052)	15,879	(84,173)
Income tax paid	(20)	(5,062)	(1,946)	(184)	(203)	(58)	-	-	(7,473)	(416)	(7,889)
Cash flow generated from operations	(1,728)	(106,622)	615	2,681	10,943	65	558	(217)	93,705	28,925	(64,780)
Net cash generated from operating activities	(1,210)	166,898	2,049	8,014	10,739	66	845	(217)	187,185	44,101	231,285
Net cash used in investing activities	2,341	(175,575)	(8,093)	(9,311)	(15,457)	(10)	58	-	(206,046)	(5,610)	(211,656)
Net cash used in financing activities	(5,384)	(18,740)	(3,061)	-	(1,014)	(600)	(1,554)	-	(30,353)	(16,355)	(46,707)
Increase in cash and cash equivalents	(4,252)	27,417	(9,104)	(1,297)	(5,732)	(543)	(651)	(217)	(49,213)	22,135	(27,078)
Cash and cash equivalents at start of year	4,792	644,973	12,567	11,271	9,094	797	332	668	684,495	(18,127)	666,368
Effect of exchange rate fluctuations on cash held	105	101,612	5,115	102	-	6	-	-	106,941	-	106,941
Cash and cash equivalents at end of year	645	719,168	8,579	10,077	3,363	259	(320)	449	742,220	4,011	746,231

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31 December 2015	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBN Capital Limited ₦'million	FBN Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	FBN Microfinance Bank Limited ₦'million	Ivory Trust ₦'million	FBN Heritage Fund ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
SUMMARIZED INCOME STATEMENT													
Operating income	6,795	335,060	14,729	6,380	9,829	671	876	34	225	-	374,599	(11,487)	363,112
Operating expenses	(4,615)	(199,657)	(7,521)	(2,233)	(7,750)	(471)	(923)	30	(71)	-	(223,212)	475	(222,738)
Impairment charge for credit losses	-	(125,672)	(939)	(282)	-	(14)	(276)	-	-	-	(127,183)	8,389	(118,794)
Operating profit	2,180	9,730	6,270	3,865	2,079	186	(323)	63	154	-	24,204	(2,623)	21,580
Associate	-	-	280	-	-	-	-	-	-	-	280	(280)	-
Profit before tax	2,180	9,730	6,549	3,865	2,079	186	(323)	63	154	-	24,483	(2,903)	21,580
Tax	-	(6,913)	(1,549)	2,701	(219)	(61)	-	-	-	-	(6,042)	-	(6,042)
Profit/(Loss) for the year from continuing operations	2,180	2,817	5,000	6,566	1,860	124	(323)	63	154	-	18,441	(2,903)	15,538
Loss for the year from discontinued operations		129								(3,399)	(3,270)	2,878	(392)
Other comprehensive income	(17)	38,667	(1,304)	4,194	236	(49)	-	(1,060)	86	-	40,754	11	40,765
Total comprehensive income	2,164	41,613	3,695	10,760	2,096	75	(323)	(996)	240	(3,399)	55,925	(14)	55,911
Total comprehensive income allocated to non controlling interest	-	-	-	-	83	-	-	(1,060)	33	-	(944)		
Dividends paid to non controlling interest	-	-	-	-	183	-	-	-	161	-	344		
SUMMARIZED FINANCIAL POSITION													
Assets													
Cash and balances with central banks	-	715,092	1	277	500	-	-	-	-	-	715,871	-	715,871
Loans and advances to banks	4,792	374,511	11,820	7,962	1,971	797	-	332	668	327	403,180	(17,411)	385,769
Loans and advances to customers	63	1,816,045	6,314	36,650	159	76	-	-	349	-	1,859,656	(42,385)	1,817,271
Financial assets at fair value through profit or loss	-	5,049	7,305	10,696	2,157	-	-	-	1,219	-	26,426	-	26,426
Investment securities	7,019	830,586	10,328	41,042	14,138	80	-	8,239	2,347	-	913,779	-	913,779
Assets pledged as collateral	-	102,218	3,428	-	-	-	-	-	-	-	105,646	-	105,646
Other assets	4,670	26,802	2,406	866	1,156	92	-	-	1	538	36,531	(1,048)	35,483
Inventory	-	7,677	-	-	-	-	-	-	-	48,249	55,926	(6,277)	49,649
Investment properties	-	-	2,705	-	320	-	-	-	-	-	3,025	-	3,025
Investment in associates accounted for using the equity method	1,500	-	1,191	-	-	-	-	-	-	-	2,691	(2,691)	-
Investment in subsidiaries	263,595	-	-	-	-	-	-	-	-	-	263,595	(263,595)	-
Property, plant and equipment	1,192	82,351	1,712	964	1,741	81	-	-	-	7	88,048	350	88,398
Intangible assets	-	9,274	100	20	284	2	-	-	-	7	9,687	-	9,687
Deferred tax assets	-	2,923	1,180	8,083	-	34	-	-	-	-	12,220	2,395	14,615
Assets held for sale	-	570	-	-	-	-	-	-	-	-	570	-	570
	282,831	3,973,098	48,490	106,560	22,426	1,162	-	8,571	4,584	49,128	4,496,848	(330,659)	4,166,189

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31 December 2015	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBN Capital Limited ₦'million	FBN Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	FBN Microfinance Bank Limited ₦'million	Ivory Trust ₦'million	FBN Heritage Fund ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by													
Deposits from banks	-	139,052	-	5,600	-	-	-	-	-	-	144,652	-	144,652
Deposits from customers	-	2,905,070	11,475	71,631	-	-	-	-	-	-	2,988,176	(17,254)	2,970,922
Financial liabilities at fair value through profit or loss	-	12,121	-	367	-	-	-	-	-	-	12,488	-	12,488
Current income tax liability	-	5,789	2,500	128	259	90	-	-	-	6	8,773	-	8,773
Other liabilities	5,751	152,877	5,700	901	636	181	-	150	39	3,208	169,442	(1,001)	168,441
Liability on investment contracts	-	-	-	-	-	-	-	10,157	-	-	10,157	-	10,157
Liability on insurance contracts	-	-	-	-	11,837	-	-	-	-	-	11,837	-	11,837
Borrowings	-	249,891	6,224	-	-	-	-	-	-	51,115	307,230	(51,114)	256,116
Retirement benefit obligations	-	3,709	0	-	-	55	-	-	-	-	3,764	-	3,764
Deferred tax liabilities	-	64	-	89	86	-	-	-	-	-	239	-	239
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
	5,751	3,468,573	25,899	78,716	12,818	326	-	10,307	39	54,329	3,656,756	(69,367)	3,587,389
Equity and reserves	277,080	504,525	22,591	27,844	9,608	836	-	(1,736)	4,545	(5,201)	840,093	(261,293)	578,800
Summarized Cash Flows													
Operating activities													
Interest received	604	369,734	4,571	14,105	197	116	-	777	-	-	390,104	(1,520)	388,584
Interest paid	-	(118,133)	-	(9,853)	-	-	-	(569)	-	-	(128,555)	-	(128,555)
Income tax paid	-	(11,157)	(1,590)	(50)	(214)	(72)	-		-	-	(13,083)	816	(12,267)
Cash flow generated from operations	(1,533)	218,150	(2,052)	(13,154)	4,344	139	(748)	138	(65)	(1,292)	203,928	30,876	234,804
Net cash generated from operating activities	(929)	458,593	929	(8,952)	4,327	183	(748)	346	(65)	(1,292)	452,394	30,172	482,566
Net cash used in investing activities	4,257	(190,405)	(21,359)	14,369	(1,101)	(39)	(3,067)	(8,239)	-	1	(205,583)	(8,448)	(214,031)
Net cash used in financing activities	(3,263)	(113,753)	(5,538)	-	(522)	(234)	(41)	8,226	22	1,409	(113,694)	(25,193)	(138,887)
Increase in cash and cash equivalents	65	154,435	(25,968)	5,417	2,704	(91)	(3,856)	333	(42)	118	133,116	(3,468)	129,648
Cash and cash equivalents at start of year	4,792	486,279	38,535	5,854	6,389	881	3,856	-	711	208	547,440	(14,984)	532,456
Effect of exchange rate fluctuations on cash held	-	4,259	-	-	-	6	-	-	-	-	4,265	(1)	4,264
Cash and cash equivalents at end of year	4,856	644,973	12,567	11,271	9,094	797	-	332	668	325	684,819	(18,451)	666,368

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32 ASSET HELD FOR SALE: DISCONTINUED OPERATIONS

(a) Discoutinued operations

The assets classified as held for sale in 2016 included Rainbow Town Development Limited and FBN Mortgages Limited.

(i) Rainbow Town Development Limited

The assets and liabilities of Rainbow Town Development Limited (RTDL) were classified as held for sale following the decision and resolution of the Board of Directors of FBN Holdings Plc. on October 21, 2016 to dispose the Group's interest in RTDL. The carrying amount of the investment is expected to the recovered principally by a sale rather than through continuing use. The expected completion date for the transaction is October 2017. The amount has been presented in note 6 as part of Others.

(ii) FBN Mortgages Limited

The assets and liabilities of FBN Mortgages Limited were classified as such following the decision and resolution of the Board of Directors of First Bank Limited, the immediate parent company, to divest from FBN Mortgages Limited. The Board of Directors demonstrated commitment to the sales in line with the requirements of IFRS 5 and as such the sales is expected to be completed before the end of the next financial year 2017. The amount has been presented in note 6 as part of the Commercial Banking Group.

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

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

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Assets classified as held for sale		
Cash and balances with central banks	203	-
Loans and advances to banks	510	-
Loans and advances to customers	3,067	-
Investment securities	58	-
Other assets	2,036	-
Inventory	43,805	570
Deferred tax assets	459	
Property, plant and equipment	67	-
Intangible assets	7	-
	50,212	570
Liabilities classified as held for sale		
Deposit from customers	10,039	-
Company income tax liability	25	-
Other liabilities	2,303	-
Borrowings	109	-
Retirement benefit obligations	39	
	12,515	-
Net Asset	37,697	570

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The 2015 balance in the Statement of Financial Position represents the inventory balance of the property development portfolio of FBN Mortgages Limited, which was classified as held for sale.

The operating results of the discontinued operations are as follows.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Interest income	1,005	1,028
Interest expense	(2,517)	(1,170)
Net interest income	(1,512)	(142)
Impairment charge	(845)	(528)
Net interest income after impairment charge	(2,357)	(670)
Net fee and commission income	50	198
Other income	(1,626)	1,274
Operating expense	(1,010)	(871)
Loss before tax	(4,943)	(69)
Taxation	45	(322)
Loss after tax	(4,898)	(391)

The cash flows of the discontinued operations are as follows.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Net cash flow used in operating activities	(2,877)	(2,744)
Net cash flow from/(used in) financing activities	278	(55)
Net cash flow (used in)/from investing activities	(17)	1,395
Net cash outflow	(2,616)	(1,404)

(b) Non-current asset held for sale

FBN Senegal, a subsidiary of First Bank of Nigeria Limited, has classified a building from its property, plant and equipment as held for sale following management's decision to dispose the asset within 12 months in line with IFRS 5.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Property, plant and equipment	120	-
Total assets classified on held for sale	50,332	570

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33 DISPOSAL OF SUBSIDIARY/LOSS OF CONTROL IN SUBSIDIARY

In accordance with the requirements of IFRS 10, the Group re-assessed control of its subsidiaries and concluded that it no longer controls NSIA II and FBN Heritage Fund. The Group lost control of NSIA II and FBN Heritage Fund effective August 2016 and December 2016 respectively. The loss of control in NSIA II resulted in a complete deconsolidation of the fund, while FBN Heritage Fund was reclassified to Investment in associate as the Group has significant influence in the fund due to its 37.9% interest in the fund.

The aggregate book value of the net assets for the entities disposed as a result of loss of control are as follows:

	31 December 2016			31 December 2015		
	NSIA II ₦'million	FBN Heritage Fund ₦'million	Total ₦'million	FBN Microfinance Bank Limited ₦'million	Ivory Trust Fund (excluding NSIA II) ₦'million	Total ₦'million
GROUP						
Cash and balances with central banks	-	-	-	98	-	98
Loans and advances to banks	416	16	432	2,916	24,304	27,220
Loans and advances to customers	-	78	78	1,449	-	1,449
Financial assets at fair value through profit or loss	-	1,209	1,209	-	5,718	5,718
Investment securities	12,734	1,662	14,396	149	21,401	21,550
Other assets	-	-	-	117	240	357
Property, plant and equipment	-	-	-	244	-	244
Intangible assets	-	-	-	1	-	1
Total assets	13,150	2,966	16,116	4,974	51,663	56,637
Deposits from banks	-	-	-	(1,379)	-	(1,379)
Deposits from customers	-	-	-	(1,430)	-	(1,430)
Current income tax liability	-	-	-	(11)	-	(11)
Other liabilities	(154)	(25)	(178)	(97)	(598)	(695)
Liability on investment contracts	(16,159)	-	(16,159)	-	(52,192)	(52,192)
Deferred tax liabilities	-	-	-	(29)	-	(29)
Total liabilities	(16,313)	(25)	(16,337)	(2,946)	(52,790)	(55,736)
Net assets of disposal group	(3,163)	2,941	(222)	2,028	(1,127)	901
Proceeds on disposal	-	1,644	1,644	3,800	-	3,800
Less:						
Incidental cost (severance cost and professional fees)	-	-	-	(200)	-	(200)
Net proceeds on disposal	-	1,644	1,644	3,600	-	3,600
Net assets of disposal group attributable to parent	-	1,652	1,652	2,028	-	2,028
(Loss)/gain on disposal of subsidiary	-	(8)	(8)	1,572	-	1,572

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	31 December 2015		
	FBN Microfinance Bank Limited ₦'million	Ivory Trust Fund (excluding NSIA II) ₦'million	Total ₦'million
COMPANY			
Net proceeds on disposal	3,600	-	3,600
Cost of investment	(2,000)	-	(2,000)
Gain on disposal of subsidiary	1,600	-	1,600

	31 December 2016			31 December 2015		
	NSIA II ₦'million	FBN Heritage Fund ₦'million	Total ₦'million	FBN Microfinance Bank Limited ₦'million	Ivory Trust Fund (excluding NSIA II) ₦'million	Total ₦'million
Cash and cash equivalent lost on loss of control in subsidiary, net						
Cash and balances with central banks	-	-	-	98	-	98
Treasury bills	-	827	827	149	13,169	13,318
Loans and advances to banks	-	16	16	2,916	24,305	27,221
Less: net proceeds on disposal	-	(1,644)	(1,644)	(3,600)	-	(3,600)
	-	(801)	(801)	(437)	37,474	37,037

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34 PROPERTY, PLANT AND EQUIPMENT

GROUP	Improvement & buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture & fittings ₦'million	Plant & machinery ₦'million	Work in progress* ₦'million	Total ₦'million
Cost									
At 1 January 2015	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Additions	1,070	184	2,832	2,790	1,115	655	34	2,914	11,594
Reclassifications	397	52	-	1,157	404	115	-	(2,145)	(20)
Disposals	(34)	-	(1,843)	(79)	(15)	(104)	(3)	-	(2,078)
Write-offs	-	-	(12)	-	-	-	(2)	(180)	(194)
Exchange differences	380	(141)	54	67	125	43	28	189	745
At 31 December 2015	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Accumulated depreciation									
At 1 January 2015	6,269	10	5,989	22,842	7,842	4,595	56	-	47,603
Charge for the year*	1,216	-	2,331	4,827	1,976	1,150	16	-	11,516
Reclassifications	(1)	(10)	-	-	(1)	1	-	-	(11)
Disposals	(26)	-	(1,354)	(56)	(15)	(93)	(1)	-	(1,545)
Write-offs	-	-	-	-	-	-	(2)	-	(2)
Exchange differences	53	-	39	22	97	15	22	-	248
At 31 December 2015	7,511	-	7,005	27,635	9,899	5,668	91	-	57,809
Net book amount at 31 December 2015	37,861	21,009	5,108	12,616	2,713	3,452	56	5,583	88,398
Cost									
At 1 January 2016	**45,372**	**21,009**	**12,113**	**40,251**	**12,612**	**9,120**	**147**	**5,583**	**146,207**
Additions	**951**	**100**	**2,196**	**3,597**	**1,952**	**905**	**13**	**3,130**	**12,844**
Reclassifications	**24**	**-**	**(18)**	**1,471**	**40**	**308**	**4**	**(3,549)**	**(1,720)**
Disposals	**-**	**-**	**(2,017)**	**(750)**	**(77)**	**(44)**	**-**	**(169)**	**(3,057)**
Write-offs	**(8)**	**-**	**-**	**-**	**-**	**-**	**-**	**(92)**	**(101)**
Discontinued operations	**(161)**	**-**	**(190)**	**(45)**	**(56)**	**(30)**	**(11)**	**-**	**(492)**
Exchange differences	**1,216**	**22**	**297**	**292**	**554**	**189**	**36**	**143**	**2,749**
At 31 December 2016	**47,394**	**21,131**	**12,381**	**44,816**	**15,025**	**10,448**	**189**	**5,046**	**156,430**
Accumulated depreciation									
At 1 January 2016	**7,511**	**-**	**7,005**	**27,635**	**9,899**	**5,668**	**91**	**-**	**57,809**
Charge for the year	**1,410**	**-**	**2,270**	**4,680**	**1,827**	**1,372**	**25**	**-**	**11,584**
Reclassifications	**-**	**-**	**-**	**31**	**(29)**	**(2)**	**-**	**-**	**-**
Disposals	**-**	**-**	**(1,556)**	**(566)**	**(26)**	**(40)**	**-**	**-**	**(2,188)**
Discontinued operations	**(39)**	**-**	**(119)**	**(36)**	**(50)**	**(27)**	**(9)**	**-**	**(281)**
Exchange differences	**297**	**-**	**164**	**184**	**401**	**123**	**21**	**-**	**1,191**
At 31 December 2016	**9,179**	**-**	**7,764**	**31,928**	**12,022**	**7,094**	**128**	**-**	**68,115**
Net book amount at 31 December 2016	38,214	21,131	4,617	12,887	3,002	3,354	61	5,046	88,315

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

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

**Included in 2015 depreciation charge was ₦37 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

Exchange difference on property, plant and equipment

These exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBN Bank (UK) and FBN Bank (Congo).

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COMPANY	Improvement & buildings ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture & fittings ₦'million	Total ₦'million
Cost						
At 1 January 2015	615	256	450	3	470	1,794
Additions	-	112	1	2	1	115
Disposal	-	(94)	(5)	-	(17)	(116)
At 31 December 2015	615	274	446	5	454	1,793
Accumulated depreciation						
At 1 January 2015	61	71	51	1	92	276
Charge for the year	123	76	90	1	94	384
Disposal	-	(46)	(3)	-	(9)	(58)
At 31 December 2015	184	101	138	2	177	602
Net book amount at 31 December 2015	431	173	308	3	278	1,192
Cost						
At 1 January 2016	615	274	446	5	454	1,793
Additions	-	29	1	3	6	39
Disposal	-	-	-	-	-	-
At 31 December 2016	615	303	447	8	460	1,832
Accumulated depreciation						
At 1 January 2016	184	101	138	2	177	601
Charge for the year	123	72	89	2	96	381
Disposal	-	1	-	-	-	1
At 31 December 2016	307	173	227	3	272	983
Net book amount at 31 December 2016	308	129	220	5	188	849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35 INTANGIBLE ASSETS

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer Software	Total
Cost						
At 1 January 2015	5,669	52	330	699	6,136	12,886
Additions	-	-	-	-	4,371	4,371
Exchange difference	(141)	-	(4)	(11)	5	(151)
At 31 December 2015	5,528	52	326	688	10,512	17,106
Additions	-	-	-	-	6,161	6,161
Reclassification	-	-	-	-	1,502	1,502
Disposals	-	-	-	-	(116)	(116)
Effect of adjustment from discontinued operations	-	-	-	-	(13)	(13)
Exchange difference	974	-	-	217	774	1,965
At 31 December 2016	6,502	52	326	905	18,820	26,605
Amortisation and impairment						
At 1 January 2015	1,053	20	207	139	2,898	4,317
Amortisation charge*	-	26	61	144	1,926	2,157
Impairment charge	872	6	58	9	-	945
At 31 December 2015	1,925	52	326	292	4,824	7,419
Amortisation charge	-	-	-	208	3,116	3,324
Effect of adjustment from discontinued operations	-	-	-	-	(6)	(6)
Disposals	-	-	-	-	(61)	(61)
Exchange difference	-	-	-	73	528	601
At 31 December 2016	1,925	52	326	573	8,401	11,277
Net book value						
At 31 December 2016	4,576	-	-	332	10,418	15,328
At 31 December 2015	3,603	-	-	396	5,688	9,687

*Included in 2015 amortisation charge was amortisation of intangible assets of ₦3 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

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

The goodwill balance of ₦4.58 billion includes ₦0.55 billion attributable to the acquisition of FBN Bank DRC in the Democratic Republic of Congo concluded in 2013; ₦3.77 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and ₦0.26 billion attributable to the acquisition of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014.

Brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively. The Brand and Customer relationship intangible assets were written off due to a change in the name of the acquired entities.

The software is not internally generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business and Insurance Business Groups.

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

There was no impairment identified in the year ended 31 December, 2016.

The recoverable amount of each CGU has been based on value in use. These calculations use pre-tax cash flow projection covering five years. The discount rate used is also pre-tax.

Impairment testing on cash generating units containing goodwill

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

	2016			2015		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Terminal growth rate: %	**8%**	**5%**	**7%**	6%	4%	9%
Discount rate: %	**23%**	**34%**	**20%**	24%	27%	11%
Deposit growth rate: %	**12%**	**19%**	**0%**	12%	6%	0%
Gross premium growth rate: %	**0%**	**0%**	**25%**	0%	0%	20%
Recoverable amount of the CGU: (₦'million)	**7,960**	**13,228**	**6,728**	11,173	10,259	8,596

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

	2016			2015		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Goodwill (₦'million)	**552**	**3,243**	**262**	552	2,345	262
Net asset (₦'million)	**5,397**	**8,613**	**4,109**	7,771	5,826	3,979
Total carrying amount (₦'million)	**5,949**	**11,856**	**4,371**	8,323	8,172	4,241
Excess of recoverable amount over carrying amount	**2,011**	**1,372**	**2,357**	2,850	2,087	4,355

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36 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2015: 30%).

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(7,512)	(7,842)
Allowance for loan losses	9,063	3,677
Tax losses carried forward	17,429	20,276
Other assets	1,497	1,472
Other liabilities	(7,494)	(7,491)
Defined benefit obligation	3,251	3,265
Prior year adjustment	987	987
Effect of changes in exchange rate	17	231
Borrowings	40	40
	17,278	14,614
Deferred tax liabilities		
Property and equipment	(13)	149
Allowance for loan losses	-	-
Tax losses carried forward	(7)	-
Other assets	197	7
Other liabilities	22	83
Excess dividend tax	614	-
	813	239
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	16,004	13,123
- Deferred tax asset to be recovered within 12 months	1,274	1,491
	17,278	14,614
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	481	129
- Deferred tax liability to be recovered within 12 months	332	110
	813	239

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Group	1 Jan 2016 ₦'million	Recognised in P&L ₦'million	Assets classified as held for sale ₦'million	31 Dec 2016 ₦'million
Movements in deferred tax assets during the year:				
Property and equipment	(7,842)	330	-	(7,512)
Allowance for loan losses	3,676	5,387	-	9,063
Tax losses carried forward	20,276	(2,388)	(459)	17,429
Other assets	1,472	25	-	1,497
Other liabilities	(7,491)	(3)	-	(7,494)
Defined benefit obligation	3,265	(14)	-	3,251
Prior year adjustment	987	-	-	987
Effect of changes in exchange rate	231	(214)	-	17
Borrowings	40	-	-	40
	14,614	3,123	(459)	17,278

Group	1 Jan 2015 ₦'million	Recognised in P&L ₦'million	31 Dec 2015 ₦'million
Movements in deferred tax assets during the year:			
Property and equipment	(8,219)	377	(7,842)
Allowance for loan losses	3,426	250	3,676
Tax losses carried forward	17,871	2,405	20,276
Other assets	1,318	154	1,472
Other liabilities	(7,488)	(3)	(7,491)
Defined benefit obligation	3,265	-	3,265
Prior year adjustment	987	-	987
Effect of changes in exchange rate	125	106	231
Borrowings	-	40	40
	11,285	3,329	14,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	1 Jan 2016 ₦'million	Recognised in P&L ₦'million	31 Dec 2016 ₦'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	149	(162)	(13)
Tax losses carried forward	-	(7)	(7)
Other assets	7	190	197
Other liabilities	83	(61)	22
Excess dividend tax	-	614	614
	239	574	813

	1 Jan 2015 ₦'million	Recognised in P&L ₦'million	31 Dec 2015 ₦'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	15	134	149
Other assets	7	-	7
Other liabilities	65	18	83
	87	152	239

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. Temporary difference relating to the Group's investment in subsidiaries is ₦72.7 billion (2015: ₦79.0 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

37 DEPOSITS FROM BANKS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Due to banks within Nigeria	372,079	121,378
Due to banks outside Nigeria	43,999	23,274
	416,078	144,652

Deposits from banks only include financial instruments classified as liabilities at amortised cost and has a remaining period to contractual maturity of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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38 DEPOSITS FROM CUSTOMERS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Current	**735,325**	732,615
Savings	**952,689**	829,809
Term	**842,260**	970,418
Domiciliary	**564,679**	429,360
Electronic purse	**9,268**	8,720
	3,104,221	2,970,922
Current	**2,884,627**	2,822,847
Non-current	**219,595**	148,075
	3,104,221	2,970,922

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

39 OTHER LIABILITIES

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Customer deposits for letters of credit	**112,492**	46,844	**-**	-
Accounts payable	**39,385**	66,117	**-**	-
Creditors	**17,660**	19,817	**237**	380
Bank cheques	**12,426**	15,290	**-**	-
Collection on behalf of third parties	**5,772**	4,621	**-**	-
Unclaimed dividend	**5,812**	4,187	**5,812**	4,187
Accruals	**41,841**	11,565	**1,065**	1,184
	235,388	168,441	**7,114**	5,751

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

40 LIABILITY ON INVESTMENT CONTRACTS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Long-term clients	**9,440**	10,157
Short-term clients	**-**	-
	9,440	10,157
Non-current	**9,440**	10,157
	9,440	10,157

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41 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Outstanding claims	975	757
Unearned premium	891	1,235
Short-term insurance contract - claims incurred but not reported (IBNR)	614	502
Liability on annuity fund	1,519	2
Liability on long-term insurance contract - life fund	6,288	9,341
	10,287	11,837
Current	2,480	2,494
Non-current	7,807	9,343
	10,287	11,837

Reconciliation of changes in liability on insurance contracts

	2016					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2016	757	1,235	502	2	9,341	11,837
Claims incurred	3,000	-	-	-	-	3,000
Claims paid	(2,782)	-	-	-	-	(2,782)
Change in the year	-	(344)	112	1,517	(3,053)	(1,768)
As at 31 December 2016	975	891	614	1,519	6,288	10,287

	2015					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2015	556	917	264	-	6,523	8,260
Claims incurred	3,522	-	-	-	-	3,522
Claims paid	(3,321)	-	-	-	-	(3,321)
Change in the year	-	318	238	2	2,818	3,376
As at 31 December 2015	757	1,235	502	2	9,341	11,837

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42 BORROWINGS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Long-term borrowing comprise:		
FBN EuroBond (i)	233,976	152,434
Due to Deutsche Bank (ii)	-	6,224
Due to Proparco (iii)	19,968	-
On-lending facilities from financial institutions (iv)	53,729	83,332
Borrowing from correspondence banks (v)	9,119	14,126
	316,792	256,116
Current	36,758	36,125
Non-current	280,034	219,991
	316,792	256,116
At start of the year	256,116	369,707
Liabilities held for sale	(109)	-
Proceeds of new borrowings	34,516	75,961
Finance cost	18,764	15,273
Foreign exchange losses	82,690	7,722
Repayment of borrowings	(59,306)	(200,445)
Interest paid	(15,879)	(12,102)
At end of year	316,792	256,116

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2015: Nil).

i FBN Eurobond:

Facilities represent dollar notes I and II issued by FBN Finance Company B.V, Netherlands on 7 August 2013 and on 18 July 2014 for a period of 7 years. The notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of 2 years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

ii Due to Deutsche Bank:

Facility represents a medium-term loan secured from Deustche Bank on 15 August 2014 for a period of 5 years to augment working capital. The loan bears interest at the rate of 2.68% per annum. The loan was fully repaid in June 2016.

iii Due to Proparco:

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

iv On-lending Facilities:

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

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a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of ₦200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was no additional disburement (2015: ₦31.6 billion) to First Bank of Nigeria Limited.The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA and WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, additional disbursement to First Bank Nigeria Limited was ₦5.8 billion (2015: ₦4.2 billion). Loans granted under the scheme are for a 7 year period at an interest rate of 9% p.a.

v Borrowings from correspondence banks:

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

43 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Defined contribution plan	6	-
Defined benefits plan		
Gratuity scheme (i)	8	55
Defined benefits - Pension (ii)	1,934	3,083
Gratuity scheme (iii)	714	626
	2,662	3,764

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 2016 and 31 December 2015.

Gratuity scheme (i)

This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the enity. The balance on this scheme is deemed immaterial.

Defined benefit - Pension (ii)

First Bank of Nigeria Limited has an old Defined Benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit.

In addition, First Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2016, the plan assets excluded the defined benefit obligation by ₦22 million resulting in a net defined benefit asset.

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

	GROUP		
	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Net ₦'million
Defined benefit pension obligations at 1 January 2015	10,438	(8,802)	1,636
Interest expense/(income)	1,328	(1,116)	212
Service cost	41		41
Curtailment losses			-
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(474)	(474)
- Change in demographic assumptions	1,756	-	1,756
Contributions:			
- Employer	-	(88)	(88)
Payment:			
- Benefit payment	(1,530)	1,530	-
Defined benefit pension obligations at 31 December 2015	12,033	(8,950)	3,083
Interest expense/(income)	1,226	(1,068)	158
Service cost	21	-	21
Curtailment losses	(1)	-	(1)
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	(34)	1,430	1,396
- Change in demographic assumptions	(2,681)	-	(2,681)
Contributions:			
- Employer	-	(42)	(42)
Payments:			
- Benefit payment	(1,553)	1,553	-
Defined benefit pension obligations at 31 December 2016	9,011	(7,077)	1,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP					
		2016			2015	
	₦'million Quoted	₦'million Unquoted	₦'million Total	₦'million Quoted	₦'million Unquoted	₦'million Total
Composition of plan assets						
Equity instruments			563			950
Banking	401			805		
Oil service	-			6		
Real estate	8			21		
Manufacturing	154			118		
Debt instruments			6,434			7,738
Government	4,560			5,616		
Corporate bond	908			884		
Money market investments		966			1,238	
Money on call		80	80		252	252
Others		-	-		10	10
Total	6,031	1,046	7,077	7,450	1,500	8,950

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

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

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the group intends to reduce the level of investment risk by investing more in asset such that changes in the value of the assets closely match the movement in the fund's liabilities. There remains the residual risk that the selected portfolio does not match the liabilities closely enough or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimise these risks.

Changes In Bond Yields: A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in Corporate Bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

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 5 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation.

The weighted average duration of the defined benefit obligation is 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	31-Dec-16 ₦'million	31-Dec-15 ₦'million
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	16%	11%
Inflation rate	12%	9%
Future pension increases	0%	0%

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

	Assumption	Defined benefit obligation ₦'m	Impact on liability
Discount rate	16%	8,882	0.0%
	17%	8,499	-4.3%
	15%	9,302	9.5%
Life expectancy	Base	8,882	0.0%
	Improved by 1 year	8,936	0.6%
	Decreased by 1 year	8,827	-1.2%

The above sensitivity analyses is for First Bank of Nigeria Limited and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Gratuity scheme (iii)

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

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

Defined benefit cost, charged to income statement (refer to note 17).

		31-Dec-15 ₦'million
Gratuity scheme (i)		48
Defined benefits - Pension (ii)		255
Gratuity scheme (iii)		-
Total		303
Defined benefit cost, charged to other comprehensive income		
Gratuity scheme (i)		50
Defined benefits - Pension (ii)		1,756
Gratuity scheme (iii)		(402)
		1,404

The information of the professionals engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm/entity:	HR Nigeria Limited
FRC registration number of the professional:	FRC/2012/NAS/00000000738

44 SHARE CAPITAL

	31-Dec-16	31-Dec-15
50 billion ordinary shares of 50k each (2015: 50 billion)	**25,000**	25,000
Issued and fully paid		
Movements during the period:	**Number of shares in millions**	**Ordinary shares ₦'million**
At 31 December 2015	35,895	17,948
At 31 December 2016	**35,895**	**17,948**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

45 SHARE PREMIUM AND RESERVES

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

Share premium: Premiums (i.e. excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 1991(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: Reserve arising from business restructuring.

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

SSI reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Treasury share: This represents the purchase consideration of the shares of FBN Holdings Plc. held by entities within the Group. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

46 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Profit before tax from continuing operations	22,948	21,581	7,611	2,180
Loss before tax from discontinued operations	(4,943)	(69)	-	-
Profit before tax including discontinued operations	18,005	21,512	7,611	2,180
Adjustments for:				
- Depreciation and amortisation	14,908	13,673	381	384
- Impairment of intangible assets (note 35)	-	945	-	-
- Loss from disposal of property and equipment	12	186	-	7
- Loss/(profit) from disposal of investment properties	(43)	-	-	-
- Foreign exchange gains	(75,995)	7,443	-	-
- Loss from disposal of subsidiaries	8	(1,572)	-	(1,600)
- Profit from disposal of associate	-	-	(144)	-
- (Profit)/loss from disposal of investment securities	(3,930)	(6,666)	12	(36)
- Net (gains)/losses from financial assets at fair value through profit or loss	6	(2,055)	-	-
- Fair value gain/(loss) on investment properties	(188)	-	-	-
- Impairment on loans and advances	222,908	119,858	-	-
- Write off of PPE and intangible assets	101	212	-	-
- Change in provision in other assets	5,614	1,752	-	-
- Change in provision for impairment of investments	-	-	1,700	850
- Change in retirement benefit obligations	393	331	-	-
- Dividend income	(897)	-	(11,559)	(4,493)
- Interest income	(405,282)	(396,190)	(885)	(614)
- Interest expense	100,840	131,167	-	-
(Increase)/decrease in operating assets:				
- Cash and balances with the central banks (restricted cash)	(64,316)	86,420	-	-
- Inventories	49,649	(4,167)	-	-
- Loans and advances to banks	(24,425)	110,004	-	-
- Loans and advances to customers	(36,319)	249,462	(2)	17
- Financial assets at fair value through profit or loss	146,838	(5,744)	-	-
- Other assets	2,525	(8,261)	(205)	(420)
- Pledged assets	(49,320)	(37,163)	-	-
- Assets held for sale	(49,762)	2,787	-	-
Increase/(decrease) in operating liabilities:				
- Deposits from banks	201,983	(26,499)	-	-
- Deposits from customers	(152,184)	(67,270)	-	-
- Financial liabilities	34,682	1,571	-	-
- Liability on investment contracts	6,604	1,732	-	-
- Liability on insurance contracts	1,286	3,577	-	-
- Liability held for sale	12,399	1,354	-	-
- Other liabilities	(20,878)	36,405	1,363	2,192
Cash flow (used in)/generated from operations	(64,780)	234,804	(1,728)	(1,533)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

47 COMMITMENTS AND CONTINGENCIES

47.1 Capital commitments

At the balance sheet date, the company had no capital commitments (2015: Nil) in respect of authorised and contracted capital projects.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Authorised and contracted		
Group	**953**	527
Company	**-**	-

47.2 Operating lease rentals

At 31 December 2016, the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Within one year	**332**	262
Between two and five years	**1,078**	848
More than five years	**2,926**	2,302
	4,336	3,412

47.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations.

There were contingent liabilities in respect of legal actions against the group, for which provisions amounting to ₦2.91billion have been made (2015: ₦542.81million). The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

47.4 Other contingent commitments

In the normal course of business the group is a party to financial instruments which carry off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Performance bonds and guarantees	**313,779**	295,469
Letters of credit	**156,845**	126,227
	470,624	421,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

47.5 Loan Commitments

	Group	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Undrawn irrevocable loan commitments	**14,203**	33,342

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is disclosed in note 3.7.3b.

47.6 Compliance with covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited, a subsidiary of FBN Holdings Plc., is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Bank complied with this loan covenant. See Note 4 for the calculation of the composition of the Bank's capital in accordance with the Basel Accord. Management believes that First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2016 and 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

48 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2016						
Assets						
Financial assets at fair value through profit or loss	15,165	-	15,165	-	1,585	13,580
Reinsurance receivables	890	-	890	75	-	815
Total Assets subject to offsetting, master netting and similar arrangements	16,055	-	16,055	75	1,585	14,395
Liabilities						
Financial derivatives	(12,751)	-	(12,751)	-	(3,605)	(9,146)
Trade payables	(75)	-	(75)	(75)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(12,826)	-	(12,826)	(75)	(3,605)	(9,146)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

48 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

	GROUP					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2015						
Assets						
Financial assets at fair value through profit or loss	5,049	-	5,049	-	2,306	2,743
Reinsurance receivables	663	-	663	43	-	620
Total assets subject to offsetting, master netting and similar arrangements	5,712	-	5,712	43	2,306	3,363
Liabilities						
Financial derivatives	(2,658)	-	(2,658)	-	-	(2,658)
Trade payables	(43)	-	(43)	(43)	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	(2,701)	-	(2,701)	(43)	-	(2,658)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Group also made margin deposits with ICBC Standard Bank (2014: Merril Lynch and Goldman Sachs) as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

49 RELATED PARTY TRANSACTIONS

The Group is controlled by FBN Holdings Plc. which is the parent company, whose shares are widely held. FBN Holdings Plc, is a non-operating financial holding company licensed by the Central Bank of Nigeria.

A number of transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

49.1 Transactions with related parties

Name of entity	Nature of transactions	31-Dec-16 ₦'million	31-Dec-15 ₦'million
First Bank of Nigeria Limited	Placement	**626**	1,695
First Bank of Nigeria Limited	Current account balance	**18**	3,097
First Bank of Nigeria Limited	Bank charges	**3**	3
First Bank of Nigeria Limited	Interest Income	**121**	292
FBN Insurance Limited	Premium	**16**	8

49.2 Key management compensation

Key management includes Executive Directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Salaries and other short-term employee benefits	**1,166**	1,043	**365**	251
Post-employment benefits	**280**	931	**7**	190
	1,446	1,974	**372**	441

50 DIRECTORS' EMOLUMENTS

Remuneration paid to the Group's directors was:

	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Fees	**312**	315
Sitting allowances	**17**	11
Executive compensation	**105**	90
Retirement benefit costs	**-**	184
Other directors' costs and expenses	**25**	447
	459	1,047
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	**48**	48
Highest paid director	**105**	90

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31-Dec-16	31-Dec-15
₦3,000,001 and above	**11**	10
	11	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

51 COMPLIANCE WITH REGULATIONS

During the year, the entities within the group were penalised by their respective regulators as follows:

a FBN Holdings Plc

- ₦400,000 to the Nigerian Stock Exchange for late submission of 2015 Annual Accounts
- ₦20.75million to the Securities and Exchange Commission for late submission of 2015 Annual Accounts and Quarter 4 unaudited accounts

b First Bank of Nigeria Limited

- ₦30million to Central Bank of Nigeria (CBN) in respect of registration of IMTOs
- ₦20million to CBN for cases of linking multiple accounts to single BVN
- ₦12million to CBN for various ALM/CFT infractions emanating from spot check carried out on the Bank's branches in January 2016
- ₦4million to CBN for publication of appointment without prior approval
- ₦4million to CBN for late rendition of STR returns to the NFIU in October 2015
- ₦2million to CBN for failure to implement external auditor's recommendation contained in December 2014 management letter
- ₦2million to CBN for exceeding regulatory single obligor limit in 2015
- ₦2million to CBN for opening of accounts and partnering with unlicensed International Money Transfer Service Operators
- ₦2million to CBN for excess charges on customers' accounts
- ₦175,000 to CBN for late rendition of daily returns in 2016
- ₦100,000 to CBN for non-rendition of returns to NOTAP

c FBN Merchant Bank Limited

- ₦300,000 to SEC for failure to notify the commission of the resignation of a sponsored individual within 5 working days of resignation
- ₦2million to CBN for failure to comply with a directive on the submission of documents as conditions of the approval of the appointment of one of the bank's directors within two (2) weeks

d FBN Capital Limited

- ₦418,000 to SEC for failure to respond timely to request for information
- ₦135,000 to SEC for contravention of section 161 of ISA 2007 regarding issuance of unregistered units of FBN Nigeria Eurobond Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

52 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant event occurred after the reporting date.

53 DIVIDEND PER SHARE

A cash dividend of ₦5.38 billion at ₦0.15 per share (2014: ₦3.26 billion) that relates to the period to 31 December 2015 was paid in May 2016. The Directors have recommended for approval a dividend of ₦0.20 per share for the year ended 31 December 2016.

54 EARNINGS PER SHARE

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

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

	Group		Company	
	31-Dec-2016 ₦'million	31-Dec-15 ₦'million	31-Dec-16 ₦'million	31-Dec-15 ₦'million
Profit from continuing operations attributable to owners of the parent (₦'million)	**19,020**	15,797	**7,507**	2,180
Loss from discontinued operations attributable to owners of the parent (₦'million)	**(4,898)**	(391)	**-**	-
Weighted average number of ordinary shares in issue (in million)	**35,895**	35,895	**35,895**	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	**0.53**	0.44	**0.21**	0.06
- from discontinued operations	**(0.14)**	(0.01)	**0.00**	0.00
	0.39	0.43	**0.21**	0.06

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.

55 NON-AUDIT SERVICES

The external auditors of FBN Holdings Plc., Messrs PricewaterhouseCoopers Nigeria, did not render any non-audit service to the company during the year.

OTHER NATIONAL DISCLOSURES AT 31 DECEMBER 2016 STATEMENT OF VALUE ADDED

	Group			
	31-Dec-16 ₦'million	%	31-Dec-15 ₦'million	%
Gross income	581,831		505,191	
Interest and fee expense	(111,911)		(140,750)	
	469,920		364,441	
Administrative overheads	(122,221)		(129,518)	
Value added	347,698	100	234,923	100
DISTRIBUTION				
Employees				
- Salaries and benefits	83,805	24	80,416	34
Government				
- Taxation	5,807	2	6,364	3
The future				
- Asset replacement (depreciation)	11,584	3	11,516	5
- Asset replacement (amortisation)	3,324	1	2,157	1
- Asset replacement (provision for losses)	226,037	65	119,322	51
- Expansion (transfers to reserves)	17,141	5	15,148	6
	347,698	100	234,923	100

	Company			
	31-Dec-16 ₦'million	%	31-Dec-15 ₦'million	%
Gross income	12,715		6,794	
Interest and fee expense	-		-	
	12,715		6,794	
Administrative overheads	(2,321)		(2,695)	
Value added	10,394	100	4,099	100
DISTRIBUTION				
Employees				
- Salaries and benefits	702	7	685	17
Government				
- Company income tax	104	1	-	-
The future				
- Asset replacement (depreciation)	381	4	384	9
- Asset replacement (amortisation)	-	-	-	-
- Asset replacement (provision for losses)	1,700	16	850	21
- Expansion (transfers to reserves)	7,507	72	2,180	53
	10,394	100	4,099	100

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-14 ₦'million	31-Dec-13 ₦'million	31-Dec-12 ₦'million
ASSETS:					
Cash and balances with central banks	**690,165**	715,871	698,104	594,234	300,532
Loans and advances to banks	**444,871**	385,769	460,911	430,586	439,853
Loans and advances to customers	**2,083,894**	1,817,271	2,178,986	1,769,130	1,541,377
Financial assets at fair value through profit or loss	**46,711**	26,426	27,601	10,287	6,112
Investment securities	**1,050,588**	906,473	711,639	824,064	718,040
Assets pledged as collateral	**197,420**	105,646	68,483	53,650	50,109
Other assets	**47,786**	35,483	40,640	45,640	45,992
Inventory	**-**	49,649	37,805	30,253	21,676
Investment in associates	**1,114**	-	-	7,029	6,321
Investment properties	**3,003**	3,025	2,826	2,413	4,003
Property, plant and equipment	**88,315**	88,398	88,557	81,299	75,407
Intangible assets	**15,328**	9,687	8,569	8,748	3,523
Deferred tax	**17,278**	14,615	11,285	7,120	8,201
Assets held for sale	**50,332**	570	8,331	4,549	5,221
	4,736,805	4,166,189	4,343,737	3,869,001	3,226,367
FINANCED BY:					
Share capital	**17,948**	17,948	16,316	16,316	16,316
Share premium	**233,392**	252,892	254,524	254,524	254,524
Reserves	**331,783**	304,284	249,190	196,432	167,927
Non controlling interest	**(548)**	3,675	4,033	4,505	2,548
Deposits from banks	**416,078**	144,652	171,151	82,032	89,430
Deposits from customers	**3,104,221**	2,970,922	3,050,853	2,929,081	2,395,148
Financial liabilities at fair value through profit or loss	**37,137**	12,488	10,917	1,701	1,796
Liabilities on investment contracts	**9,440**	10,157	60,617	68,723	54,995
Liabilities on insurance contracts	**10,287**	11,837	8,260	3,651	2,127
Borrowings	**316,792**	256,116	369,707	126,302	75,541
Retirement benefit obligations	**2,662**	3,764	2,029	1,924	19,380
Current income tax	**8,897**	8,773	11,829	34,167	23,389
Other liabilities	**235,388**	168,441	132,633	149,606	122,202
Deferred income tax liabilities	**813**	239	87	37	225
Liabilities held for sale	**12,515**	-	1,592	-	819
	4,736,805	4,166,189	4,343,737	3,869,001	3,226,367

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31-Dec-16 ₦'million	12 months ended 31-Dec-15 ₦'million	12 months ended 31-Dec-14 ₦'million	12 months ended 31-Dec-13 ₦'million	12 months ended 31-Dec-12 ₦'million
Gross Earnings	**581,831**	502,691	481,774	396,235	370,167
Net operating income	**469,926**	361,537	356,243	296,426	301,072
(Loss)/Gain from disposal of subsidiary	**(8)**	1,572	-	-	-
Insurance claims	**(2,190)**	(3,306)	(1,043)	(488)	(498)
Operating expenses	**(218,744)**	(219,429)	(235,801)	(185,298)	(193,513)
Group's share of associate's results	**-**	-	599	1,006	(592)
Impairment charge for credit losses	**(226,037)**	(118,794)	(25,942)	(20,309)	(12,549)
Profit before taxation	**22,948**	21,581	94,056	91,337	93,920
Taxation	**(5,807)**	(6,042)	(10,045)	(20,706)	(17,120)
Profit from continuing operations	**17,141**	15,539	84,011	70,631	76,800
Loss from discontinuing operations	**(4,898)**	(391)	-	-	-
Profit for the year	**12,243**	15,148	84,011	70,631	76,800
Profit attributable to:					
Owners of the parent	**14,122**	15,406	84,231	70,135	77,020
Non controlling interest	**(1,879)**	(258)	(220)	496	(220)
	12,243	15,148	84,011	70,631	76,800
Earnings per share in kobo (basic/diluted)	**39**	43	235	216	237

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31-Dec-16 ₦'million	31-Dec-15 ₦'million	31-Dec-14 ₦'million	31-Dec-13 ₦'million	31-Dec-12 ₦'million
ASSETS:					
Loans and advances to banks	**645**	4,792	3,261	1,477	-
Loans and advances to customers	**65**	63	80	72	-
Investment securities	**12,350**	7,019	4,272	9,847	15,771
Investment in associates	**-**	1,500	1,500	9,281	11,875
Investment in subsidiaries	**242,395**	263,595	260,777	246,777	243,065
Other assets	**10,599**	4,670	14,361	43,285	236
Property, plant and equipment	**849**	1,192	1,519	1,072	30
Assets held for sale	**-**	-	2,000	-	-
	266,903	282,831	287,770	311,811	270,977
FINANCED BY:					
Share capital	**17,948**	17,948	16,316	16,316	16,316
Share premium	**233,392**	252,892	254,524	254,524	254,524
Reserves	**8,365**	6,242	7,340	37,261	(947)
Current income tax	**84**	-	-	-	-
Other liabilities	**7,114**	5,751	9,590	3,710	1,084
	266,903	282,831	287,770	311,811	270,977

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31-Dec-16 ₦'million	12 months ended 31-Dec-15 ₦'million	12 months ended 31-Dec-14 ₦'million	12 months ended 31-Dec-13 ₦'million	1 month ended 31-Dec-12 ₦'million
Gross Earnings	**12,715**	6,794	16,969	74,988	1
Net operating income	**12,571**	5,195	7,800	72,289	-
Gain from disposal of subsidiary/associate	**144**	1,600	-	-	-
Operating expenses	**(5,104)**	(4,615)	(2,117)	(1,658)	(819)
Profit before taxation	**7,611**	2,180	5,683	70,631	(819)
Taxation	**(104)**	-	-	-	-
Profit after taxation	**7,507**	2,180	5,683	70,631	(819)
Earnings per share in kobo (basic)	**21**	6	16	216	(3)

SHAREHOLDER INFORMATION

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

SHAREHOLDER RESOURCES

Dividend History

FIRST BANK OF NIGERIA PLC.

Payment no.	Year end	Dividend type	Date payable	Total Net DIV. Amount (₦)	Total Net DIV. Amount (₦)	Net DIV. Amount Unclaimed as at 31 December 2016	% net DIV. Amount unclaimed
46	31-Mar-2003	Final	04-Aug-2003	3,810,850,516.50	1.50	100,264,783.58	2.63
47	31-Mar-2004	Final	23-Aug-2004	4,886,322,044.71	1.55	98,596,063.51	2.02
48	31-Mar-2005	Final	29-Aug-2005	6,325,223,995.20	1.60	83,646,912.07	1.32
49	31-Mar-2006	Final	28-Aug-2006	4,714,802,449.20	1.00	80,842,472.20	1.71
50	31-Mar-2007	Final	3-Sep-2007	10,477,338,776.00	1.00	286,475,138.18	2.73
51	31-Mar-2008	Final	25-Aug-2008	21,481,234,960.68	1.20	254,816,772.96	1.19
52	31-Mar-2009	Final	24-Aug-2009	30,207,986,658.90	1.35	250,224,530.14	0.83
53	31-Dec-2009	Final	31-May-2010	2,610,566,748.54	0.10	279,836,727.03	10.72
54	31-Dec-2010	Final	06-Jun-2011	17,621,325,552.24	0.60	660,645,356.93	3.75
55	31-Dec-2011	Final	04-Jun-2012	23,495,100,736.32	0.80	655,172,837.08	2.79
Total				125,630,752,438.29		2,750,521,593.68	2.19

FBN HOLDINGS PLC

Payment no.	Year end	Dividend type	Date payable	Total net DIV. amount (₦)	Dividend per share	Net DIV. Amount unclaimed as at 31 December 2016	% Net DIV. Amount unclaimed
1	31-Dec-2012	Interim	03-Jun-2013	29,434,858,173.90	1.00	1,268,882,838.58	4.31
2	27-May-2013	Final	26-May-2014	32,408,788,807.89	1.10	1,742,181,399.14	5.38
3	31-Dec-2014	Final	25-May-2015	2,963,937,941.94	0.10	314,062,801.42	10.60
4	31-Dec-2015	Final	30-May-2016	4,889,733,076.23	0.15	2,066,531,091.62	42.26
Total				69,697,317,999.96		5,391,658,130.76	7.74

Shareholder Resources

2017 FBNHoldings Financial Reporting Calendar

Date	Event
Thursday, 27 April	Release of FY 2016 & Q1 2017 results on the floor of NSE
Friday, 28 April	FY 2016 & Q1 2017 results conference call.
	FBNHoldings publication of FY 2016 & Q1 2017 results in the national dailies.
Friday, 19 May	FBNHoldings Annual General Meeting
Wednesday, 26 July	Release of FBNHoldings H1 2017 on the floor of the NSE
Tuesday, 1 August	FBNHoldings publication of H1 2017 results in the national dailies
Thursday, 3 August	H1 2017 results conference call
Thursday, 26 October	Release of FBNHoldings 9M 2017 on the floor of the NSE
Friday, 27 October	9M 2017 results conference call
Thursday, 2 November	FBNHoldings publication of 9M 2017 results in the national dailies

These dates are subject to change. Please ensure you refer to the Investor Relations website for updates.

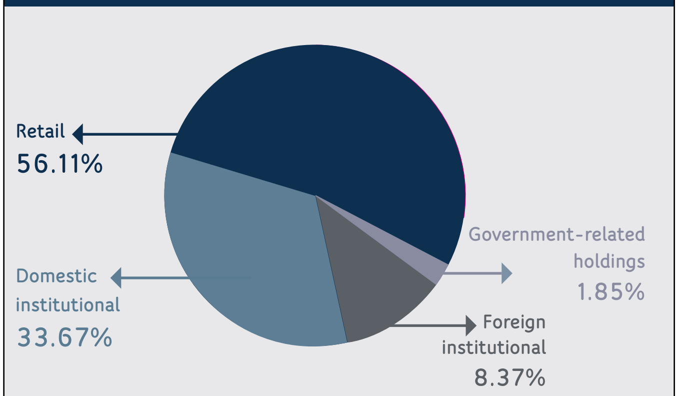
Share Statistics

	2016	2015
Market indicators		
NSE all share index	**26,616.89**	28,642.25
NSE all share volume (million)	**106.4**	3,000
Share price		
High for the year (₦)	**4.65**	10.54
Low for the year (₦)	**2.95**	4.64
Closing (₦)	**3.35**	5.13
Share price (Volume/value)		
Volume of shares (million)*	**5,646.12**	7,163.06
Value of shares (₦ million)**	**20,387.02**	52,933.93

Shareholders analysis as at 31 December 2016

Type of shareholding	Holdings	Holdings %
Retail	20,166,442,057	56.17
Domestic institutional	12,066,311,329	33.62
Foreign institutional	2,999,555,266	8.36
Government-related holdings	662,984,139	1.85
	35,895,292,791	100

BREAKDOWN OF SHAREHOLDERS BY TYPE



Credit rating summary

	Rated entity	Report date	National Long-term	National Short-term	International Long-term	International Short-term	Outlook
Standard & Poor's	FBNHoldings	September 2016	ngBB	ngB	B-	C	Negative
Fitch	FBNHoldings	November 2016	BBB(nga)	F3(nga)	B-	B	Stable
Global Credit Rating (GCR)	FirstBank	August 2016	A-(NG)	A1-(NG)	-	-	Stable
Agusto & Co.	FirstBank	August 2016	Bbb+		-	-	Stable

* Total volume of shares traded for the year 2016

** Total value of shares traded for the year 2016

Shareholder Resources

Share capitalisation history

Year	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (₦)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 July 1976	-	5,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 July 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 July 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 July 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 July 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Holdings Plc. shares issued in exchange for minority shares in FBN merchant bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Holdings Plc. shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Holdings Plc. shares issued to majority shareholders in FBN merchant bank arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
01 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)
21 May 2015			-	3,263,208,435	35,895,292,792	Bonus (1 for 10)

NOTICE OF 5TH ANNUAL GENERAL MEETING

FBN HOLDINGS PLC.
RC 916455

NOTICE IS HEREBY GIVEN that the 5th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC. will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Friday, 19 May, 2017 at 10 a.m or so soon thereafter to transact the following:

Ordinary Business:

1. To receive the audited accounts for the financial year ended 31 December 2016 together with the reports of the Directors, Auditors, and Audit Committee thereon
2. To declare a dividend
3. To elect Directors
3a. To elect Oluwande Muoyo as Director
3b. To elect Cecilia Akintomide, OON, as Director
4. To re-elect retiring Directors
4a. To re-elect Hamza Wuro Bokki (PhD) as Director
4b. To re-elect 'Debola Osibogun as Director
4c. To re-elect Omatseyin Ayida as Director
5. To authorise the Directors to fix the remuneration of the Auditors
6. To elect members of the Audit Committee

NOTES

1. PROXY

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy must be duly stamped at the Stamp Duties Office and deposited at the registered Office of the Company or the Office of the Registrar, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.

2. DIVIDEND WARRANTS

If the proposed dividend recommended by the directors is approved by members at the AGM, the Dividend Warrants will be posted on Monday, 22 May 2017 to members whose names appear in the Register of members at the close of business on Friday, 5 May 2017.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 89 of Company and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from 8-12 May 2017 (both dates inclusive) to enable the Registrar to update its records in preparation for the payment of dividend.

4. UNCLAIMED DIVIDEND WARRANTS

Some dividend warrants have remained unclaimed or are yet to be presented for payment or are in need of revalidation. Affected shareholders are advised to contact the Registrar, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos on this.

5. STATUTORY AUDIT COMMITTEE

In accordance with Section 359(5) of the CAMA, a shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) respectively indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

Similarly, in line with Section C of Rule 2 of the Financial Reporting Council of Nigeria (FRCN) Rules, the Chairman of the Audit Committee must be a professional member of an accounting body established by Act of the National Assembly in Nigeria.

In view of the foregoing, we therefore request that nominations must be accompanied by a copy of the nominee's Curriculum Vitae. The Curriculum Vitae of eligible candidates will be posted on the Company's website before the date of the meeting.

6. E-DIVIDEND/BONUS

In line with the decision of the Capital Market Committee at its meeting held on 9 August 2016, the Securities and Exchange Commission has directed all capital market Registrars to discontinue the issuance of dividend warrants to investors after 31 July 2017.

In view of the foregoing, shareholders are advised to complete the e-dividend mandate forms with the Registrar or their bankers. Dividends not paid after 31 July 2017 will only be paid electronically to shareholders bank account details as directed by the Securities and Exchange Commission.

Detachable application forms for change of address, e-dividend and e-bonus are attached to the Annual Report for shareholder's convenience. The forms can also be downloaded from the registrar's website https://firstregistrarsnigeria.com. The duly completed form should be delivered to First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos.

7. ELECTION/RE-ELECTION OF DIRECTORS

i. Election of Directors

Oluwande Muoyo and Cecilia Akintomide, OON are being proposed for election as Directors. They were both appointed as Directors on 19 July 2016. The CBN has approved the appointment of Oluwande Muoyo whilst the appointment of Cecilia Akintomide, OON is being processed. Both are now being presented for shareholders' approval at the AGM.

ii. Retirement/Re-Election of Directors

Hamza Wuro Bokki (PhD), 'Debola Osibogun and Omatseyin Ayida are retiring by rotation at the current meeting in line with Section 259 of CAMA. The retiring Directors, being eligible, are therefore offering themselves for re-election as Non-Executive Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

8. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretary not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

Tijjani Borodo
Company Secretary
FRC/2013/00000002363
35 Marina, Lagos

Dated this 25th day of April, 2017

PROXY FORM
FBN Holdings Plc. (RC 916455)

FBNHoldings

5th Annual General Meeting to be held at Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Friday, 19 May 2017 at 10a.m.

*We...
(Name of shareholder in block letters)

The undersigned, being a member of the above named Company hereby appoint ....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 19 May 2017 and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this...day of....................................2017

Signature..

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the office of First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of anyone of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

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

Resolution	For	Against
1) To receive the consolidated Annual Report and Accounts		
2) To declare a dividend		
3a) To elect Oluwande Muoyo as Director		
3b) To elect Cecilia Akintomide, OON, as Director		
4a) To re-elect Dr. Hamza Wuro Bokki as Director		
4b) To re-elect 'Debola Osibigun as Director		
4c) To re-elect Omatseyin Ayida as Director		
5) To fix the remuneration of Auditors		
6) To elect members of the Audit Committee		

Please indicate with 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

Admission Form
FBN Holdings Plc. (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at the Zinnia Hall, Eko Hotel and Suites, Victoria Island on Friday, 19 May 2017 at 10a.m

*Name of shareholder ....

*Name of proxy..(IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him.

A proxy need not be a member. The above proxy form has been prepared to enable you exercise your right to vote.

IMPORTANT

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person, whether a member of the company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form
2. Fill out all compulsory(*) fields
3. Fill out in CAPITAL LETTERS

FirstRegistrars & INVESTOR SERVICES

You need not worry about the safety of your shares anymore. Simply stay aboard with our e-products and services.

E-share Notifier SMS alert on transactions that occur on your share account (AGM & EGM, dividend payments, bonuses, debits/credits etc.)

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online Access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION
Please fill in the form and return to the address below:

THE REGISTRARS
First Registrars & Investor Services Ltd,
Plot 2 Abebe Village Road, Iganmu,
PMB 12692, Lagos, Nigeria.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1 *

Address line 2

City State* Country

GSM no (Mobile) * GSM no (Telephone) *

Email address *

Signature(s)* Corporate stamp/seal *

CHARGES:
Individual: ₦1,000 per annum/product
Corporate bodies: ₦2,000 per annum/product

Please tick (√) the product(s) you are activating.
All payments should be made into each product's account number respectively:

- [ ] E-share notifier activation Account No. 2013302579
- [ ] M-access activation Account No. 2011760908
- [ ] Online access activation Account No. 2013798370

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

First Registrars & Investor Services Ltd *...connecting you to your wealth* Website: www.firstregistrarsnigeria.com Email: ebusiness@firstregistrarsnigeria.com

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

DEAR SHAREHOLDER,

Introducing the E-Dividend Mandate Management System (E-DMMS)

We are pleased to inform you that dividends on your shareholdings can now be paid directly into your preferred bank account.

This is made possible with the **E-Dividend Mandate Platform**, which allows you to **register/validate** your e-dividend mandate at any branch of a bank nearest to you nationwide or at First Registrars offices.

The platform also provides you with a quick and convenient way to enjoy the benefits of the direct cash settlement (DCS) from your registrar, while minimising the incidents of unclaimed dividends.

To register and be mandated for your e-dividend, please visit any of the First Registrars offices listed below or a bank branch nearest to you.

It is easy and it is a one-off exercise!

FIRST REGISTRARS & INVESTOR SERVICES LTD
Plot 2, Abebe Village Road,
Iganmu, PMB 12692,
Lagos
Tel: +234 (1) 2799880, +234 (1) 2701078
Email: info@firstregistrarsnigeria.com

ABUJA
First Bank of Nigeria Limited
Jos Street Branch
Plot 451, Opposite Sharon Hotel
Area 3, Garki, Abuja
Tel: +234 802 315 4938

ENUGU
First Bank of Nigeria Limited (Main Branch)
21, Okpara Avenue
Enugu,
Enugu State
Tel: +234 805 459 0483

IBADAN
First Bank of Nigeria Limited (2nd Floor)
48 Molete/Challenge Road,
Opposite Texaco,
Ibadan, Oyo State
Tel: +234 802 571 4780

KADUNA
First Bank of Nigeria Limited (Area Office)
14 Bank Road, Kaduna,
Kaduna State
Tel: +234 802 396 4430

PORT HARCOURT
First Bank of Nigeria Limited (2nd Floor)
22/24 Aba Road
Port Harcourt,
Rivers State
Tel: +234 805 565 6430

Please fill the E-DMMS form overleaf.

Thank you.

First Registrars & Investor Services Ltd *...connecting you to your wealth* Website: www.firstregistrarsnigeria.com Email: ebusiness@firstregistrarsnigeria.com

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FBN Holdings

FirstRegistrars & INVESTOR SERVICES

Affix Current Passport

(To be stamped by Bankers)

Write your name at the back of your passport photograph

INSTRUCTION

Please complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRAR,
First Registrars & Investor Services Ltd.
2 Abebe Village Road, Iganmu,
PMB 12692 Lagos, Nigeria.

I/We hereby request that henceforth, all my/our dividend payment(s) due to me/us from my/our holdings in **FBN Holdings Plc** be credited directly to my/our bank detailed below:

Bank verification number

Bank name

Bank branch

Bank address

Bank account number

Account opening date

Account type (Tick) Current Savings

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address:

City | State | Country

Previous address (If any)

CHN (If any) | Email address

Mobile telephone 1 | Mobile telephone 2

Signature(s) | Joint\Company's signatories | Company's seal

Authorised signature of banker | Authorised stamp of banker

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E-BONUS FORM

FirstRegistrars & INVESTOR SERVICES

INSTRUCTION
Please complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRAR,
First Registrars & Investor Services Ltd.
2, Abebe Village Road, Iganmu,
PMB 12692 Marina,
Lagos, Nigeria.

Please credit my account at Central Securities Clearing Systems Limited (CSCS) with all subsequent allotments and bonuses due to me from FBN Holdings Plc.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2*

City State Country

Mobile telephone*

Email address*

Signature(s)* Joint/Company's signatures* Company seal

CSCS Details

Stockbroker

Clearing house number C

Authorised signature and stamp of stockbroker

Please attach a copy of your CSCS Statement to this form as evidence that you maintain a valid account with the CSCS

First Registrars & Investor Services Ltd *...connecting you to your wealth* Website: www.firstregistrarsnigeria.com Email: info@firstregistrarsnigeria.com

STOCKBROKERS' E-LODGEMENT ACTIVATION FORM (FBN HOLDINGS PLC)

FirstRegistrars & INVESTOR SERVICES

To:
THE REGISTRARS,

First Registrars & Investor Services Limited
Plot 2, Abebe Village Road,
Iganmu, PMB 12692,
Marina, Lagos,
Nigeria

E-LODGEMENT is a special product designed for stockbrockers. It is the electronic transfer of verified share certificates from First Registrars into the depository of CSCS. Here, stockbrokers are given access to view all lodgment made to CSCS on their behalf. It also allows stockbrokers to concentrate more on their core while saving time and money through **E-LODGEMENT.**

FOR STOCKBROKERS ONLY

Important! The form should be completed in CAPITAL LETTER using a black or dark blue ballpoint\fountain pen. Character and numbers should be similar in the style to the following:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	1	2	3	4	5

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

Name of stockbrokers:

Address:

Mobile telephone:

Email:

Authorised signatory/seal:

NOTE: This service costs ₦25,000 per annum and all cheques should be made payable to First Registrars & Investor Services Limited, Account No. 2013798363

FBN HOLDINGS PLC
SHAREHOLDERS DATA UPDATE FORM

FBNHoldings

In our commitment to having up-to-date records of our shareholders, please complete this form below.

Surname

First name

Other names

Email address

Primary GSM number

Clearing house number (CHN)

Bank verification number (BVN)

Preferred stockbroker's name

Date of birth

Bank name

Bank account number

Old address

New addresses (to be used for address update)

Next of kin

Next of kin's phone number

I/We hereby authorise FBN Holdings Plc to update my/our shareholding accounts with the above information.

Individual shareholder signature

Joint shareholder signature

Corporate shareholder

Company seal

Kindly download the update form from our websites: **http://www.fbnholdings.com/ or http://ir.fbnholdings.com/**

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Commercial Banking		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC S.A Limited	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBNBank Ghana Limited	Meridian House, Ring Road Central, Private Mail Bag No 16, Accra North, Accra, Ghana	+233 302 23 6133, +233 302 23 5611
FBNBank Gambia Limited	GIEPA House, 48, Kairaba Avenue, Serrekunda, KSMD, PO Box 1600, Banjul, the Gambia	+2207993502, +2204377889, +2209147426.
FBNBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 6571 23001
FBNBank Sierra Leone Limited	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 99305600
FBNBank Senegal Limited	Lot No 2, Mermoz Pyrotechnie, VDN Dakar, Senegal	+221 869 75 04
First Pension Custodian Nigeria Limited	6 Maduike Street, Off Raymond Njoku Street, S.W. Ikoyi, Lagos.	+234 1 2777800-1
FBN Mortgages Limited	124, Awolowo Road, SW Ikoyi, Lagos	+234 1 4615860-2
FirstBank representative office		
South Africa Rep. Office	The Forum Building, 10th Floot, No., 2 Maude Street, Staton 2146, Johannesburg, South Africa.	+27 11 7849922, +27 11 7849925
Beijing Rep. Office	Unit 1431, Tower B COFCO Plaza, No 8 Jianguomennei, Street, Dong Cheing District, Beijing, China	+861 0652 86820, +861 5201 470057
UAE Rep. Office	Salam HQ Plot No C6, Sector E, Abu Dhabi, UAE	+971 26445621
Merchant Banking and Asset Management		
FBN Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria.	+234 1 2702290-4; +234 1 2798300
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 84 900 474
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 780 0473
FBN Capital Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 2798300; + 234 0 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 84 900 474
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 780 0473
FBN Capital Assets Management Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 2798300; + 234 0 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 7 080 998 517; +234 7 033 230 533; +234 9 038 859 458; +234 9 038 859 461
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757; +234 703 323 0762
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300; + 234 0 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 802 059 6019
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 701 045 5883
FBN Funds Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 279 8300
FBN Securities Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 2798300, + 234 (0) 708 065 3100
Insurance		
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4810, +234 1 905 4444
FBN General Insurance Limited	298, Ikorodu Road, Anthony, Lagos	+234 1 905 4810
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 462 2185

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average number of shares in issue
Book value per share (BVPS)	=	Total equity / Number of outstanding shares (35, 895, 292, 792 units)
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio	=	Operating expenses (operating cost before loan loss expense) / Operating income
Debt to capital	=	Long-term debt / Long-term debt + equity
Dividend per share	=	Dividend / Number of shares in issue
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest earning assets	=	Due from other banks + treasury bills + Securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) + Statutory credit reserve / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Provision on non-performing loans

Glossary of Ratios

RATIO		BASIS OF COMPUTATION
Provisioning level (non-performing loans cover)	=	$\frac{\text{Total provision}}{\text{Total NPL}}$
Price to book	=	$\frac{\text{Share price}}{\text{Total assets – intangible assets and liabilities}}$
Price earnings	=	$\frac{\text{Market value per share}}{\text{Earnings per share}}$
Return on average assets	=	$\frac{\text{PAT}}{\text{Average total asset}} \times 100$
Return on average equity	=	$\frac{\text{PAT}}{\text{Average total equity}} \times 100$
Risk asset ratio	=	$\frac{\text{Total loans}}{\text{Total assets}}$
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	$\frac{\text{Total tier 1 capital}}{\text{Risk-weighted assets}}$
Tier 2 ratio	=	$\frac{\text{Total tier 2 capital}}{\text{Risk-weighted assets}}$
Total capital adequacy ratio	=	$\frac{\text{Total qualifying capital}}{\text{Risk-weighted assets}}$
Yield on interest earning assets	=	$\frac{\text{Interest income}}{\text{Average interest earning assets}}$

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AGM	Annual General Meeting
AGM	Assistant General Manager
ALCO	Assets and Liabilities Management Committee
AMCON	Asset Management Corporation of Nigeria
AOM	Area Operations Manager
ATM	Automated Teller Machine
AUM	Assets Under Management
AURR	Additional Unexpired Risk Reserve
BARAC	Board Audit and Risk Assessment Committee
BCL	Basic Chain Ladder Method
BFIC	Board Finance and Investment Committee
BGNC	Board Governance and Nominations Committee
BU	Business Units
BRCC	Business Risk and Compliance Committee
CAAP	Control Administrative and Accounting Procedure
CAE	Chief Audit Executive
CAMA	Companies and Allied Matters Act
CAR	Capital Adequacy Ratio
CASA	Current and Savings Accounts
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CEP	Continuous Education Programme
CFP	Contingency Funding Plan
CFR	Commander of the Order of the Federal Republic
CGU	Cash Generating Unit
CIPM	Chartered Institute of Personnel Management
COSO	Committee of Sponsoring Organisation
COT	Commission on Turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral Risk Rating
CSCS	Central Securities Clearing System
CSR	Corporate Social Responsibility
DCS	Direct Cash Settlement
DMD	Deputy Managing Director
DPM	Deposit Money Banks
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
DVM	Doctor of Veterinary Medicine
EAR	Earnings at Risk
ECA	Export Credit Agencies
ECM	Equity Capital Markets

EPS	Earnings per Share
ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
ETFs	Exchange Traded Funds
FCA	Fellow, Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of Chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMCG	Fast-Moving Consumer Goods
FPCNL	First Pension Custodian Nigeria Limited
FRR	Facility Risk Rating
FSA	Financial Services Authority
FSS	First Share Services
FMDA	Financial Market Dealers Association
FUTA	Federal University of Technology
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GMC	Group Management Committee
GRSC	Group Risk Stakeholder Committee
GPI	Gross Premium Income
GITSC	Group IT Steering Committee
GITOC	Group IT Operations Committee
GRC	Governance Risk Management and Compliance
HCMD	Human Capital Management and Development
HNI	High Net Worth Individual
HR	Human Resources
IBNR	Incurred But Not Reported
ICAFAS	Internal Control and Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
ICEG	Internal Control and Enhancement Group
ICTSC	ICT Steering Committee
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IOD	Institute of Directors
IRS	Internal Revenue Service
ISO	International Organisation for Standardisation

Abbreviations

ISMS	Information Security Management System
IT	Information Technology
ITF	Industrial Training Fund
JAN	Junior Achievement Nigeria
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LEAP	Leadership Effectiveness Accountability & Professionalism
LGD	Loss Given Default
M&A	Mergers & Acquisitions
MANCO	Management Committee
MCC	Management Credit Committee
MBAM	Merchant Banking and Asset Management
MB/D	Million Barrels a Day
MDAs	Ministries, Departments and Agencies
MDSA	My Daily Savings Account
MFBs	Microfinance Banks
MIS	Management Information System
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRPC	Market Risk Policy Committee
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NERC	Nigerian Electricity Regulatory Commission
NGN	Nigerian Naira
NGO	Non-Governmental Organisation
NIM	Net Interest Margins
NIM	Nigerian Institute of Management
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
NVMA	Nigerian Veterinary Medical Association
OOF	Oba Otudeko Foundation
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating Expenditure
OPL	Open Position Limit
ORM	Operational Risk Management
ORR	Obligor Risk Rating
OTC	Over the Counter
P&L	Profit and Loss Account
PAT	Profit after Tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit Before Tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of Default
P/E	Price Earnings
PE	Private Equity
PFA	Pension Fund Administrator
PFR	Pay for Role
P/L	Profit and Loss
POS	Point of Sale
PSQA	Process and Service Quality Assurance
RCSA	Risk and Control Self-Assessment
RIMAN	Risk Managers Association of Nigeria
RM	Relationship Manager
RMD	Risk Management Directorate
ROE	Return on Equity
ROM	Regional Operations Manager
SAC	Statutory Audit Committee
SAS	Statistical Analysis Software
SBU	Strategic Business Unit
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SMCAA	Small & Middle Capitalisation Companies Association
SME	Small and Medium Enterprise
SMS	Short Message Service
SRF	Strategic Resource Function
TAT	Turnaround Time
UAT	User Acceptance Testing
USSD	Unstructured Supplementary Service Data
UPR	Unexpired Premium Reserve
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WODAC	Women Development and Child Protection Centre

COMPLAINTS MANAGEMENT POLICY

Content

1. INTRODUCTION

FBN Holdings Plc. ('Group') is committed to delivering high standard of service to all stakeholders across the Group. Occasionally, the Group may not live up to stakeholders expectations and promises and without an appropriate feedback mechanism to manage stakeholders complaints and expectations, this commitment could be undermined, resulting in loss of customers, erosion of public confidence, and reputational damage to the Group.

Based on the aforementioned, it becomes necessary to establish a policy for managing stakeholder's complaint. Complaint, for the purpose of this policy, is defined as ''an expression of dissatisfaction made to an organisation, related to its products and or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected".

In developing this Policy, we have endeavoured to align the policy to relevant regulatory requirements as well as leading practices in complaints management. In particular, this Policy is designed to meet the requirements of the following regulations:

- Securities and Exchange Commission (SEC) – Rules Relating to Complaints Management Framework of the Nigerian Capital Market.
- The Nigerian Stock Exchange (NSE) – Compliant Management Requirements for all Listed Companies.

Where necessary, the principles contained in this policy shall guide business Group in developing their respective sector-specific Complaints Management Policy and Guidelines.

2. OBJECTIVE OF THE POLICY

This Policy is aimed at ensuring prompt and efficient management of complaints brought to the attention of the Group. It is also intended to help improve the services offered by enabling the Group detect its weaknesses, remedy problematic or unfair situations, and enhance operating methods, while ensuring efficient, fair and prompt treatment of all complaint received.

Specific objectives of this policy are to ensure:

- Complainant is provided with access to an open and responsive Complaints-Management Policy;
- Complaints are resolved in a consistent, systematic and responsive manner, to the satisfaction of the complainant and the Group;
- Causes of complaints are identified and resolved/eliminated, trends are monitored, ultimately to improve the Group's operations; and
- Comply with sector specific regulations on complaints management, particular as it relates to SEC and NSE regulations on complaints management within the Capital Market and other relevant regulations on complaints management to be issued from time to time.

3. SCOPE OF THE POLICY

This policy shall apply to:

- FBN Holdings Plc., Subsidiary companies and Staff within the Group;
- All customers/clients both internal and external.
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

3.1 Complaints to be handled by this policy

The under listed are the various forms of complaints this policy is designed to manage:

- Customer/clients complaints which may include: complaints which may require formal or informal feedback, concerns, statements of issues/omissions and points of disagreement or dispute;
- Complaints by competitors in any of the business Group;
- Complaints by or through Regulators, such as Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Stock Exchange (NSE) and or self-regulatory organisations like, Financial Market Dealers Quotation (FMDQ); and
- Other Complaints which could be in form of; Trade manipulations, accounting frauds, Ponzi schemes e.t.c.

Complaints Management Policy

All complaints to relevant entities in the Group shall be sent to the address contained in page 251, while complaints relating to the Group office (FBN Holdings Plc.) shall be sent to the address/media contained in section 7, pages 259.
All complaints shall contain at the minimum the following;

a. Name of complainant
b. Full address
c. GSM number
d. E-mail address
e. Signature of the complainants
f. Date
g. Nature/Description of complaints
h. Other supporting documents.

3.2 Complaints not covered by this Policy

The under listed complaints are not covered by this policy:-

- Complaints on matters that are sub-judice or in arbitration, including employee related dispute.
- Complaints falling outside the purview of the Group's business.
- Complaints which may not require a resolution or formal follow-up. While this type of feedback is valuable, the Policy does not apply to feedback of this nature.

4. COMPLAINTS MANAGEMENT PRINCIPLES

In line with leading practices, the under listed principles shall guide FBN Holdings complaints management process;

GUIDING PRINCIPLE OF COMPLAINTS HANDLING

PRINCIPLE	APPLICATION
Visibility	The Complaints Management Policy is well publicised to customers, clients, staff and other stakeholders on FBN Holdings website, with extracts of the policy in the Annual Reports and Accounts.
Accessibility	The Complaints Management Policy is available to all customers/clients and other stakeholders, and user-friendly. Complaints are welcome from customers/clients who are dissatisfied with the Group member decisions, actions or services.
Responsiveness	• Complaints will be acknowledged and resolved promptly. • Complaints will be handled in an efficient and effective manner, and accorded the urgency it deserves. • Complainants will be treated courteously and kept informed of the progress of their complaint throughout the complaint-handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner through the complaints-management process.
Charges Confidentiality	Access to the Group`s complaints management process is free of any charge to the complainant. Complaints are handled confidentially to avoid any form of embarrassment to innocent people. Personally identifiable information concerning the complainant is actively protected from disclosure and only made available for the purposes of addressing the complaint.
Customer/Client-focused approach	Group members are committed to efficient, prompt and fair resolution of complaints. The Group is open to feedback and constantly reminds customers/clients of their right to make complaints.
Accountability	The Group accept responsibility for effective complaints handling, and units responsible for complaints management will ensure that, where appropriate, issues raised as a result of failure in the complaints handling process are adequately addressed.
Continual Improvement	The complaints management policy and process will be reviewed as at when required, to enhance its overall efficiency and delivery of effective outcomes.

5. BOARD AND MANAGEMENT COMMITMENT TO THE POLICY

The Board and Management are highly committed to promoting an effective and efficient complaints handling across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.
Regular Complaints Management training across the group to ensure best in class complaints handling technique and strict adherence to the complaints handling policy and guide shall be encouraged.

Finally, all complaints received shall be acknowledged, and analysed towards aiding and ensuring informed continuous quality improvement initiatives, corrective and preventative management strategies.

6. POLICY STATEMENT

This policy is designed to provide guidance on how the Group manages complaints. FBN Holdings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

The Group encourages all stakeholders (complainant) to lodge their complaints, as these comments would allow the Group improve on its services and products. Also, the Group encourages staff to respect customers/clients and also endeavour to anticipate customer/clients' needs and expectations.

The Group is committed to ensuring the following:

a. Awareness of our stakeholders of the Group`s complaint management process;
b. That both customers/clients and staff understand our complaints handling process;
c. Complaints are investigated impartially with a balanced view of available information or evidence;
d. Complaints are considered on their merits taking into account individual circumstances; and
e. Recognition of customer/clients' right to provide feedback and complain about product or services rendered.

Finally, the policy shall be made available to all stakeholders on the website of FBNHoldings and extracts of the policy shall also be made available to shareholders in the Annual Report and Accounts of FBN Holdings Plc.

7. TIME LIMIT FOR INVESTIGATION OF COMPLAINTS, REGULATORY REPORTING RESPONSIBILITY AND COMPLAINTS REGISTER

It shall be the policy of the Group to handle all complaints promptly and as fairly as possible. While it might not be possible to set a specified time limit for the resolution of complaints in view of the diverse nature of complaints, subsidiaries shall endeavour to resolve all complaints within the time limits specified by the respective sector-specific regulator.

Where regulators require the Group office (FBN Holdings Plc.) or entities within the Group to render regular reports on complaints, entities affected by such regulation shall be responsible for such regulatory returns, while the Compliance function of both the Group Office (FBN Holdings Plc.) and affected entities shall monitor compliance with such regulatory reporting requirements, and also ensure implementation of this policy.

In line with SEC and NSE requirements, entities within the Group operating in the Capital Market (Capital Market Operators-CMO) and FBN Holdings Plc.(Compliance Department) shall be required to maintain an electronic complaints register which will be updated monthly with the under listed information:

a. Name of the complainant
b. Date of the complaints
c. Nature of complaints
d. Complaints details in brief
e. Status of resolution
f. Remark/comments

Complaints Management Policy

Finally, all complaints from shareholders and other stakeholders relating to FBN Holdings Plc. shall be directed to:

Company Secretariat or Investors Relations Department
FBN Holdings Plc.
Samuel Asabia House
35 Marina, P O Box 5216
Lagos, Nigeria

E-mails & Phone numbers:
companysecretariat@fbnholdings.com
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