FBN Holdings

WOVEN INTO THE FABRIC OF SOCIETY
125 YEARS
1894 - 2019
...proud to be a part of the FirstBank heritage

TIMELESS

FBN Holdings Plc

Annual Report and Accounts 2018

PREMIUM BOARD LISTED

TIMELESS

FBNHoldings Group is an enduring institution with a rich heritage woven into the fabric of society. Like a precious gem, our ability to innovate, regenerate and transform makes us dynamic and ageless.

Over the years, the Group has remained resilient, overcoming varying challenges to set the pace on many fronts across the financial landscape. This unique attribute has engendered the iconic brand to all stakeholders as a dominant and reliable franchise.

As we commemorate the 125th anniversary of our flagship business - FirstBank, the Group is geared to shape the future more than ever before and deliver sustainable value.

Timeless |/ˈtʌɪmləs/
Definition: Not affected by the passage of time.
Synonyms: Lasting, enduring, ageless

CONTENT OUTLINE

2018

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 of 35,895,292,791 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.

- The Commercial Banking business comprises First Bank of Nigeria Ltd, FBNBank (UK) Ltd, FBNBank DRC Ltd, FBNBank Ghana Ltd, FBNBank The Gambia Ltd, FBNBank Guinea Ltd, FBNBank Sierra Leone Ltd, FBNBank Senegal Ltd and First Pension Custodian Nigeria Ltd. First Bank of Nigeria Ltd is the lead entity of the Commercial Banking business.
- The Merchant Banking and Asset Management business consists of FBNQuest Merchant Bank Ltd and FBNQuest Capital Ltd. The subsidiaries of FBNQuest Merchant Bank Ltd are: FBNQuest Asset Management Ltd and FBNQuest Securities Ltd while the subsidiaries of FBNQuest Capital Ltd are: FBNQuest Trustees Ltd and FBNQuest Funds Ltd.
- The Insurance business comprises FBN Insurance Ltd, FBN General Insurance Ltd and FBN Insurance Brokers Ltd.

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 2018 to the corresponding 12 months of 2017, and the statement of financial position comparison relates to the corresponding position at 31 December 2017. Except as disclosed, all the balances and figures relate to continuous operations. Relevant terms that are used in this document but 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 of 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 annual report portal of the Investor Relations section of the FBNHoldings website.

SHAPING THE FUTURE

We have deployed cutting-edge technology and solutions to drive our digital and other product offerings in an efficient manner to better serve our customers.

DELIVERING SUSTAINABLE VALUE

We continually improve our processes, services and people, deliberately reinforcing our solid foundation and strengthening the fundamentals of our business towards delivering sustainable value to our stakeholders.

BRIGHTER FUTURE

As we reflect on our rich heritage and ongoing transformation, we forge ahead with the confidence of a brighter future.

GROUP OVERVIEW

As at 31 December 2018, the Group closed with gross earnings of ₦583.5bn and total assets of ₦5.6tn.

OUR PROFILE

FBN Holdings Plc is one of Africa's largest diversified non-operating financial holding company, offering a broad range of services including commercial banking, merchant banking and asset management as well as insurance to millions of customers. FBNHoldings through its subsidiaries offer innovative and competitive financial solutions across Africa, Europe and Asia.

- First Bank of Nigeria Ltd (FirstBank) is the largest subsidiary of the FBNHoldings Group, offering commercial banking services in 10 countries. FirstBank also has a subsidiary that provides pension custody services.
- FBNQuest Merchant Bank Ltd and FBNQuest Capital Ltd are subsidiaries of FBNHoldings, providing merchant banking, asset management and investment banking services. FBNQuest Merchant Bank Ltd is the parent company to FBNQuest Asset Management Ltd and FBNQuest Securities Ltd while the subsidiaries of FBNQuest Capital Ltd are FBNQuest Funds Ltd and FBNQuest Trustees Ltd.
- FBNHoldings offers life insurance services through FBN Insurance Ltd and general insurance through its subsidiary, FBN General Insurance Ltd. The business group also offers brokerage services through FBN Insurance Brokers Ltd.

Notable milestones of the Group:

- One of the largest financial institutions in Nigeria
- The Commercial Banking subsidiary, FirstBank, was founded in 1894
- A rich history on the Nigerian Stock Exchange from 1971 and specifically as FBNHoldings since November 2012
- Over 2 million active users on FirstMobile application
- Over 15.7 million* customer accounts
- 888 business locations
- 2,895 ATMs and 9,771 POS terminals.

* Commercial Banking group

ATMs: 2,895

Customer Accounts: 15.7million*

Total Assets: ₦5.6tn

Business Locations: 888

Gross Earnings: ₦583.5bn

The Strategic Vision:

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

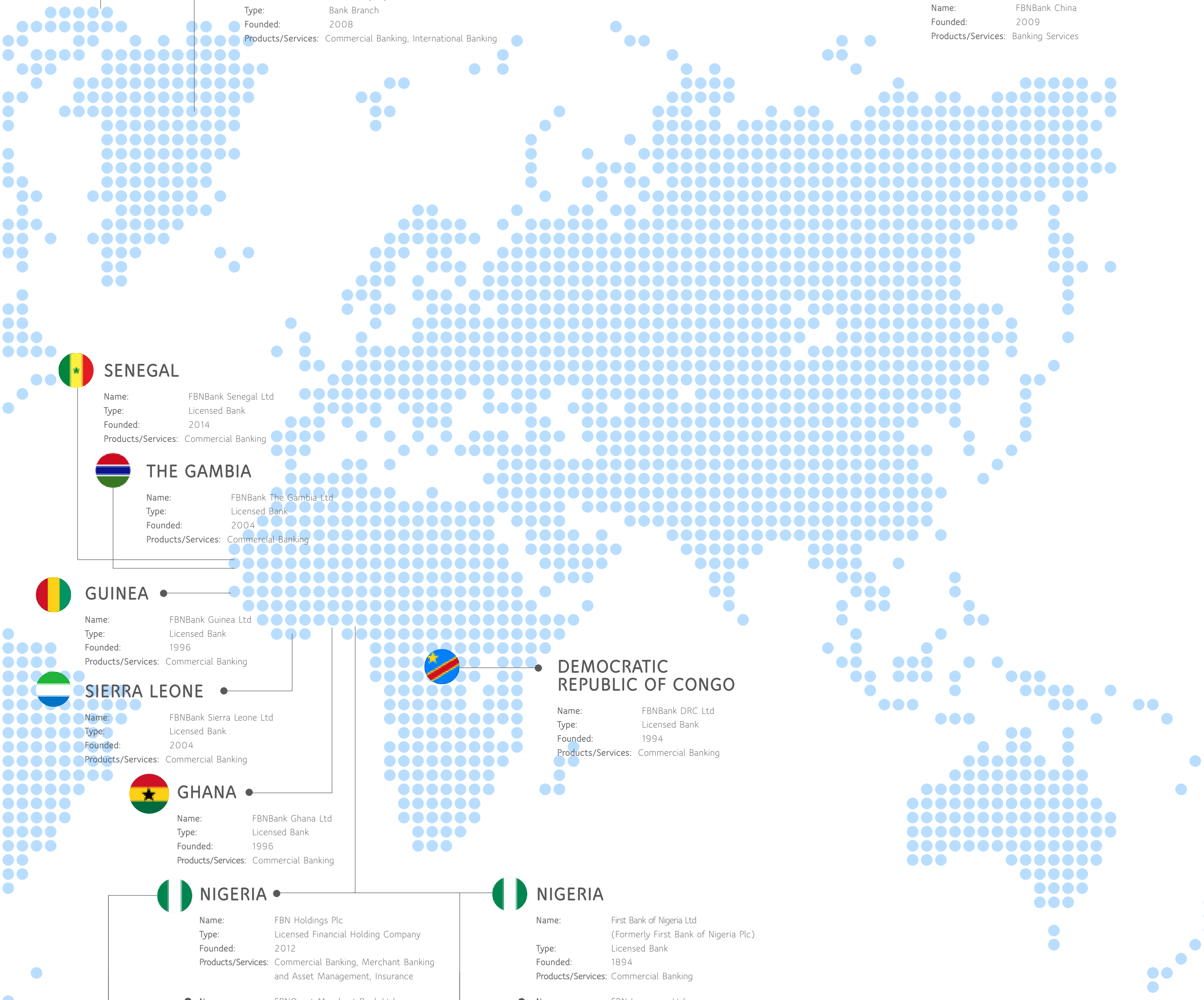
Our Mission:

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.

OUR NETWORK



UNITED KINGDOM (UK)

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

FRANCE

Name: FBNBank (UK) Ltd
Type: Bank Branch
Founded: 2008
Products/Services: Commercial Banking, International Banking

• REPRESENTATIVE OFFICE

Name: FBNBank China
Founded: 2009
Products/Services: Banking Services

SENEGAL

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

THE GAMBIA

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

GUINEA

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

SIERRA LEONE

Name: FBNBank Sierra Leone Ltd
Type: Licensed Bank
Founded: 2004
Products/Services: Commercial Banking

GHANA

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

DEMOCRATIC REPUBLIC OF CONGO

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

NIGERIA

Name: FBN Holdings Plc
Type: Licensed Financial Holding Company
Founded: 2012
Products/Services: Commercial Banking, Merchant Banking and Asset Management, Insurance

Name: FBNQuest Merchant Bank Ltd
Type: Licensed Bank
Founded: 1995
Products/Services: Merchant Banking and Asset Management Services

Name: FBNQuest Capital Ltd
Type: Licensed Capital Market Operator
Founded: 2002
Products/Services: Private Advisory and Investments

NIGERIA

Name: First Bank of Nigeria Ltd (Formerly First Bank of Nigeria Plc)
Type: Licensed Bank
Founded: 1894
Products/Services: Commercial Banking

Name: FBN Insurance Ltd
Type: Licensed Insurance company
Founded: 2010
Products/Services: Life Insurance Product and Services

Name: FBN Insurance Brokers Ltd
Type: Licensed Insurance Brokerage company
Founded: 2000
Products/Services: Insurance Brokerage Services

OUR STRUCTURE

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

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

MERCHANT BANKING AND ASSET MANAGEMENT

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

FBNQuest Capital Limited

- FBNQuest Trustees Limited
- FBNQuest Funds Limited

INSURANCE

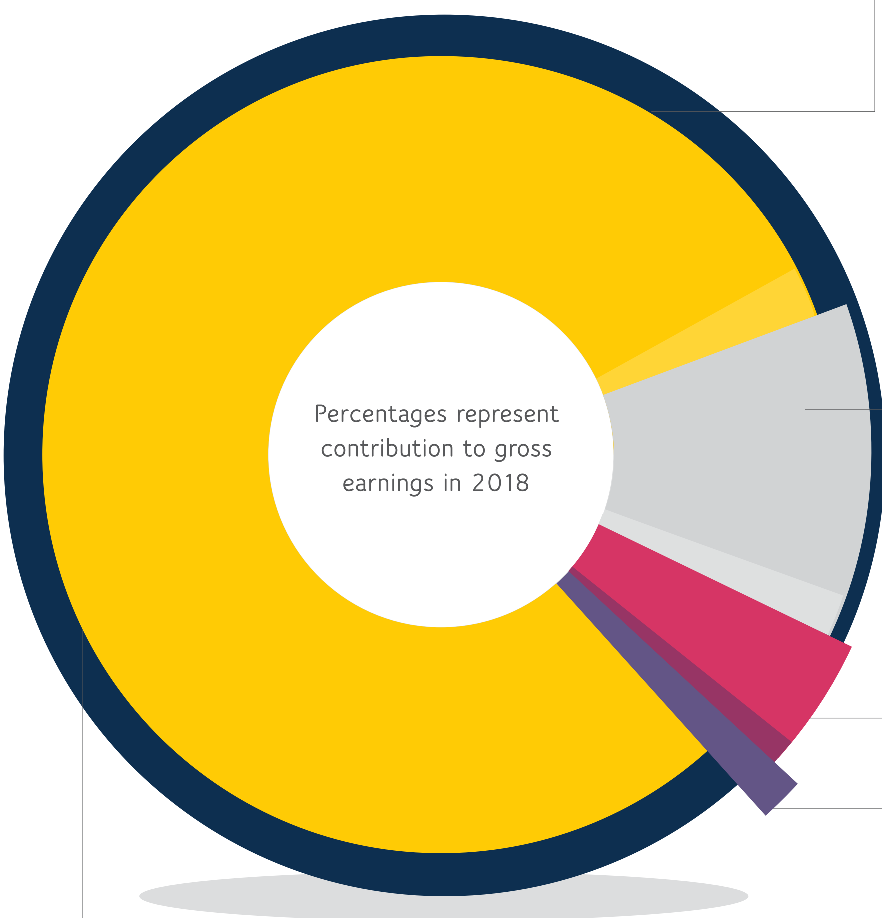
FBN Insurance Limited

- FBN General Insurance Limited

FBN Insurance Brokers Limited

OUR STRUCTURE

Our products and services are designed to meet the requirements of our customers.



88.2%

COMMERCIAL BANKING

The Group's core business is providing financial services to individuals, corporate and public sector customers. This business segment includes the Group's local, international and representative offices offering commercial banking services.

7.7%

MERCHANT BANKING AND ASSET MANAGEMENT

The Group's key businesses comprise Corporate Banking Investment Banking, Wealth Management and Fixed Income Securities Trading; as well as its subsidiary businesses; Asset Management and Equity Brokerage. The Group serves a diverse customer base of corporates, banks, public institutions, institutional investors and high networth individuals.

3.8%

INSURANCE

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

0.3%

OTHERS

FBNHoldings 100%

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2018		2017
₦583.5bn	2.0% (decrease)	₦595.4bn

Gross earnings dropped due to a decline in interest income on the back of a decrease in the loan book as well as the depressed yield environment but partially offset by the growth in non-interest income.

NET INTEREST INCOME

2018		2017
₦284.2bn	14.3% (decrease)	₦331.5bn

Net Interest income decreased largely on account of the contraction in the loan book and the decline in investment securities' income, which were in part mitigated by an increase in income from loans to banks.

NON-INTEREST INCOME

2018		2017
₦131.7bn	15.8% (increase)	₦113.7bn

Increase in non-interest was driven by growth in fees and commission income, on the back of growing contribution from digital banking channels.

OPERATING EXPENSES

2018		2017
₦263.7bn	9.7% (increase)	₦240.3bn

The growth in operating expenses remained below the headline inflation rate of 11.4%.

PROFIT BEFORE TAX

2018		2017
₦65.3bn	19.7% (increase)	₦54.5bn

Sustained improvement in profit before tax on the back of declining impairment charge on credit losses.

CUSTOMER DEPOSITS

2018		2017
₦3,486.7bn	10.9% (increase)	₦3,143.3bn

Increase in total customer deposits is driven by growth in current and savings accounts.

FINANCIAL HIGHLIGHTS

CUSTOMER LOANS AND ADVANCES (NET)

2018
₦1,683.8bn

15.9%

2017
₦2,001.2bn

The decline in net customer loans and advances is reflective of the weak macroeconomic environment that does not support aggressive risk asset creation.

EARNINGS PER SHARE (EPS)

2018
₦1.65

43.5%

2017
₦1.15

The growth in earnings per share reflects improved profitability.

RETURN ON AVERAGE EQUITY

2018
9.9%

2017
7.3%

The improvement in return on average equity follows an increase in profitability over equity.

RETURN ON AVERAGE ASSETS

2018
1.1%

2017
0.9%

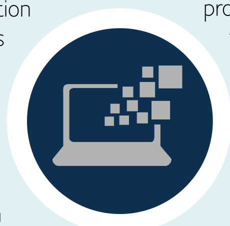
Return on average assets for the year indicate improvement in the financial performance.

NON-FINANCIAL HIGHLIGHTS

STRENGTHENING TECHNOLOGY INFRASTRUCTURE

The Commercial Banking Subsidiary strengthened its technology infrastructure, Information Technology (IT) risk management, as well as IT security to drive automation, increase staff productivity and transaction capacity.

In line with our digital and customer acquisition drive, digital implementation in 2018 cut across our various channels, products and services. Pilot deployment of these applications are at advanced stages while continuous enhancement is underway. As part of the IT infrastructure modernisation initiative, the enterprise IT architecture design project was completed in 2018. The enterprise IT architecture provides the blueprint for a modern IT infrastructure and operating model that is appropriate for the Bank's growth and digital agenda. In addition, to leverage innovative technology that would drive customer acquisition and retention, the Bank implemented a robust, unified and rapidly scalable end-to-end technology platform for digital and business growth, this has led to an increased volume of transactions processed by the Bank. The Enterprise Resource Planning (ERP) suite was also deployed and integrated across major facets of our operations including human resources, finance, procurement and general services functions. These tools would drive efficiency and productivity across our processes and systems.



The Merchant Banking and Asset Management business is at the tail end of the IT Transformation project and has successfully articulated the digital strategy to address current and future digital capabilities.

Across the Group, staff were migrated to the Group-wide Microsoft Office 365 to ensure a single platform for effective collaboration.

ENHANCING DIGITAL BANKING OFFERING

The Group's aspiration to drive a digitalised Bank would be achieved through enhanced omni-channel capabilities, automation, analytics and leveraging the Commercial Bank's existing brand and target digital customer segments. In 2018, our service model for mass market was transformed using the USSD and Agent Banking platforms. FirstBank's agents have been enabled to conduct various transactions, such as funds transfers, cash withdrawal, cash deposits, bills payments, etc., for both FirstBank and non-FirstBank customers. In addition, the Bank successfully received the mandate for exclusive partnership with National Union of Road Transport Workers to activate agents in all motor parks in Nigeria.

There has been significant improvement in the total number of subscribers on the USSD platform with appreciable growth in transaction volume and value. Our *894# quick banking application steadily grew to emerge as the industry's clear leader, having processed the highest volume of transactions. In 2018, subscribers on our USSD platform grew on a year-on-year basis from 4.1 million to 6.7 million bringing about a substantial growth in revenue, transaction count and value processed.

Our digital channels were enhanced through the incorporation of an account opening feature. Non-FirstBank customers can now open accounts via our USSD Banking, FirstMobile app, ATMs, and Agent Banking channels. In 2018, we had an impressive number of accounts opened through our digital channels. Subsequently, our mobile and online banking applications have recorded significant growth in subscriber base and transaction value relative to prior year.

NON-FINANCIAL HIGHLIGHTS

DRIVING INNOVATION

We commenced operations of our Digital Innovation Laboratory (Lab) which has provided an effective platform for engaging the Fintech community and harnessing opportunities within the ecosystem. The Lab hosted a hackathon with focus on innovative solutions to challenges in the financial industry through the use of Artificial Intelligence and Big Data. In addition, the Lab implemented the innovative chat banking facility on the Commercial Bank's WhatsApp handle which was launched in October 2018.

In line with our innovation drive, additional value-added services were enabled on the Commercial Bank's e-channel platforms to further enrich customer experience. For example, the Visa card cash withdrawal capability on Agent Banking; Foreign Currency limit increase on FirstMobile; and mobile data vending services on USSD, were among other ongoing enhancements.

The Commercial Bank deployed a Transaction Banking group solution called FirstDirect. FirstDirect is a Trade finance solution (Finastra) upgrade and integrated cash management solution (Polaris).

Another critical component of the Bank's strategic plan is the First Shared Services, that involves the centralisation and migration of repetitive non-core back-office processes. For example, the ATM funds transfer dispute resolution process was automated using workflow Business Process Management Solution. This recorded progress with the Bank-wide migration of automated payments across the branches.

Furthermore, the Group secured regulatory approval to roll out the Group Shared Services model to drive efficiency and ultimately improve cost-to-income ratio.

In addition, the Merchant Banking and Asset Management business rolled out the FBN Edge app to enhance operational efficiency and improve customer experience. FBN Edge was designed to simplify investing by allowing users set-up mutual fund accounts, manage their investments and track their progress on-the-go. This way, users enjoy an edge in investing and can take control and meet their financial goals sooner.

REVAMPED CUSTOMER VALUE PROPOSITION

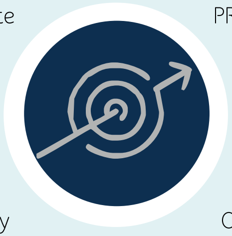
In 2018, an online account opening process was implemented for seamless account opening at any location by potential customers. The instant account opening features were deployed across all digital channels (USSD, ATM, Web, Agent Banking). The Commercial Bank also commenced a best-in-class enterprise CRM framework to proactively manage and analyse customer interactions and data throughout the customer lifecycle. In addition, the upgrade and digitalisation of customer onboarding process and a revamp of customer value proposition across various business segments were initiated while a more efficient value chain model that takes an enterprise-wide view of customers to extract more value, unlock revenue pools, grow customer base and increase profitability per customer was implemented.

The Merchant Banking and Asset Management business have completed the integration to the NIBSS platform and have registered with CSCS to obtain the Legal Entity Identifier (LEI) that enables clear and unique identification of the Bank as a legal entity participating in international financial transactions. Obtaining the LEI has enhanced transactions by offshore counterparties of the Fixed Income, Currencies and Treasury as well as FBNQuest Securities.

NON-FINANCIAL HIGHLIGHTS

REVAMPED STRATEGIC FOCUS (PR1MUS)

The Group remains focused on driving its performance through key strategic initiatives across its businesses. Specifically, the Commercial Bank continues to recalibrate its execution strategy by reviewing the corporate strategic priorities. The recalibration is focused on the execution of the seven corporate strategic themes, realigned along six business and functional work streams (Retail Banking, Corporate Banking, Commercial Banking; Public Sector, Cost Optimisation, Risk Management, and Subsidiaries).



The work streams are supported by three key enablers to achieve the strategic aspirations. These include core IT infrastructure platforms to scale and support business growth ambition, data and digital tools to drive down cost, as well as talent and culture management to improve performance. Consequently, the strategic initiatives were consolidated into one integrated transformation program, 'PR1MUS'.

PR1MUS reflects the transformative path to regaining industry leadership position. The 5-strategic pillars under the umbrella of PR1MUS include Customer-led innovation, Safeguarding our business, Re-igniting FirstBankers' passion and pride, Building a Digital Bank as well as Reimagining and re-engineering the process. Overall, PR1MUS is expected to improve stakeholder engagements and accelerate both user adoption and value realisation of our various initiatives.

PEOPLE AGENDA

The People Agenda is a critical element of our overall goal towards entrenching a strong employee value proposition (EVP) in line with our aspiration – 'to develop FBNHoldings into a hub for choice industry talent anywhere'. As instituted, the People agenda is a means of cultivating an innovative and high-performance work environment through effective implementation of group-wide synergistic initiatives around resourcing, performance and reward management, talent management, career development, learning and leadership development, culture transformation, employee engagement and experience.

These initiatives are being implemented at the group-level and customised to suit each operating company with the objective of building and harnessing the full potential of a robust and multi-skilled workforce to consistently deliver on strategic objectives in the short, mid and long-term.

Specifically, the Commercial Banking group reinvented itself as a dynamic and customer-centric institution. With this brand relaunch came a brand promise of 'You First'. To fulfil this promise, the Bank recognised the need to make some critical changes to its culture. As such, the Bank's culture transformation initiative has been redesigned to promote the internalisation of certain core behaviours expected from FirstBank staff. This will also facilitate various ways through which staff can develop the identified behaviours within their roles and in addition reinforce positive behaviours to sustain the desired Group-wide transformation. The activities around the culture transformation initiatives include: Talent resourcing, leadership development and continuous learning, succession planning as well as improved employee experience management.

On the other hand, the Merchant Banking and Asset Management group also successfully embedded the Corporate and Individual Performance Management process during the year and launched the High Potential (HiPo) initiative to identify and retain high performing and high potential employees.

NON-FINANCIAL HIGHLIGHTS

RENEWED APPROACH TO SYNERGY REALISATION

In line with our priority to extract value through synergy and collaboration, we have seen significant results in our revenue generation aspiration in 2018 relative to the prior year. This remarkable achievement in synergy revenues, reflects the execution of key synergy initiatives to drive collaboration and cross-sell across all operating companies. As a result, there has been steady growth in the contribution to the revenue pool of the Group, helping to further diversify the revenue portfolio. Similarly, with the approval to implement the Group Shared Services, we expect to experience the benefits of the cost synergies across our business.

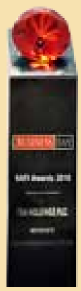
To further deepen revenue synergies, our businesses have continued to drive synergy growth by providing complementary products and services, thereby enhancing the overall value proposition of the Group. These complementary products and services provide a platform for complete financial solutions to our large customer base in the quest to create wealth and meet financial needs. Consequently, harnessing the natural synergy that exists across our businesses has progressively improved the deals' pipeline thereby enhancing revenue generation capabilities.

Considering the enormous potential of synergy realisation in the Group's overall strategy, the synergy and collaboration initiatives have been elevated to drive revenues from cross-sell across the Group. We are not relenting our efforts, and our 'Think Group' approach to synergy and collaboration will further drive and unlock earnings potential across the Group. We believe that our efforts to integrate our offerings and provide end-to-end solutions for our customers will create a competitive advantage in our markets.

RECOGNITION AND AWARDS

FINANCIAL HOLDING COMPANY OF THE YEAR
BUSINESSDAY BANKING AND FINANCIAL INSTITUTIONS

FBNHoldings won the 'Financial Holding Company of the Year' Award at the 5th BusinessDay Banking and Financial Institutions Awards. This is in recognition of its leadership role in the financial services industry.



BEST RETAIL BANK BRAND
BRAND POWER GOLDEN ICON

FirstBank clinched the 'Best Retail Bank Brand' Award for its lead role in the revitalisation of the Nigerian Industrial Brand for the development and growth in a modern economy.

BEST BANK IN NIGERIA
GLOBAL FINANCE MAGAZINE

FirstBank was reaffirmed the 'Best Bank in Nigeria' for the 15th time. This Award is in recognition of the Bank's consistent leadership role in enterprise and innovative banking in Nigeria, Middle Africa and beyond.

BANK OF THE DECADE
BUSINESS JOURNAL

FirstBank won the 'Bank of the Decade' Award in recognition of its performance and consistent leadership in the banking industry.

BEST RETAIL BANK IN NIGERIA
ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank won the 'Best Retail Bank, Nigeria' Award for the seventh consecutive year by the Asian Banker. This Award is in recognition of the Bank's exceptional performance in the nation's retail market.

BEST PRIVATE BANK IN NIGERIA
GLOBAL FINANCE MAGAZINE

FirstBank was named the 'Best Private Bank, Nigeria' for the Bank's excellent delivery of specialised service to high networth individuals towards enhancing, preserving and passing on their wealth.

RECOGNITION AND AWARDS

BEST PRIVATE BANK IN NIGERIA
WORLD FINANCE MAGAZINE

FirstBank won the 'Best Private Bank in Nigeria' Award for distinguishing itself with its unique product offerings and quality advisory services.

FMDQ MONEY MARKET LIQUIDITY PROVIDER
FMDQ OTC SECURITIES EXCHANGE

FirstBank was named 'FMDQ Money Market Liquidity Provider' for its promotion of operational excellence in Nigerian financial markets.

OUTSTANDING FINANCIAL BRAND IN ICT AND SOCIAL MEDIA DEPLOYMENT
MARKETING EDGE PUBLICATIONS LIMITED

FirstBank was named the 'Outstanding Financial Brand in ICT and Social Media Deployment'. This Award is in recognition of the Bank's contribution to the growth, development and continuing evolution of the Nigerian Banking industry.

BEST INVESTMENT BANK IN NIGERIA
GLOBAL FINANCE AWARDS

For the sixth consecutive year, FBNQuest Merchant Bank received the 'Best Investment Bank in Nigeria' Award. This is in recognition of its leadership position in key business areas.

SECURITY CONSCIOUS BANK OF THE YEAR
NATIONAL CRIMEWATCH AWARDS

The 'Security Conscious Bank of the Year' Award was conferred on FirstBank in recognition of its partnership against crime.

BEST SOCIAL DEVELOPMENT BOND
EMEA FINANCE ACHIEVEMENT AWARDS

FBNQuest Merchant Bank was named 'Best Social Development Bond'. This Award is in recognition of its role in the Mixta Real Estate transaction.

BEST BANK IN AGRICULTURE LENDING AND SUPPORT
BUSINESSDAY BANKING AND FINANCIAL INSTITUTIONS' AWARDS

FirstBank clinched the 'Best Bank in Agriculture Lending and Support' Award. This is in recognition of the Bank's leadership in the Agricultural space and its valuable contributions towards the development of Agriculture at the Federal and State levels as well as its support to private individuals and organisations.

BEST LOCAL CURRENCY BOND HOUSE
EMEA FINANCE ACHIEVEMENT AWARDS

FBNQuest Merchant Bank received the Award of 'Best Local Currency Bond House'. This is in recognition of the role played by the Bank in the Mixta Real Estate transaction.

RECOGNITION AND AWARDS

BEST NAIRA BOND
EMEA FINANCE ACHIEVEMENT AWARDS

FBNQuest Merchant Bank won the 'Best Naira Bond' Award. The Award recognises the significant role played by the Bank in the Debt Management Office of the Federal Government of Nigeria on the seven-year inaugural Sovereign Sukuk.

DEAL OF THE YEAR - AFRICA: ISLAMIC FINANCE
THE BANKER DEALS OF THE YEAR

FBNQuest Merchant Bank won the 'Prestigious Deal of the Year in Africa'. The Award recognises top financial institutions in the world with sterling performance. The Award was presented to FBNQuest Merchant Bank on account of the Debt Management Office of the Federal Government of Nigeria on the seven-year inaugural Sovereign Sukuk transaction.

MOST INNOVATIVE BOND
EMEA FINANCE ACHIEVEMENT AWARDS

FBNQuest Merchant Bank clinched the 'Most Innovative Bond' Award. This is in recognition of the Bank's role as the Nigerian Book runner to the Federal Republic of Nigeria on the inaugural SEC-Registered Diaspora Bond transaction.

DEAL OF THE YEAR - DEBT
AFRICAN BANKER AWARDS

FBNQuest Merchant Bank received the 'Deal of the Year – Debt' Award. This is in recognition of the role played by the Bank in the Federal Republic of Nigeria inaugural SEC-Registered Diaspora Bond transaction.

BEST M&A DEAL AFRICA (MID-MARKET)
EMEA FINANCE ACHIEVEMENT AWARDS

FBNQuest Merchant Bank won the 'Best M&A Deal Africa (Mid-Market)'. This is in recognition of the role played by the Bank as the Joint Financial Advisers to AMCON on the divestment of AMCON's 100% shareholding in Keystone Bank Limited.

BEST LOCAL INVESTMENT BANK IN NIGERIA
EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Merchant Bank was recognised as the 'Best Local Investment Bank in Nigeria'. The Award is in recognition of the Bank's leading role in key transactions across various sectors.

RECOGNITION AND AWARDS

PRESIDENT'S AWARD
LAGOS BUSINESS SCHOOL ALUMNI

FBNQuest Merchant Bank received the President's Award from the Lagos Business School for the significant role played in the development of employees' talent and for the promotion of sustainable development.

BEST ASSET MANAGER (PAN-AFRICAN)
EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Asset Management won the 'Best Asset Manager' (Pan-Africa) Award. This is in recognition of the sterling performance of its mutual funds across all public funds and customised portfolios over the last 12 months.

ISSUING HOUSE WITH HIGHEST NUMBER OF DEBT ISSUANCE
NIGERIAN STOCK EXCHANGE CEO AWARDS

FBNQuest Merchant Bank clinched the 'Issuing House with the highest number of Debt Issuance' Award. This is in recognition of the Bank's continuous delivery of increased value to its clients on debt-related transactions.

BOND FUND OF THE YEAR – FBN NIGERIA EUROBOND (USD) FUND
BUSINESSDAY: BANKING AND FINANCIAL INSTITUTIONS AWARDS

FBNQuest Asset Management won the 'Bond Fund of the Year' Award. This is in recognition of its strong mutual funds' performance across all public funds and portfolios.

BEST BROKER IN NIGERIA
EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Securities won the 'Best Broker' Award. This is in recognition of its dealings on the Nigerian Stock Exchange and Market Making activities, including acting as the Lead Stockbroker on the Notore Chemical Industries transaction.

EQUITY FUND OF THE YEAR - FBN NIGERIA SMART BETA EQUITY FUND
BUSINESSDAY: BANKING AND FINANCIAL INSTITUTIONS AWARDS

FBNQuest Asset Management received the 'Equity Fund of the Year' Award. The FBN Nigeria Smart Beta Equity Fund was the first of its kind in the Nigerian market.

BEST ASSET MANAGER IN NIGERIA
EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Asset Management won the 'Best Asset Manager' Award in Nigeria.

AFRICA RE/AFRICAN INSURANCE ORGANISATION
INSURANCE COMPANY OF THE YEAR

FBN Insurance won the prestigious Insurance Company of the Year Award at the 45th AfricaRe/African Insurance Organisation conference in Accra, Ghana.

STRATEGIC REPORT

The thrust of our business is to build a fully-integrated financial institution. This is reflected in the diversity of our business portfolio which enables us to provide a range of financial products and services to our customers.

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MACROECONOMIC REVIEW

The year 2018 was characterised by growing evidence of pass-throughs from a more protectionist global trade regime, rising United States treasury yields, and a strengthening dollar which took their toll on stock markets around the world. Furthermore, weak output performance in the 19-member Eurozone and Japan appeared even worse in the context of the increasing uncertainty over the direction of Brexit in the United Kingdom.

The International Monetary Fund (IMF), World Bank, and the Organisation for Economic Co-operation and Development lowered their estimates of global growth for 2018 and 2019 during the last quarter of the year. Rising protectionist sentiments around the world led by the United States and the threat of a trade war between the United States and China were the main downsides to the respective outlooks. China remains critical to the short-to-medium-term global economic outlook to the extent that China's economic growth engine is being refocused from exports to increased domestic demand, a trend to serve as a major pull back on the world trade.

Domestic Economy

In 2018, the economy was on a path to recovery. However, with the third quarter output growth at 1.81% year-on-year relative to 1.50% in the second quarter, there is only marginal room for improvement. Crop production, trade, telecommunications and information services were the main drivers of growth. Concerned about the economy operating below its potential, the IMF's Article IV Consultation report on the economy in 2018, suggested a number of policy changes in the fiscal, monetary, foreign exchange, and banking spaces to improve private sector supply responses.

By the middle of the second quarter, inflation had re-emerged as a concern. The National Bureau of Statistics reported that the consumer price index had risen by 11.44% year-on-year. This increase was 0.16% above the rate recorded in November 2018 at 11.28% but 3.69% below the rate at which inflation started the year at 15.13%. However, core inflation was largely subdued in 2018.

In the third quarter, the country's unemployment rate closed at 23.1%, representing a major rise from 18.8% in 2017. Underemployment rate on the other hand dropped to 20.1% by the third quarter from 21.2% over the same period of 2017. The country's labour force grew by 5.4million from 85.1million to 90.5million in the third quarter of 2017. In addition, at ₦22.3tn, the country's debt portfolio was about 20% of the country's domestic output. The economy's medium-term prospects are modest without an increase in domestic productivity. At 6% revenue to Gross Domestic Product ratio, growth prospects are relatively modest, although CBN data indicates that manufacturers Purchasing Managers' Index was at 56.2 index points in September 2018.

Concerns about the passing of the budget bill by the National Assembly in the first quarter combined with a soft global economy heightened fiscal vulnerability in 2018. However, in the first quarter of 2018, oil prices recovered some of its losses as Russia and Saudi Arabia agreed on production cuts. Oil market economists note that a price below a benchmark of USD60 per barrel could adversely affect Nigeria's 2019 budget revenue projections and widen the estimated 2019 fiscal deficit of ₦2.4tn.

Nigeria's ranking on the World Bank's 2018 'Doing Business' Report fell one notch from the 145th position last year to 146th. According to the World Bank, among the reforms embarked upon, 'Nigeria made business start-up easier by introducing an online platform for stamp duty payment'. Furthermore, gaining access to electricity was easier by requiring distribution companies to obtain the right of way on behalf of their customers and by switching on the electricity upon meter installation.

MACROECONOMIC REVIEW

Banking Industry

In 2018, reforms to the domestic financial services industry architecture were pronounced. In an exposure draft, CBN indicated its plan to set the minimum capital requirement for Mortgage Guarantee Companies (MGC) at ₦6bn. Licencing of MGCs was designed to deepen the mortgage banking sub-sector by boosting access to mortgage finance and establishing better risk management.

In the course of the year, CBN raised the minimum capital requirement for Microfinance Banks (MFBs) to ₦5bn for national MFBs (previously ₦2bn), ₦1bn for state MFBs (previously ₦100mn), and ₦200mn for unit MFBs (previously ₦20mn). During the year, the bank regulators also appointed four domestic money banks as settlement banks for the USD2.5bn bilateral currency swap. According to CBN's, recent Financial Stability Report, 'only large banks can withstand a further deterioration of their NPLs by up to 50%'.

In 2018, the nation's gross external reserves rose by 11%. As at December 2018, the reserves were USD43.195bn compared to USD38.912bn at the beginning of the year. During the year, the balance on the reserves fluctuated considerably as CBN continued to intervene in support of the naira. The Federal Government's 2018 USD5.36bn Eurobond issue was crucial to the firming up of the reserves. In addition, the healthy reserve position allowed Standard and Poor's (S&P) reaffirm its 'B/B' long and short-term sovereign credit ratings for the economy, while assigning the economy a 'stable outlook'.

Outlook

In 2019, by broad consensus of global economic institutions, the world economy will slow. However, the issue is where and by how much. Reporting on this, the London-based magazine, The Economist, noted that economists at Investment Bank, JP Morgan developed their model based only on the historical predictive power of the stock market, credit spreads and the yield curve. This implies a probability of a recession in the United States in 2019 which could be as high as 91%.

The main drivers of global deceleration in 2019 are clear, poor performance in China (down to a trend average growth rate of 6% per annum from 10%, which the world has become more familiar with), waning fiscal stimulus (from recent tax reforms) which provided a boost to the United States economy and an increased federal deficit as well as the consequence of the tax breaks in 2018 are all factors for considerations. The partial fiscal shut down in the United States equally contribute to the concerns resulting from the global economic growth decline.

In 2019, increased growth is expected from emerging and frontier economies compared to 2018. However, collectively, they lack the strength to compensate for the decline in more advanced economies. A few of these middle-income countries (Turkey, Argentina and Brazil to some extent) face strong currency and external balance of payment pressures (as yields rise in the United States and the dollar strengthens). In countries like South Africa, successful reforms will be crucial to sustaining momentum. In Nigeria, a lot will depend on the condition of the international oil market. If the global economy slumps, oil prices will come under severe pressure and the rising dollar would result in oil price decline. Furthermore, in an election cycle, Nigeria's fiscal and monetary policy may not witness traction until the third quarter of 2019.

There are strong reasons to believe that monetary conditions will tighten in the year as CBN seeks to rein in liquidity. There are concerns that this might not be adequate to refrain the naira from falling against major foreign currencies.

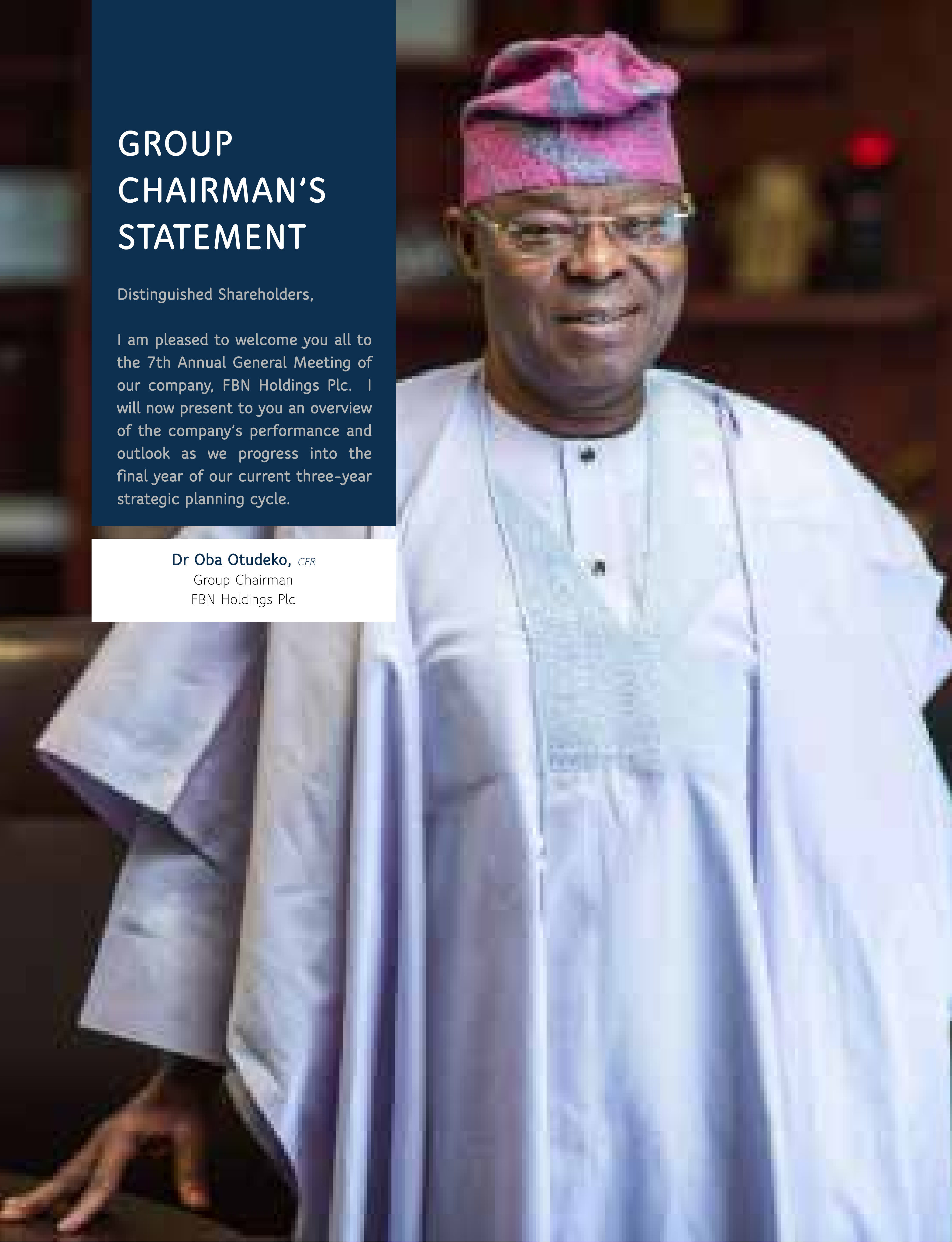
Tighter liquidity may suggest that the banking sector will aggressively defend current deposits while mobilising new liabilities. It will become increasingly important for the banking industry to mobilise retail deposits through salary-type accounts and other self-liquidating, short-dated instruments.

GROUP CHAIRMAN'S STATEMENT

Distinguished Shareholders,

I am pleased to welcome you all to the 7th Annual General Meeting of our company, FBN Holdings Plc. I will now present to you an overview of the company's performance and outlook as we progress into the final year of our current three-year strategic planning cycle.

Dr Oba Otudeko, *CFR*
Group Chairman
FBN Holdings Plc



GROUP CHAIRMAN'S STATEMENT

At the beginning of 2018, the global economy continued on a synchronised upswing with investment, manufacturing and trade showing strong signs of growth. However, trade wars ensued, first initiated by the United States and reciprocated by China, European Union, Canada, Mexico and other economies. This dampened investor confidence and impacted global economic growth significantly. Despite the impact of the trade war, the United States' economy grew largely as a result of tax cuts for corporations and associated increased spending. Consequently, the Federal Reserve Bank intensified its tightening stance which commenced in 2017, increasing the federal funds rate four times in 2018 from 1.8% at the beginning of the year to 2.5% in December with a promise to further tighten to circa 3.0% in 2019. In the same vein, the general stability in the Euro zone resulted in the European Central Bank ending its quantitative easing programme as it began tapering its asset purchases in the second half of 2018.

In emerging markets, China's economy expanded at the slowest pace on the back of spillovers from financial deleveraging and dampened economic sentiment resulting from the trade war with the United States. Nevertheless, the economy recorded a growth of 6.6% in 2018 as a result of tax reforms and increased infrastructure spending. The Sub-Saharan Africa region faced a challenging economic environment; tightening financing conditions as external borrowing costs increased and reversal of capital flow from these markets to developed markets owing to attractive rates in developed markets, particularly the United States. Overall, the performance of this economic bloc was driven by the largest economies with South Africa and Angola in recession and Nigeria barely emerging from the negative territory. Nevertheless, the rest of the region maintained steady growth including Ghana and Kenya, which resulted in a regional growth of 2.7% in 2018, a marginal improvement from 2.6% in 2017.

In 2018, the Nigerian economy marginally benefitted from increase in oil price and production, helping to shore up foreign reserves which reached a five-year high of USD48billion in June 2018. This enabled the Central Bank maintain foreign exchange stability by intervening in the markets. During the year under review, inflation trended downwards, achieving 11.4% compared to 15.4% in 2017. In addition, the decline in returns on government securities reduced companies' borrowing cost and made financing expansion plans more affordable. These metrics underscored renewed optimism in consumer and investor confidence, resulting in a rally in the stock market at the beginning of the year, as foreign portfolio investment flows into the country grew substantially. Nigeria's economy grew by 1.95% in the first quarter of 2018 compared to a contraction in the similar period of the previous year. Conversely, by the end of 2018, bond yields were up to 15.0% from 13.0% at the beginning of the year and inflationary pressures led to a 16bps increase in inflation to 11.4% in the month of December. External Reserves which had declined month-on-month since June, increased in December following the Federal Government's Eurobond sale which raised over USD2.86billion but falling oil price and drop in oil production allocation by Organisation of Petroleum-Exporting Countries (OPEC) resulted in the year ending on a more cautious note.

Operationalising Our Group Structure

Amidst the contrasting halves of the 2018 economy, our businesses rose to the challenge to seek out new growth opportunities through product innovations and new business models. With a focus on financial inclusion and meeting the varying and evolving financial needs of customers across Nigeria, the Commercial Bank scaled up its Agent Banking business to over 15,000 agents operating in 98% of local government areas in Nigeria. Furthermore, to ensure continuous product innovation, in the course of the year, the Commercial Bank launched the FBN Digital Lab, and the Chat Banking on WhatsApp with other innovations in the pipeline to enhance the competitiveness of the business. The benefits of these innovations are expected to be realised in 2019 and beyond.

In line with our mandate as a holding company, FBNHoldings continues to drive efficiency in the management of risks and allocation of capital across our financial services subsidiaries in multiple geographies. As such, we recapitalized our Ghana subsidiary, FBNBank Ghana, by increasing the paid-up capital to GH¢400mn in line with the new capital regime of the Bank of Ghana (BoG).

GROUP CHAIRMAN'S STATEMENT

During the year, we took steps to maximise our investment in innovation by ensuring that benefits from rolling out new products, services and channels from the Digital Lab are extended to other entities within the Group, thereby harnessing the inherent cost reduction advantages of the Group-structure. To achieve this, the Group coordination and collaboration were improved, with the expectation of more cost-effective and strategic interventions being rolled out across the Group.

In 2018, the increased group-wide collaboration resulted in a remarkable achievement of ₦20bn in synergy revenues, representing three-year revenue synergy targets for the Group between 2017 and 2019. The execution of key synergy initiatives by employees to drive collaboration and cross-sell across all operating companies, contributed significantly to the achievement of this impressive result for the Group. In furtherance of our cost synergy objective, we recently secured approval of the Central Bank of Nigeria to roll out our Group Shared Services model to drive efficiency and ultimately improve the cost-to-income ratio of the Group.

Board Development and Corporate Governance

We continued our pursuit of high standards in corporate governance during the year as our Board ensured provision of strategic direction and dedicated oversight to our businesses. Boards of our subsidiaries also remain strong and well experienced to guide the respective businesses to achieve their goals for 2019. The appointments of Moruf Apampa and Festus Izevbizua, as Executive Directors in our Life Insurance business, add wealth of experience to the Board of FBN Insurance Limited and position the business to sustain its strong performance as one of the leading life insurance companies in Nigeria.

Looking into the Future

Established in 1894 as the Bank for British West Africa, the Group has traversed an incredible journey of delivering impeccable financial services to its customers and supporting the building of a contemporary Nigeria and indeed, West Africa. Consequently, we are celebrating 125 years of our iconic institution in 2019. That is a major milestone for a company of African heritage. Despite our long heritage, we continue to evolve to meet our customer's needs resulting

> “In 2018, the increased group-wide collaboration has resulted in a remarkable achievement...”

in local and international recognitions, as evidenced by the numerous awards and accolades received in 2018. The Holding Company was named the Best Financial Holding Company in Nigeria by the BusinessDay Newspaper. FirstBank was named the Best Bank by the prestigious Global Finance magazine in the 2018 series of the World Best Bank Awards. FBNQuest Merchant Bank, FBNQuest Asset Management and FBNQuest Securities received multiple awards including Best Local Investment Bank, Best Asset Manager in Nigeria, Best Asset Manager Pan-Africa and Best Broker in Nigeria at the EMEA Finance Awards 2018, and the Insurance group was crowned the Insurance Company of the Year at the Africa Re Insurance Awards in 2018. Our capacity to continually attract international recognition is testament to the quality of service, talent and infrastructure within our Group, and these are key pillars that we will continue to build on as we progress in 2019.

The economic outlook for 2019 suggests a lethargic expansion of the economy as the IMF recently revised its economic growth forecast downwards from 2.3% to 2.0%. The downside risk of fall in oil price and oil production could lead to lower reserves and a weakened currency towards the end of the year. Rising food prices from low harvests as a result of the herdsmen conflict and severe floods in 2018, and the implementation of the new minimum wage are expected to increase inflationary pressures during the year which could lead to tighter monetary policy.

In addition, as we commence the final year of our 2017-2019 Strategic Planning Programme, we expect increased competition and changing industry dynamics in the financial services space. This is primarily due to the Central Bank's published guidelines on the licensing of Payment Service Banks in Nigeria, which will allow non-financial institutions such as telecommunication companies to provide basic financial services to customers for the first time.

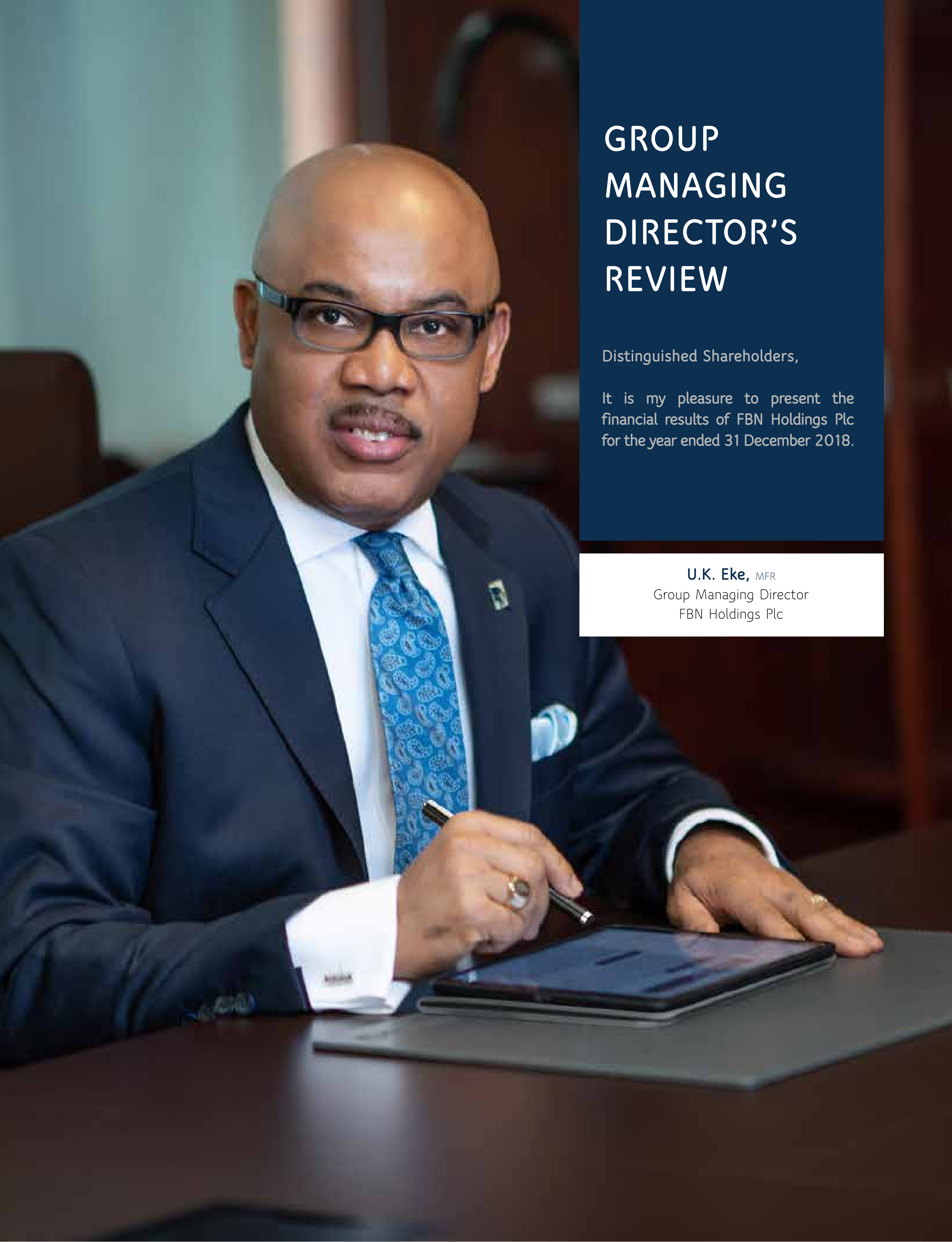
GROUP CHAIRMAN'S STATEMENT

Nevertheless, we are resolute about delivering on our strategic objectives for this year, as the Board and Management work together to ensure that we create shareholder value and build strong foundations for the future. We are not resting on our laurels, and our renewed approach to synergy and innovation will be major drivers to unlocking earnings potential for our Group. We believe that our efforts to integrate our offerings and provide end-to-end solutions for our customers will create a competitive advantage in our markets.

Finally, on behalf of the Board of FBNHoldings, I would like to express my sincere gratitude to our customers for their continued patronage and trust in us; to our distinguished shareholders for their support; and to the entire staff of the FBNHoldings Group for their dedication and commitment to the company.

Thank you and God bless you all.

Dr Oba Otudeko, *CFR*
Group Chairman
FBN Holdings Plc



GROUP MANAGING DIRECTOR'S REVIEW

Distinguished Shareholders,

It is my pleasure to present the financial results of FBN Holdings Plc for the year ended 31 December 2018.

U.K. Eke, MFR
Group Managing Director
FBN Holdings Plc

GROUP MANAGING DIRECTOR'S REVIEW

The 2018 financial year was the penultimate year in the current Strategic Planning Cycle for FBNHoldings which runs between 2017-2019. This planning programme has offered the Group the opportunity to take a critical look at our businesses, review our processes and undertake detailed evaluation of the market. This is to ensure our Group is well-positioned to remain relevant in the evolving financial services landscape whilst delivering quality returns to our shareholders. The implementation of the initiatives that emerged from this review process are at various stages and our numbers have begun to justify the investment, time and resources deployed to this process.

Whilst the strategic planning process is a vital part of our operating model, the unique challenges encountered by the Group in the last few years, the growing competition in the financial services landscape, the regulatory dynamics and the increasingly challenging macroeconomic environment have ensured this planning cycle is approached differently. In summary, our priority over this period has been three-pronged: strive to grow the topline by enhancing the traditional income streams, developing new markets through innovation and extracting value through synergy and cross-sell; drive efficiency in our processes by deploying technology; and ensure efficient capital management to retain value for shareholders.

Even though these initiatives are targeted at enhancing the long-term fundamentals of the Group, there have been short-term gains that have accrued to these dedicated efforts. Recently, FBNHoldings was awarded the company with the best corporate governance practices in Nigeria by the prestigious World Finance Magazine. This is a testament to the implementation of best-in-class governance practices in all our operating companies. Similarly, in 2018, we launched FBN Digital Lab in the heart of Yaba, Nigeria's 'Silicon Valley'. The Lab provides an excellent platform for the Group, working with Fintechs, to drive its innovation agenda, enhance its processes and open new markets for subsidiaries within the Group. In terms of efficiency, the financial results are key leading indicators that the various interventions including IT projects have started delivering enhanced returns on investment.

2018 in Review

From the debilitating trade war between the United States and China, concerns around rising rates in the United States to the unfolding events as a result of Brexit and sustained pressure on crude oil price, 2018 was characterised by an uneven growth across markets and regions, a sharp contrast to the synchronised global growth experienced in 2017. These risks were heightened by the economic implications of a spree of high profile elections in 2019, which kept investors on edge in economies such as India, South Africa, Argentina, Indonesia, Thailand, and Nigeria. Consequently, the global economy is forecasted to have grown by 3.1% in 2018, spurred by the 2.2% growth recorded in the developed markets and a 4.5% growth in emerging economies, driven by activities of major commodity exporting countries recovering from the slump in 2017.

As expected by the market, the Federal Reserve raised the target range of the Federal Funds rate four times in 2018, consistent with its tightening stance to rein in growing consumer exuberance and avert economic bubble. Similarly, during the year, the European Central Bank announced an extension of its asset purchase program through the end of the year, albeit a reduction in the monthly purchases from €30bn to €15bn in October.

Consistent with global growth, the Nigeria economy continued its recovery path in 2018 from the recent economic recession, although at a slow rate, on the back of the recovery of crude-oil price above the budget benchmark price of USD60pb which peaked at USD81.2 in September 24, 2018, driving external reserves to USD48bn, its highest in five years. Despite the decent growth rate during the year, the economy remained on the backfoot for the larger part of 2018 owing to the numerous challenges including the escalated farmers/herdsmen crisis, deteriorating state of key infrastructure and increased political tension in the run-in to the general election of 2019. The farmers/herdsmen crisis in the middle-belt region impacted food outputs in 2018 and elevated prospect for food inflation in the short-term as farmers abandoned their farm settlements amid security challenges. In addition, businesses dependent on importation suffered significant challenges in meeting raw material inputs as a result of the gridlock at the two functional ports in the country, the Lagos Apapa and Tin-Can Island Ports. Similarly, international trade, haulage businesses and other ancillary business activities at the Apapa corridor recorded muted growth during the year

GROUP MANAGING DIRECTOR'S REVIEW

as evidenced by the less-than-impressive readings from the Purchasing Manager Indexes.

In 2018, Nigeria's external reserves experienced wide movement at two ends of the spectrum, enjoying the benefit of oil price appreciation and suffering from capital flow reversals owing to increased yields in other developed and emerging economies. In the first half of the year, the external reserves rose by a significant sum of USD9bn, peaking at USD48bn in July largely supported by stable crude oil production, the issuance of the USD2.5bn Eurobond and the rally in oil price. This gave the CBN the needed war chest to pursue its defence of the Naira with the convenience of being able to meet up to 10 months of import bill. However, the second half of the year saw a dwindling of the external reserves following exits of foreign portfolio investors amid rising rates in the United States, prompting increased foreign exchange intervention by the CBN. The much-needed succour came with the successful closure of the USD2.8bn Eurobond issuance in November 2018 allowing external reserves to close the year at a healthy USD43.2bn.

Through 2018, the Monetary Policy Committee kept key policy variables unchanged, retaining Monetary Policy Rate (MPR) at 14.0%; Cash Reserve Ratio at 22.5%; Liquidity Ratio at 30%; and the Asymmetric Window around the MPR at +200/-500bps. Despite expectations of a less hawkish stance in the early parts of 2018, the Committee held rates unchanged due to sustained global uncertainties, policy normalisation in the United States, fears of a stronger United States Dollar, faltering output as well as anticipated inflationary pressure as a result of political/election spending. Consistent with the above, the CBN also sustained its aggressive liquidity mop-up in the money market, driving up average yield on short-term instruments to 13.0%, to check excess liquidity in the system. Furthermore, the CBN commenced the sale of Chinese Yuan in the second quarter of 2018, following the currency swap agreement, worth USD2.5bn, signed with the People's Bank of China on April 27, 2018.

The Nigerian Stock Exchange All Share Index (ASI) fell 17.8% in 2018. The equity market started the year on a high with the ASI reaching a 10-year peak of 45,092.83 in January 2018, emerging as the best performing bourse in Africa. The ASI experienced a decline which began in the second quarter of 2018 thereby ending the year in red. During this period, foreign portfolio investments outpaced domestic participation by 1.7%, accounting for 50.9% of total transactions in the market, while domestic transactions accounted for 49.1%. The fixed income market capitalisation increased by 11.8% to ₦10.17tn from ₦9.10tn, recorded in 2017 and dominated by the Federal Government with a capital raise of ₦1.16tn in a bid to finance fiscal and infrastructure deficits. Similarly, State Governments raised ₦125.59bn in new debt while corporates raised a total of ₦31.47bn. The market also witnessed the listing of a ₦100bn Federal Government of Nigeria (FGN) Ijarah Sukuk designed to finance critical road infrastructure across the country.

Headline inflation moderated considerably in 2018, touching a low of 11.1% in July 2018, in contrast to the high regime experienced in 2017 which continued into the first quarter of 2018. The high inflation rate was largely due to the base effect of the food inflation sub-index and sustained liquidity in the foreign exchange market. Notwithstanding the success in containing headline inflation, food inflation pressure mounted due to incessant incidents of flooding across food producing states, especially in the middle belt region, complicated by the escalation of clashes between farmers and herdsmen. Consequently, headline inflation rose in August and September before easing in October by 2bps to 11.3%, closing the year slightly higher at 11.4%.

Financial Services Industry Review

In 2018, the Nigeria financial services industry posted a satisfactory performance on the back of the recovering economy, improving macroeconomic variables such as crude oil price, declining inflation and stable value of the Naira relative to major global currencies. Compared to 2017 financial year, the sector's contribution to GDP improved slightly from -4.5% to -2.9%. The negative contribution was due to declining credit to private sector by banks amid escalating NPLs even though other sectors such as insurance and mortgage recorded positive contributions.

Considering that the banking sector represents 80% of the assets of the financial services industry, the muted growth of the banking sector swayed overall contribution of the financial services industry to the GDP in 2018. Despite concerted effort by the Central Bank of Nigeria to drive increased support of the banking industry to the economic growth agenda, lending by banks to the private sector dropped during the year by 4.0%, albeit with a minimal rise in the fourth quarter of 2018. Even though the industry witnessed a slight improvement in capital adequacy ratio, liquidity ratio and asset quality, the

GROUP MANAGING DIRECTOR'S REVIEW

environment remained challenging during the year, leading to paucity of quality obligors, thereby escalating the risk aversion stance of industry players, and driving credit to government instruments. Some of the other developments in the industry which impacted the performance of the sector in 2018 include the implementation of IFRS 9 which became mandatory on January 1, 2018 and the release of Guidelines for Regulation of Payment Services Banks in pursuit of the financial inclusion objective of the CBN which will potentially result in entrance of new players.

During the year, the CBN published a new licensing framework for all payment service providers and financial technology companies, pursuant to its objective of combating the escalating risks of cyber security in relation to the broader mandate of maintaining financial system stability. This proactive approach of the CBN has been designed to regulate and structure the impact of Fintechs in the Nigerian financial services industry as explained by the growing number of payment solution providers and the activities of e-commerce companies. Similarly, in the fourth quarter of 2018, the CBN introduced the automated Consumer Complaint Management System to curb the emerging challenges associated with the digitisation of the industry and the need to maintain public confidence in the financial system.

The insurance industry experienced moderate growth in 2018 as a result of the improving macroeconomic environment and financial capacity of consumers of insurance products. As part of the implementation of the Risk-Based Supervision of the National Insurance Commission, the Tier-Based Minimum Solvency Capital was exposed to the industry. Even though this policy was subsequently suspended by the insurance regulator, it essentially signalled the direction of regulation in the industry in achieving the objective of a stronger insurance sector to the growth of the Nigerian economy.

Global banking industry is undergoing rapid changes; driven by customers expectations, emerging technological capabilities including analytics and regulatory changes, as well as evolving demographics and economics. Growth is becoming difficult to achieve, costs are proving hard to contain and efficiency ratios remain persistently low. Regulation is impacting business models and economics. Technology is rapidly morphing from expensive 'nice-to-haves' into a potent enabler of both customer experience and effective operations. Non-traditional players are challenging the established order, leading with customer-centric innovation while new service providers are emerging. Customers are demanding higher levels of service and value.

It is indeed a challenging time for traditional players, yet we are resolute that the future of this institution remains bright and we are poised to harness the windfall from surmounting these challenges. Even though these changes are a lot more pronounced for the banking industry, other players in the financial services industry will encounter similar challenges in varying degrees.

Business Review

Globally, the financial services industry is rapidly evolving with the increasing pace of technological transformation both in delivery channels as well as back-end to mid-office transaction processing capabilities. This is fundamentally shaping how transactions are consummated and defining the interaction model for existing and future consumers of financial services products. These changes have resulted in emergence of risks that are unfamiliar to financial services companies and throwing-up opportunities for new entrants as well as traditional players that are positioned for this new-normal.

As part of our mid-range strategic planning process, we had anticipated these developments and pro-actively devised strategies to guarantee FBNHoldings' relevance in the present and future. Over the last 12 months, we have made significant strides in strengthening our hold in the Electronic Banking space through the launch of the Agent Banking program that has grown to over 15,000 agents, ramped-up our share of the USSD (*894#) Banking revenue and now occupy first position in the industry, while expanding our reach through alternative channels. Also, we deployed the WhatsApp Banking platform. Although these are early days, the numbers have begun to justify our strategy and provide indication of the strength of our fundamentals as a business. For example, our non-interest revenue from e-Banking grew from ₦113.7bn in 2017 to ₦131.7bn in 2018, representing 15.8% growth during this period.

These channels have not only grown our revenue pool, they have also reduced our cost to serve in a manner that is difficult to achieve through traditional platforms such as is offered from brick and mortar branches, alluding to the broad consensus on the prognosis of the future of the

GROUP MANAGING DIRECTOR'S REVIEW

industry. The ongoing migration of customers to alternative platforms remains on track and the proof of our success reflects in the fact that 85% of all customer-initiated transactions are consummated through these alternative channels. As part of the broader IT transformation program, we have deployed the Oracle ERP solution to deepen our data analytics capabilities, overhaul the budgeting process, drive enterprise risk management with technology, centralise our back-end banking processes such as account maintenance, overhaul key processes including procurement, fixed asset and inventory management. This project upon full implementation will drive down cost, enhance our drive to allocate resources to market facing activities, deepen the analytic capabilities of our applications and streamline processes to enhance speed to market. Consequently, we have seen non-interest income as a percentage of total revenue grow from 19.1% in 2017 to 22.6% in 2018.

Our commitment to best-in-class corporate governance practices is one of the secrets to the longevity, success and the resilience of the Group. Across the Group, we have made deliberate effort at ensuring the implementation of our governance framework which derives from the principal-agent relationship between Boards of all operating companies within the FBNHoldings Group and the shareholders of the institution. During the year, key appointments were made to the Boards of all operating companies, ensured the functioning of all Committees of the Boards and revised the performance benchmarks for all Boards and its committees. On the back of the corporate governance practices of this Group, FBNHoldings won the Best Corporate Governance Award in 2018 from the World Finance Magazine.

Commercial Banking Group

Over the last three years, FBNHoldings had to deal with challenging non-performing loan (NPL) book in the Commercial Bank group from its exposure to the oil and gas sector and a number of obligors in other sectors. These legacy delinquent loans resulted from macro challenges and the dip in the crude oil prices. Consequently, the decision was taken to revamp the entire risk management processes to address the legacy loan books through various remedial actions including recoveries and to forestall formation of new NPL in the Commercial Banking vintage loan book. It is noteworthy to highlight that our vintage book which represents new risk assets portfolio at the Commercial Bank has NPL ratio of 0.3% as at end of the 2018 financial year, an early indication of the strength of our risk management processes.

Consistent with our commitment to the market, we continue to grow the capital of the Group through organic route by retaining all earnings of the commercial banking business to maintain a healthy buffer above the regulatory limit to fund future growth. At 17.3% as at 2018 year-end, our CAR is 230 basis points above the regulatory capital requirement. Now that our franchises outside Nigeria have been fully capitalised and integrated with the parent company, efforts are now being channelled towards driving business growth and deploying our retail sector capabilities through e-business to secure significant share in these markets.

In the third quarter of 2018, we obtained the approval of CBN to implement the group shared services program, one of the initiatives of FBNHoldings to leverage our buying power to drive economies of scale. The Group is currently in the pilot phase of some areas where we intend to share costs across the Group with implementation scheduled to commence in 2019 for Facility Management Information Technology and Legal Services. Based on the investments in critical resources, people and technology, the commercial bank has been designated as the Centre of Excellence and through executed Service Level Agreements, services will be rendered to CBN-regulated entities within the Group at arm's length. Similarly, we have concluded several bold initiatives targeted at developing winning toolkits around the middle and back-office functions to reduce turnaround time, decongest bureaucratic processes and engender discipline in our use of resources.

> “Over the last 12 months, we have made significant strides in strengthening our hold in the Electronic Banking space through the launch of the Agent Banking program that has grown to over 15,000 agents, ramped-up our share of the USSD (*894#) Banking revenue...”

GROUP MANAGING DIRECTOR'S REVIEW

Merchant Banking and Asset Management Group

Our Merchant Banking and Asset Management business remains one of the key pillars of FBNHoldings from a revenue contribution standpoint and has continued to drive the synergy growth of the Group by providing complementary products and services to the commercial banking business thereby enhancing the overall value proposition of the Group to its large customer base in their quest to create wealth and meet financial needs. Considering the enormous potential of synergy realisation in our overall strategy, the status of the program has been elevated including resources allocated to drive revenue from cross-sell across the Group. Consequent to this action and other initiatives to drive collaboration, we have seen significant growth during the year with synergy revenue of ₦19.8bn in 2018 from ₦6.4bn in 2017, representing 211.0% growth over the period. Harnessing the natural synergy that exists between the corporate banking division of the Commercial Bank and the debt solution business of FBNQuest Merchant Bank, the Merchant Banking business has significantly grown its deals pipeline resulting in awards during the year including being named in the deal of the year by the EMEA Finance for its role in raising the second tranche of the ₦100bn seven-year Sukuk during the year, following successful closure of the first tranche in 2017. Total revenue from the Quest business has grown by 16.0% year-on-year with PBT growing at 55.0% and representing 26.3% of the PBT of the Group.

Total revenue for the Quest business increased by 16.0% to ₦45.3bn from ₦39.0bn in December 2017, while profit before tax grew from ₦10.5bn in 2017 to ₦16.3bn in December 2018. Assets under management across the Group increased by 5.0% to close at ₦261bn from ₦248.5bn in 2017. The Asset Management business has remained strong in the competitive ranking amongst its peers, maintaining the second position in the industry. Overall, total assets closed at ₦218.6bn, representing a growth of 0.8% year-on-year from ₦216.9bn. The businesses in the group remain well-capitalised with total group equity of ₦44.0bn, while the capital adequacy of the Merchant Bank stands at 12.2%, 220 basis points above the regulatory requirement.

The Insurance Group

The Insurance group posted a stellar performance in 2018 growing its topline by 32.5%, PBT by 44.0% and contributing 9.4% of the Group's PBT. These numbers place the business at the top of the industry ladder in revenue generation as well as profitability. Unpacking the 2018 performance shows strong growth trajectory for both the life business and the general business that has resolved its legacy issues and is poised for greater share of the general insurance business with the target of breaking into top 10 in 2019.

On the back of this, the Insurance business further reinforced its leadership position as one of the fastest growing underwriting businesses in Nigeria with a compounded annual growth rate of 26.1% in Gross Written Premium over the last four years. Total revenue of the Insurance business group increased by 21.0% to ₦22.7bn from ₦18.7bn in 2017, while profit before tax rose to ₦6.8bn from ₦4.7bn. The Business group's total assets increased by 49.8% to ₦76.6bn in 2018 from ₦51.1bn.

Distinguished shareholders, it is important to highlight that the financial services industry landscape is rapidly evolving and so is our business. Our long heritage as an iconic institution has endowed us with certain unparalleled competitive advantages and our longevity has ingrained in us the resilience that can only come with experience and passage of time. These have informed our ability to withstand enormous stress and challenging times that include the great depression, series of economic recessions, debilitating civil war and a host of market boom and bust cycles. As a Group, we have evolved with time and displayed tremendous ability to forge relationship with our stakeholders in co-creating the future of this industry since we commenced business in 1894. In furtherance of this aspiration to remain relevant in the future of the financial services industry in this digital age, we sought and secured approval of the Board to make the required investment in deepening our existing market and opening new vista of opportunities. I am pleased to announce that in 2018, we launched the FBN Digital Lab. This world class facility is the engine room for developing innovative products, services and channels that will drive our interaction with our customers in the future, working with fintechs and deploying the excellent proprietary resources of the Group.

Overall Performance Review

Consistent with our guidance to the market, our performance demonstrated strong resilience during the period with a PBT of ₦65.3bn, up 19.7% from ₦54.5bn in 2017 despite the 15.9% decline in customer loans and advances from ₦2.0tn in 2017 to ₦1.7tn in 2018. Similarly, PAT grew by 31.4% from ₦45.5bn in 2017 to ₦59.7bn in 2018 despite the

GROUP MANAGING DIRECTOR'S REVIEW

2.0% year-on-year decline in gross earnings from ₦595.4bn in 2017 to ₦583.5bn in 2018. This significant growth in the bottom line is down to several factors including the improved risk management processes which ensured that impairment charges dropped year-on-year, leaner and more efficient balance sheet as well as progress made in the implementation of several cost containment initiatives.

Of the many positives from the 2018 financial results, our growing non-interest income portfolio remains the most important development for the Group, laying credence to our strategy of diversifying our income streams and a testament to our investment in the digital banking space. A 15.8% growth in non-interest income from ₦113.7bn in 2017 to ₦131.7bn in 2018 ensures we have increased the contribution of non-interest income to the gross earnings to 22.6% from 19.1% in 2017. We expect this ratio to continue to improve as we fully on-board some of our initiatives tailored at driving income from alternative channels deployed by the Commercial Banking group.

During the year under review, we saw growth in total assets by 6.3% from ₦5.2tn in 2017 to ₦5.6tn in 2018 whilst customer deposits expanded by 10.9% from ₦3.1tn in 2017 to ₦3.5tn in 2018. The year also recorded absolute reduction in our impairment charges which declined to ₦87.3bn from ₦150.4bn, representing 42.0% drop and a proof to the improving loan book of the Commercial Bank. Consequently, we recorded a growth in pre-tax return on average equity and pre-tax return on average assets from 8.7% to 10.8% and 1.1% to 1.2% respectively. CAR also remained at a healthy 17.3% for the Commercial Bank, a 226 basis points above the regulatory requirement.

However, cost-to-income ratio increased from 54.0% to 63.3% during the period driven by the constrained operating income from a muted loan book growth and the declining yield environment. Despite these constraints, year-on-year growth in operating expenses remained below average inflation rate during the year. Some of the factors above explain the dip in net interest margin to 7.5% from 8.4% in 2017.

Our esteemed shareholders, I would like to commend your unwavering support to the Group over the years and reiterate our commitment to the shareholders as well as the larger market that the aspirations of rebuilding the institution has garnered increasing momentum with the strong support of the Boards of our operating companies and our large base of dedicated workforce. This resolve not only has consequences for the short-term value creation for the shareholders of this institution but fundamentally seeks to position the Group for a prosperous future. Consequently, we will continue the implementation of our various initiatives, sacrifice immediate financial gains when necessary, for the greater good of securing a sustainable future for the institution. A clear example is our investment in innovation and digital transformation which continues to provide a platform to lead the industry into the future.

On March 26, 2019, your iconic institution, FirstBank celebrated 125 years of providing excellent services to its customers, leading the development of the financial services industry and driving the growth of modern-day Nigeria. Over this period, FirstBank has forged resilient relationship with its numerous stakeholders and we can rightfully assert that we are woven into the fabric of society, making us a truly timeless heritage. As one of few institutions globally that have crossed the 100-year mark, I am incredibly proud of what we have accomplished with your support as we look forward to greater exploits in the future in our drive to deliver value to our shareholders.

In conclusion, I would like to reiterate our promise to you and the entire market that 2019 represents for us the year of inflection. All leading indicators, derived from our numbers, point to the commencement of growth across businesses, markets and indices. As we transition to a new strategic planning cycle post-2019, we are confident that the focused execution of our strategy, investment in future-enabling technologies, development of our talents and our re-engineered processes will quicken our journey to repositioning the Group for the ultimate benefit of the shareholders.

Thank you and God bless you.

U.K. Eke, MFR
Group Managing Director
FBN Holdings Plc

OUR BUSINESS MODEL

The Group seeks to leverage the diversity of our various business portfolio to develop an integrated financial institution, providing innovative products and services to our customers as well as sustainable value to our stakeholders.

Our competitive advantage is in the synchrony of our people, structure and geographical footprint, which enables us to maintain the leading position in the financial services industry across Middle Africa.

People

We aim to hire and retain the best talent that will reflect our corporate values and culture.

Geographical Footprint

Our presence across African, European and Asian markets increases our opportunities to partner with our customers to enable us meet their needs wherever they choose to do business.

Structure

Extraction of synergies across our multifaceted businesses while expanding customer touch-points to ensure efficient and convenient value delivery to our customers.

OUR BUSINESS MODEL

OUR BUSINESS MODEL

With an experienced Board of Directors providing strategic leadership, the committed Management team executes the strategic plan.

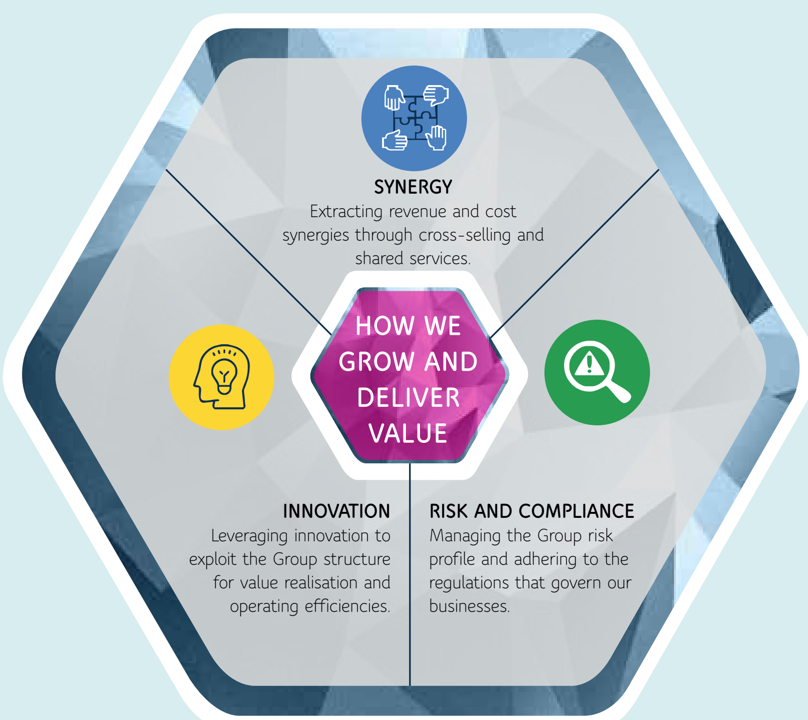
Business group	Services provided	How we create value	How we deliver value
COMMERCIAL BANKING	• Retail Banking • Commercial Banking • Corporate Banking • Public Sector Banking • International Banking • Pension Custodian	• We make a spread from the deposit received from customers and the credit assets created. • Fee income is generated from transaction charges on funds and commissions earned in facilitating other transactions.	• Retail Banking: Serves mass retail and affluent with annual income of up to ₦50mn, as well as local governments with an annual turnover of up to ₦500mn. • Commercial Banking: Serves large to middle-sized businesses with a turnover of ₦500mn to ₦5bn. • Corporate Banking: Serves high-end and bluechip corporate customers, multinationals and specialised industries. • Public Sector: Concentrates on the Federal Government and select State Governments with emphasis on providing payments and collections services. • International Banking: Serves business growth and profitability of our International Banking subsidiaries.

OUR BUSINESS MODEL

Business group	Services provided	How we create value	How we deliver value
 **MERCHANT BANKING AND ASSET MANAGEMENT**	• Corporate Banking • Investment Banking • Fixed Income and Currencies Trading • Wealth Management • Asset Management • Trust and Agency Services • Securities Trading • Alternative Investments	• We serve diverse institutional and individual client-base across various markets and industries. • Value is created for our clients and shareholders through securities trading, assets administration, funds management, sales of investment and risk management products.	• **Investment Banking:** Arranges finance through the banks and capital markets as well as provides strategic advice. • **Corporate Banking:** Offers a platform for the provision of a full range of creative investment and wholesale banking services to mid-size and large institutions. • **Wealth Management:** Provides a holistic approach for High Networth Individuals (HNI) by helping them grow, manage and transfer their wealth to future generations. • **Capital Markets:** Provide clients with strong products and sector expertise through our Equities team. • **Trust and Agency Services:** Provides private and public trusteeships and estate planning to clients. • **Asset Management:** Provides mutual funds to manage liquidity. Assist individuals and institutional investors with a strategy best suited for their investment goals and portfolio.

OUR BUSINESS MODEL

Business group	Services provided	How we create value	How we deliver value
 INSURANCE	• Life Underwriting • General Underwriting • Insurance Brokerage	• We help customers manage risks by pooling and redistributing these risks for a premium. • Additional income is generated from investing the premiums. • Insurance brokerage services are also provided on commission.	• **Life Insurance:** Provides insurance coverage to individual and corporate customers. • **Non-life Insurance:** Provides a wide range of non-life products and services that address the needs of both the corporate and retail segments of the economy. • **Insurance Brokerage:** Provides insurance brokerage solutions to help clients better manage risks.



On an annual basis, we set strategic initiatives to drive the effective implementation of our business model towards achieving our vision of being the leading financial services Group in Middle Africa. These initiatives centre on the extraction of natural synergies among our business groups, restructuring for profitable growth and identifying growth segments for our businesses, taking into consideration current and future realities of our operating environment. Successful execution of our strategic initiatives will ultimately reflect in our financial results and increased value to our stakeholders.

LEADERSHIP AND GOVERNANCE

At FBNHoldings, we recognise that good corporate governance practices are best initiated in the Boardroom. Consequently, there is a conscious effort by the Board to promote good governance by setting the right 'tone at the top' and this commitment is reflected by actions through policy directions.

A high level of responsibility is demanded and expected of our Directors, given the systemic importance of our financial institution to national economy and our impact on the societies in which we operate. A review of our Board structure reveals that it is strategically composed to drive good governance.

The Group's oversight functions are discharged through the Boards of respective operating entities; this ensures compliance with statutory and regulatory requirements of their respective industries. At the Holding Company and in all operating entities, the Boards operate through various Committees, and the Group's robust governance framework ensures that there is a good blend of Board autonomy and Group coordination at the operating company level.

Governance Framework

The governance framework is in alignment with global best practices and in compliance with the requirements of the Central Bank of Nigeria, National Insurance Commission, Securities and Exchange Commission as well as the Nigerian Stock Exchange.

The Group's governance practice provides the solid foundation for the realisation of the benefits inherent in our extensive footprint, rich heritage, extended product and service offerings, and excellent management.

> “Internal initiatives to support diversity and inclusion within the Group are consciously promoted, with the conviction that strategic objectives are better achieved by combining various perspectives towards building a sound reputation founded on the highest standards of responsible behaviour.”

Quality of Disclosure

The Board and Management are aligned in the quest to provide the investing community with timely information. Transparency and disclosure is demonstrated in the Group's financial reports, through detailed and comprehensive reporting, providing shareholders with sufficient context and a clear picture of the dealings of the institution.

Diversity

The Group recognises the value of diversity in the employee base and the Board. Diversity originates from a broad and representative mix of background and experience, as different perspectives allow for the development of new and varied opportunities. Internal initiatives to support diversity and inclusion within the Group are consciously promoted, with the conviction that strategic objectives are better achieved by combining various perspectives towards building a sound reputation founded on the highest standards of responsible behaviour.

The overriding principles guiding Board appointments are merit, skill and experience of appointees to deliver the Company's strategy. In line with CBN's recommendation, the Board of FBNHoldings has a 30% female Board membership.

Shareholder and Regulatory Engagement

Given the interest of shareholders in the performance of the Group, the Board and Management have adopted a policy of continuous engagement and consultation with shareholders and stakeholder groups. These engagements have created improved awareness and better understanding of the Group's governance mechanism, strategic direction, financial performance and outlook.

In recognition of the importance of regulatory bodies to the different business entities within the Group, Regulators are constantly engaged to foster an atmosphere of trust and ensure compliance with extant regulations. These engagements will be sustained on an ongoing basis.

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Dr Oba Otudeko, *CFR*
Group Chairman

U.K. Eke, *MFR*
Group Managing Director

Oye Hassan-Odukale, *MFR*
Non-Executive Director

Chidi Anya
Non-Executive Director

Dr Hamza Wuro Bokki
Non-Executive Director

'Debola Osibogun
Non-Executive Director

Omatseyin Ayida
Non-Executive Director

Dr Adesola Adeduntan
Non-Executive Director

Oluwande Muoyo
Independent Non-Executive Director

Cecilia Akintomide, *OON*
Independent Non-Executive Director

Oluseye Kosoko
Company Secretary

BGNC – *Board Governance and Nominations Committee*

BARAC – *Board Audit and Risk Assessment Committee*

BFIC – *Board Finance and Investment Committee*

SAC – *Statutory Audit Committee*

COMMITTEE MEMBERSHIP KEY

LEADERSHIP AND GOVERNANCE

FBNHOLDINGS MANAGEMENT

U.K. Eke, *MFR*
Group Managing Director

Oluseye Kosoko
Company Secretary

Oyewale Ariyibi
Chief Financial Officer

Idris Shittu
Head, Risk Management and Compliance

Tolulope Oluwole
Head, Investor Relations

'Yemi Okojie
Ag. Head, Strategy and Corporate Development

Bode Oguntoke
Head, Internal Audit

Oyinade Kuku
Head, Human Resources

STATUTORY AUDIT COMMITTEE

Ismail Adamu
Chairman

Christopher Okereke

Kolawole Durojaiye

Oye Hassan-Odukale, *MFR*
Non-Executive Director

Cecilia Akintomide, *OON*
Independent Non-Executive Director

Chidi Anya
Non-Executive Director

LEADERSHIP AND GOVERNANCE

OUR SUBSIDIARIES

COMMERCIAL BANKING

FIRST BANK OF NIGERIA LTD

Ibukun Awosika
Chairman, First Bank of Nigeria Ltd

Dr Adesola Adeduntan
Managing Director
First Bank of Nigeria Ltd

DIRECTORS

Gbenga Shobo
Deputy Managing Director

Lawal Ibrahim
Non-Executive Director

Dr Ijeoma Jidenma
Independent
Non-Executive Director

U.K. Eke, MFR,
Non-Executive Director

Olusola Oworu
Independent
Non-Executive Director

Ibrahim Waziri
Non-Executive Director

Obafemi Otudeko
Non-Executive Director

Tunde Hassan-Odukale
Non-Executive Director

Lateef Bakare
Independent
Non-Executive Director

Dr Remi Oni
Executive Director,
Corporate Banking

Abdullahi Ibrahim
Executive Director,
Public Sector

MERCHANT BANKING AND ASSET MANAGEMENT

FBNQUEST MERCHANT BANK LTD | FBNQUEST CAPITAL LTD

Bello Maccido
Chairman, FBNQuest Merchant Bank Ltd

Oyewale Ariyibi
Chairman, FBNQuest Capital Ltd

Kayode Akinkugbe
Managing Director
FBNQuest Merchant Bank Ltd

Tseyi Hammond
Ag. Managing Director
FBNQuest Capital Ltd

DIRECTORS (FBNQuest Merchant Bank Ltd)

Taiwo Okeowo
Deputy Managing Director

Oluyele Delano
Independent
Non-Executive Director

Dr Omobola Johnson
Non-Executive Director

U.K. Eke, MFR,
Non-Executive Director

Akinlolu Osinbajo
Non-Executive Director

Babatunde Odunayo
Non-Executive Director

DIRECTORS (FBNQuest Capital Ltd)

Ijeoma Agboti
Non-Executive Director

Ike Onyia
Non-Executive Director

Adekunle Awojobi
Non-Executive Director

INSURANCE

FBN INSURANCE LTD | FBN INSURANCE BROKERS LTD

Kehinde Adenrele
Chairperson, FBN Insurance Ltd

Folake Ani-Mumuney
Chairperson, FBN Insurance Brokers Ltd

Valentine Ojumah
Managing Director
FBN Insurance Ltd

Olumide Ibidapo
Managing Director
FBN Insurance Brokers Ltd

DIRECTORS (FBN Insurance Ltd)

Margaret Dawes
Non-Executive Director

Caleb Yaro
Independent
Non-Executive Director

Aderemi Ogunmefun
Non-Executive Director

Oyewale Ariyibi
Non-Executive Director

Theuns Botha
Non-Executive Director

Festus Izevbizua
Executive Director, Finance and Administration

Moruf Apampa
Executive Director, Business Development

DIRECTORS (FBN Insurance Brokers Ltd)

Seyi Oyefeso
Non-Executive Director

Seye Kosoko
Non-Executive Director

RISK MANAGEMENT

OVERVIEW

The diversity of our business model requires us to identify, assess, measure, aggregate and manage our risks as well as allocate capital among our businesses. Across the Group, our resilience is seen in the holistic approach adopted in the management of risk and return, capital and the reputational profile. The main objective of risk management is to balance the level of risk connected with our business, growth and profitability goals, providing integrated customer solutions while achieving consistent and sustainable performance. The following principles underpin our risk management framework:

- Risk is taken within a defined risk appetite;
- Every risk taken requires approval within the risk management framework;
- Risk taken requires adequate compensation; and
- Continuous monitoring and management of risk.

Identified risks are monitored and mitigated to safeguard and ensure consistent value is returned to our stakeholders. The Board and Senior Management regularly assess the risks exposed to the Group and ensure adequate control is put in place.

Enterprise Risk Management Framework

The Group Enterprise Risk Management (ERM) Framework provides a structured approach towards risk taking and risk management activities across the Enterprise, supporting the Group's long-term revenue, earnings and investment growth strategy. The is communicated through risk policies and standards consistent with the Group's strategic intent. As a Group, we have a common approach to managing enterprise-wide risk and evaluating comparable risk-adjusted returns on prospective business activities. The entities within the Group are primarily accountable for the risks undertaken and are expected to hedge adverse outcomes through a three-pronged approach. The independent risk function provides proactive support and constructive challenges to first line risk owners to deliver sustainable growth within the Group's risk preferences.

The Group's Risk Policies and Standards Cover the following:

- A clear definition of the three-pronged line of defence management system and the assignment of accountability and delegation of authority for risk oversight and management;
- The alignment of the various types and levels of risk the Group seeks with its strategic plan and risk appetite;
- Risk identification, measurement, assessment and mitigation methodologies which enable effective management and monitoring of risk; and
- An independent oversight by the internal audit to provide reasonable assurance, requires that the Group's generated risk profile are in line with the management processes embedded in the various policies.

Our risk management practices are influenced and impacted by internal and external factors such as economic conditions, political environments, technology and risk culture, which can significantly impact the levels and types of risks the Company could encounter in its pursuit to strategically optimise risk taking and management. Our ERM framework incorporates relevant impacts and mitigating actions as appropriate.

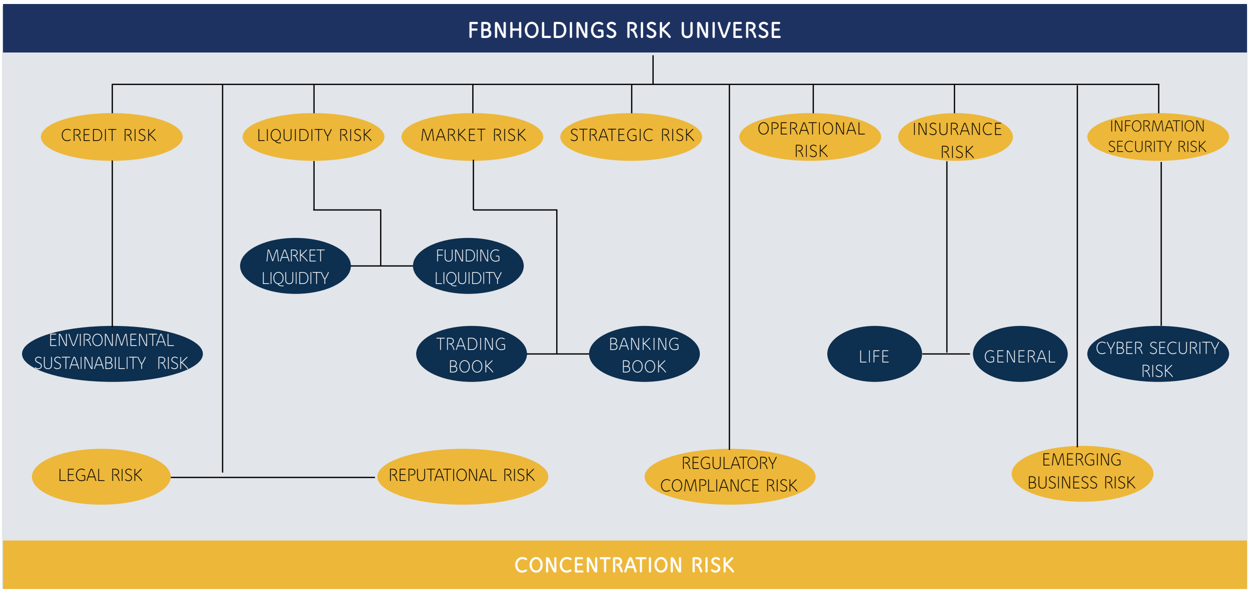
The Management is responsible for managing risk within the risk appetite and has established risk management strategies and monitoring practices. This includes a 'three-pronged line of defence' governance model that segregates duties

RISK MANAGEMENT

of risk-taking activities, risk monitoring, risk oversight and establishes appropriate accountability for those who assume risk and those who oversee risk. The Group's management practices are aligned to assess the influence of internal and external factors such as political, economic, social and technological (PEST) factors. These factors can significantly influence the levels and types of risk the Company could encounter in optimising shareholder returns and operating profitability. The Management is responsible for the nature of risk undertaken by the respective subsidiaries and defines the risk decision process to make sure that risk returns are optimised across businesses within the Group. The risk management three-pronged model adopts an approach in which risk-taking, risk monitoring and risk oversight activities are kept in operating 'silos' that interface at times of strategic need. An accountability framework has been adopted to differentiate those that assume risk and those that provide risk oversight.

The Group Risk Profile

The diversity of our business model exposes the Group to various risks. The diagram below highlights the key risks:



Risk Governance

The Board of Directors oversees the Group's culture of integrity and ethics, strategic planning, risk management, and corporate governance. The Board carries out its responsibilities directly and through its various committees. The Board Audit and Risk Assessment Committee oversees the management of the Group's principal risks and programmes as well as policies and procedures.

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 make sure 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 Board-approved risk appetite, with the Executives and Risk Committees closely monitoring risk profiles against this appetite.

The Group continues to modify and enhance its risk management policies and systems to reflect changes across markets, products and international best practices. The diagram illustrates how risk management across the Group is a joint responsibility.

RISK MANAGEMENT

1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE
Daily risk management monitoring and high level oversight Business units and risk-takers	Risk oversight and challenges, policies and methodologies • Risk Committees • Chief Risk Officers, Heads of Risk across the Group • Risk Management function	Independent assurance of risk management • Audit Committee • Internal Audit • External Audit • Regulators • External Assessors

To further strengthen the way risk is being managed across the Group, we continue to monitor the various initiatives introduced in 2017, as well as new initiatives introduced and executed in 2018.

The Group continues to monitor large credit exposure to single obligors across the operating entities to curb excessive concentration to an individual obligor or group of connected counterparties.

A Credit and Sanction Policy for all credit-related offences and regulatory breaches is fully operational and applied appropriately.

The Group also introduced and implemented a Group Reputational Risk Policy aimed at protecting the various franchises from reputational risk exposures. In 2018, the Risk Stakeholders Committee (GRSC) met regularly and was actively involved in the continuous review of the proposed Large Exposure Policy, Reputational Risk Policy, Group Risk Appetite and the Group ERM framework. GRSC also made sure measures were put in place to manage evolving risks across the Group. The activities of the Committee has reinforced the Group's strong risk culture.

As a Group, we have a common approach and process to identify, measure and assess the risks undertaken. All new business initiatives, acquisitions, product offerings, reinsurance arrangements, investment and financing transactions are evaluated on a comparable risk-adjusted basis.

To ensure quality at entry and appropriate risk selection, the first line of defence of the Group is responsible for identifying and assessing key risks in new products, markets and emerging risks on an ongoing basis. A standard inventory of risks that the Group is exposed to is developed and updated on all aspects of risk identification, measurement, assessment, monitoring and reporting.

Risk exposures are evaluated using a variety of risk measures focused on both short-term net income attributed to shareholders and long-term economic value with certain measures adopted across all risk categories while others apply only to some risks or a single risk type. The measures include; stress tests, scenario impact analyses and stochastic scenario modelling. Qualitative risk assessments are performed for the types of risks types that cannot be quantified.

RISK MANAGEMENT

Economic capital and earnings-at-risk provide measures of enterprise-wide risk that can be aggregated and compared across business activities and risk types. Economic capital measures the amount of capital required to meet obligations with a high and pre-defined confidence level. Our earnings-at-risk metric measures the potential variance from quarterly expected earnings at a confidence level. Economic capital and earnings-at-risk are both determined using internal models.

RISK FACTORS OVERVIEW

In 2018, the business environment had significant impact on the Group's business activities and this was indicated on the specific risk encountered as a Group. Key among environmental issues were:

- slowdown of the Nigerian economic growth;
- uncertain political and social environment;
- rise and fall of global oil prices and the consequent impact on Nigeria's monolithic economy;
- rising capital outflows from emerging markets;
- threats to the stability of the financial sector in Nigeria and across the African continent; and
- implementation of the IFRS9 standard.

In line with its principle and policy, the Group continued to identify the attendant risk on an ongoing basis and ensure controls are reflected in the Group-wide risk appetite.

General Macroeconomic Risk Factors

The macroeconomic environment in which the Group is exposed to has a significant impact on our financial plans and business strategy implementation.

Our business strategy and associated financial plans are developed by taking into consideration forecasts of economic growth, both globally and in the specific countries of operation. Actual economic growth can be significantly impacted by the macroeconomic environment and can deviate significantly from forecast, thus impacting our financial results and the ability to implement our business strategy.

Specific changes in the macroeconomic environment can have different impacts across different parts of the business. For example, a rise in interest rates is beneficial to us in the long-term but can adversely affect valuations of some of our assets especially those involving contractual cash flows.

The spending and saving patterns of our customers can be significantly influenced by the macroeconomic environment and this could have an impact on our product and service offerings.

Customer behaviour and emergence of claims on our liabilities can significantly be impacted by the macroeconomic environment. For example, a prolonged period of economic weakness could impact the health and well-being of our customers resulting in increased claims for certain insurance risks.

The following sections describe the risk management strategies for each of our six principal risk categories: Strategic Risk, Market Risk, Liquidity Risk, Credit Risk, Insurance Risk and Operational Risk.

RISK MANAGEMENT

STRATEGIC RISKS

The risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy or to adapt to changes in the external business, political or regulatory environment.

Strategic Risk Mitigating Strategies

It is the responsibility of the various Executive Committees of our operating entities to establish and oversee execution of our business strategies, identify and manage the risks embedded in these strategies. These are supported by several processes:

- The Group commences every financial year with a review and analyses of previous strategies, thereafter develop strategic business, risk and capital planning that is reviewed with the Board of Directors and the Executive Committees of the operating entities.
- Performance and risk reviews of all key businesses with the CEO and annual reviews with the Board of Directors.

CREDIT RISKS

The risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations. The Group's credit risk arises from direct and contingent lending as well as counterparty risk from trading activities. Credit risk are: Default/counterparty risk, Performance risk, Payment risk, Diversion risk, Managerial risk.

Regulatory Development Under Credit Risk

The Group complied with the CBN's guidance on IFRS9 Expected Credit loss for Regulatory Capital purpose. CBN guidance is consistent with the Basel Committee on Banking Supervision's standard titled 'Regulatory Treatment of Accounting Provision', which addresses the uncertainties surrounding the capital effects of the change from the Incurred loss model to the Expected Credit Loss accounting model.

Credit Risk Mitigating Strategies

- Credit risk is governed by the Credit Committees which oversees the overall Credit Risk Management Programme. The Group has objectives for overall quality and diversification of our credit portfolio and criteria for the selection of obligors, counterparties, including derivative counterparties and reinsurers. Our policies establish exposure limits by single or connected borrowers, corporate connections, quality rating, industry, and geographic region, that govern the usage of credit derivatives. Corporate connection limits are governed by our large exposure policy;
- Our credit granting subsidiaries follow a defined evaluation process that provides an objective assessment of credit proposals. A risk rating is assigned based on a detailed examination of the borrower that includes a review of the business strategy, market competitiveness, industry trends, financial strength, access to funds, and other risks exposed to the organisation;

RISK MANAGEMENT

- Established delegated credit approval authorities that make credit decisions on a case-by-case basis at a Management level appropriate to the size and risk level of the transaction which is based on the delegated authorities which could vary according to the risk rating; and

- Regular monitoring and review of the credits within the various portfolios are undertaken with the objective of identifying changes to credit quality and where appropriate take corrective action. Prompt identification of problematic credits is a key objective.

Credit Risk Measurement

The Group lending subsidiaries have put in place, a clear defined risk rating system and model for countries, industries, products and obligors as well as scoring models for retail customers to measure and manage related risks. The establishment of the overall risk rating process is the responsibility of the Credit Risk Management in conjunction with other risk management strategic units within each subsidiary.

MARKET AND LIQUIDITY RISKS

Market Risks

The risk that the value of a trading or an investment portfolio could decrease due to changes in market risk factors, such as stock prices, interest rates, foreign exchange rates and commodity prices. It represents the potential for a negative impact on the balance sheet or income statement resulting from adverse changes in the value of financial instruments as a result of movements in certain market variables and implied volatilities.

Potential Impacts On Business

This 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 are similar as well as non-convertible preference shares.

Market Risk Mitigating Strategies

Market risk is governed by the Asset and Liability Committee of each operating entity which oversees the overall market and liquidity risk program. The Group's overall strategy for managing market risks incorporates several component strategies, each targeted at managing one or more of the market risks arising from our businesses. At the Group level, these strategies are designed to manage our aggregate exposures to market risks against economic or regulatory capital and earnings-at-risk.

RISK MANAGEMENT

Foreign Exchange Mitigating Strategies

The Group's policy on foreign exchange is to match the currency of our assets against the currency of the liabilities and match the currency of the assets in our shareholders' equity account against the currency of our required capital. Where assets and liabilities do not match, there is a need to stabilise the capital ratios using forward contracts and currency swaps.

Other strategies are:

- Daily monitoring of foreign exchange trading position against risk limits;
- Daily reporting of all foreign exchange exposures to the Executive Management;
- Hedging policy put in place; and
- Regular review of the Group's currency exposures and limiting transactions to approved counterparties.

Investment Risks

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

Potential Impacts on Business

This could lead to diminution in the value of investments.

Investment Risk Mitigating Strategies

- Significant investments are approved by the Board and all others by the Management Committee;
- Counterparties for investments are approved by the Executive Management and the Board;
- Highly experienced professionals in the strategy unit provide advise on strategic investments;
- Strong supervision by the parent Company's Board of subsidiaries; and
- Portfolio selection and diversification strategies.

Counterparty Risk

The Group is also exposed to counterparty risks arising from pre-settlement and settlement risks. 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

This could lead to financial losses due to the default of a trading counterparty

RISK MANAGEMENT

Counterparty Mitigating Strategies

- Approved counterparties with pre-settlement risk lines;
- Measurement and reporting of pre-settlement risk exposures to the Executive Management;
- Hedging policy put in place; and
- Regular review of the Group's currency exposures and limit transactions to approved counterparties.

LIQUIDITY RISK

The Group is exposed to liquidity risk in each of our operating companies as well as the holding company. In the operating companies, expected cash and collateral demands arise day-to-day to fund anticipated withdrawals of customer deposit, policyholder benefits, reinsurance settlements, derivative instrument settlements/collateral pledging, expenses, investment and hedging activities. For the Holding Company, the Group depends on the ability of its subsidiaries to upstream funds to meet its obligations and pay dividends.

Potential Impacts on Business

This could lead to insolvency and eventual reputational risk.

Liquidity Risk Mitigating Strategies

The asset mix of our balance sheet takes into account the need to retain adequate unencumbered and appropriate liquid assets to satisfy the requirements arising under stressed scenarios and to strengthen our ratios:

- Diversifying our business across different products, markets, geographical regions, funding sources and policyholders;
- Insurance products are designed to encourage policyholders maintain their policies in-force, to generate a diversified and stable flow of recurring premium income;
- Policyholder termination features of our wealth management products and related investment strategies are designed with the objective of mitigating the financial exposure and liquidity risk related to unexpected policyholder terminations;
- We establish and implement investment strategies intended to match the term profile of the assets to the liabilities they support;
- We forecast and monitor daily operating liquidity and cash movements in various individual entities and operations as well as centrally, with a view to ensure liquidity is retained and cash is utilised optimally;
- Controlling risk-taking by setting appropriate portfolio and risk limits;
- Maximising returns on treasury portfolios within the approved risk limits;

RISK MANAGEMENT

- Having a contingency plan in place to address possible liquidity challenges;
- Ensuring that assets are liquid enough to be liquidated without significant losses; and
- The operating entities monitor the obligations and commitments by estimating the cash flows to be derived from all assets and liabilities for the different maturity tenure and determine the net surplus or funding requirement. Limits will be set for tenure in relation to the estimated liquidity requirement.

OPERATIONAL RISKS

The risk resulting from inadequate or failed internal processes, system failures, human-performance failures (People Risk) or from external events. The Group recognises the significance of operational risk which is inherent in all areas of our businesses and managed same within acceptable levels through an appropriate level of management focus and resources.

People, process, system, technology and external events as well as third-party risks are explained further.

PEOPLE RISKS

The risk of loss; financial, reputational or otherwise arising from a failure to properly manage the Group's human capital. This can present as staff fraud, high staff attrition, knowledge gaps, unmotivated and disgruntled workforce.

Potential Impacts on Business

This can impact the Group by way of negative service experiences for customers and the attendant loss in market share, financial loss and reputational damage. It also includes the inability to deliver strong business performance that meets or exceeds stakeholders' expectations.

People Risk Mitigating Strategies

Each Operating Company has a robust Operational Risk Management Framework that sets out the processes employed to identify, assess, manage, mitigate and report on significant people risk exposures. Execution of our operational risk management strategy focuses on change management and working to achieve a cultural shift towards greater awareness and better understanding of operational risk. We have Enterprise-wide Risk Management Programmes for specific operational risks that can materially impact our ability to do business or impact our reputation.

Other component strategies are:

- Robust Human Capital Management and Development (HCMD) practices to achieve a strong workplace;
- Effective background checks and thorough confirmation process on new hires;

RISK MANAGEMENT

- Competitive remuneration package and other hygiene factors to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance for 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 reliable insurance policy; and
- Encouragement of a healthy work-life balance.

Responsibility

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

PROCESS RISKS

The risk of incurring financial loss as a result of inadequacies or failures in operational processes, systems or staff. This also includes the risk arising from disruption of operational activities as a result of external events.

Examples are:

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

Potential Impacts on Business

The impacts on business range from negative customer impact and the attendant loss in market share, financial loss, reputational damage and the inability to deliver a strong business performance that meets or exceeds stakeholders' expectations.

Process Risk Mitigating Strategies

- A Comprehensive Control Administrative and Accounting Procedure manual to guide operational activities and processes of the Group;

RISK MANAGEMENT

- Introduction of a functional reporting structure to the operations to allow for effective supervisory control of the operations of the Group;
- Introduction of a self-assessment programme to allow process owners to identify and control weaknesses with a view to taking proactive remedial action;
- Institute a robust business continuity plan and disaster recovery programme;
- Automation and re-engineering of our processes; and
- Increase operational risk awareness training and programs.

SYSTEM OR TECHNOLOGY RISKS

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 present in system failure, resulting in irate customers and tarnished reputation, software failures, seizure of technical support, hardware failures, obsolete hardware and lack of support from the manufacturers.

System or Technology Risk Mitigating Strategies

The Group has:

- Disaster Recovery Centre;
- Comprehensive Service Level Agreement with Information Technology Service Providers;
- Regular Information Technology audit and control;
- Hardware policies covering hardware purchase, usage, replacement and disposal;
- Software policies covering purchase or design, usage, enhancement, patching, replacement and disposal;
- Resilience built into the Group's network platform through the installation of a backup link to over 99% of our branches; and
- An articulated medium-term transformation plan to optimise the Group's investment in technology.

EXTERNAL EVENTS AND THIRD-PARTY RISKS

The risk arises from external events such as external fraud, natural disaster and third-party failure.

RISK MANAGEMENT

Potential Impacts on Business

External events could lead to disruption of 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 negatively impact the Group's service delivery.

External Events and Third-Party Risk Mitigating Strategies:

- Hedging against external events with adequate insurance cover;
- Robust business continuity management system that has passed the ISO22301 certification to support 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; and
- Physical security and personal and business protection policy to mitigate internal and external threats.

INFORMATION AND CYBER SECURITY RISK

CYBER SECURITY RISKS

The global cyber threat landscape is constantly evolving, with increasing reports of cyber attacks on governments and corporate organisations. Cybercrime syndicates are taking advantage of the speed, convenience, anonymity of the internet or network in committing crimes that cause serious harm and pose real life threats to individuals and organisations worldwide.

Globally, cybercrime remains a major challenge, influencing how organisations operate. Emerging technologies have facilitated the growth and spread of cybercrime. Many global organisations have fallen victim of cybercrimes and the impact is often monumental. Organisations including banks are exposed to various cyber threats as a result of size, business footprint, legacy systems, governance practices, software and the complexity of operating model.

Trust remains the key product offering of the Banking and Financial Services Industry, a trust contract with the customers must be defended to assure the integrity, confidentiality and availability of data and information. In today's world, electronic commerce services is accessible from anywhere in the world. Anything that jeopardises that trust relationship poses a major risk to the industry.

RISK MANAGEMENT

At FBNHoldings, safeguarding our assets from cybercrime is at the heart of our strategy and initiatives. Our operations are mostly technology-driven across geographies where we operate; hence we are vulnerable to the growing cyber risks. To promote sustainability, interventions are being pursued in many critical areas such as; obsolescence, patch management, standardisation, capacity, etc. We have adopted domain layered security methodology to achieve holistic defence against cyber threats and attacks. This approach required that we fix the basics, deploy solutions to close known gaps and build predictive capabilities for the long-term sustainability of our security interventions.

Our banking subsidiary has strongly identified with the CBN recently released risk-based cyber security framework and guideline to Money Deposit Banks and Payment Services Providers, which is the minimum baseline expected from MDBs and PSPs in their cybersecurity programmes. The programme will foster a more secure financial environment and encourage standard security practices in the economy. Over the next 12 months, we will continue to execute programs to further strengthen internal capacity, upgrade cyber threat management solutions, upskill staff to reduce the risk levels. We will continue to monitor the cyber threats landscape and apply effective and reliable responses on a going concern basis.

Potential Impacts on Business

Cyber attacks on infrastructure and devices are increasing in sophistication and impact, as basic methods of compromising information continue to result in severe damage.

Organisations across the world are exposed to cyber-attacks directed at critical network, databases, applications and systems infrastructure. Cybercriminals and terrorist groups inflict financial loss and widespread economic damage on organisations. Recent trends indicate increasing probability of attacks to take advantage of the increasing numbers of physical assets connected through the Internet of Things (IoT). Ransomware, one of the most prevalent ways to exploit the value that organisations place on digital information will threaten the lives of customers and employees, interrupting operations as well as causing heavy financial losses.

Cyber Security Risk Mitigation Strategies

- Cybersecurity continues to remain a top priority for organisations across the globe. In 2018, the Group continued to revamp and evaluate its cybersecurity capabilities and secure computing practices. The Group through its Contain-Treat-Sustain strategic security initiatives continued its implementation of globally acclaimed security initiatives and practices to predict, identify, detect, prevent, protect, respond and recover from cyber-attacks across the subsidiaries.

- The Group's cybersecurity approach focuses on three key implementations which include: the adoption of reliable solutions and revamp of existing solutions making them more effective; equipping of our 24/7 Security Operations Center with capabilities of full depth and breadth visibility of the Group's IT infrastructure layout and transactional activities across the enterprise; and attracting key skill-sets across the globe, staff training and retention to ensure they possess the requisite skill to drive our strategy through, thereby ensuring optimal value extraction.

- The banking subsidiary PR1MUS initiatives have continued to deliver innovative products to our customers in Nigeria and our subsidiaries across Middle Africa. Through the Operational Risk and Governance as well as Compliance Management, we now have a centralised repository of key regulations, policies, processes, risks and controls with issue log and corrective action plans with monitoring, escalation and reporting capabilities.

RISK MANAGEMENT

INFORMATION SECURITY RISKS

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

The Group, in line with its Governance, Risk Management and Compliance practices continue to focus on improving its overall information security level across the subsidiaries with the objective of reducing cyber attacks launched on its customers. The Group has put in place structures to establish, implement, operate, monitor, review, maintain and improve its documented Information Security Management Systems within the context of the Group's overall business risks. Following structured security investments over the years, the Group continues to witness huge improvements in our risk indicators. This includes 80% reduction in successful phishing email delivery to customers, expedited takedown of cloned websites, 98% uptime on the Bank's web-facing infrastructure. In 2018, the Group did not record any significant cyber-related breach.

In line with the Group's strategy, stakeholders have been kept abreast of recent security trends across the world with consistent security awareness communication on global security trends and best practices to ensure the safety of its customers and the general public. The Group has identified with the European Union led General Data Protection Regulation in relation to handling of customers' data. This is due to the fact that our customers and other stakeholders are spread across the entire globe. The Group will continue to reinvent and re-innovate to respond to changes in the global cybersecurity landscape with future-ready initiatives to ensure the safety of the institution and its stakeholders.

The Group will continue to reinvent and re-innovate its security systems with improved technology, automated governance practices, and adoption of a robust international acclaimed security structure with future-ready capabilities. The Group is well-positioned for emerging cybersecurity threats and challenges.

Potential Impacts on Business

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

Information Security Risk Mitigating Strategies

- Continued risk evaluation using 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 making sure all assets are handled in line with the 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;

RISK MANAGEMENT

- Developing a Group-wide awareness program and making information security the responsibility of all staff; and
- Aligning the Group's processes to international standards and best practices such as the ISO 27001 and 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 the Management have the overall responsibility to ensure that all information assets within the Group are adequately protected.

SUSTAINABILITY RISKS

The risk that financial services provided to customers by the Group indirectly, result in unacceptable impacts on people or the environment.

Potential Impacts on Business

This could damage the reputation of the Group's business across all lines and result in regulatory sanction. The long-term sustainability of the business is paramount in assessing the impact of this risk while providing financial services to companies or projects.

Sustainability Risk Mitigating Strategies

At FBNHoldings, the operating entities ensure that sustainability risk is reduced to its barest minimum by:

- Measuring and assessing the potential environmental impact of a customer's activities and assigning a sustainability risk rating to all high-risk transactions;
- Monitoring on a quarterly basis by the Group Risk Management team and monthly by the operating companies; and
- Sustainability Risk Management, using risk policies, covering project finance lending and sector-based sustainability policies for sectors and themes with potentially large environmental or social impacts.

LEGAL AND REGULATORY COMPLIANCE RISK

Regulatory Compliance

The regulatory compliance programme is designed to promote compliance with regulatory obligations in all the environments we operate and to assist in making the operating entities aware of the laws and regulations that affect the Group as well as the risks associated with failing to comply. Underlying causes of regulatory compliance risk can be one or more of the following:

RISK MANAGEMENT

- Lack of understanding of laws and regulations;
- Misinterpretation of their meaning;
- Lack of awareness of the regulatory change;
- Failure to communicate changes to all interested parties;
- Inadequate controls to ensure requirements are met; and
- Failure to monitor procedural effectiveness.

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 license.

Regulatory and Compliance Risk Mitigating Strategies

- 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;
- Process for ensuring new and changed legal and regulatory requirements are identified, monitored and reflected in the Group's process and rule book;
- Ensure regulatory requirements are incorporated in the operational procedures manual where appropriate;
- Prompt submission of regulatory reports; and
- Sound corporate governance practices and setting the right tone at the top with regards to regulatory issues.

LEGAL RISKS

Legal risk stems from the contractual agreements that financial services firms undertake. These consists of the risk that loan agreement may not be enforceable under the relevant law and that the nature of the product/services may render the financial services company exposed to litigation. This risk could also emanate when governments suddenly amend laws in a way that negatively affects an investor's position. Legal risk could also occur through lawsuits or adverse court judgements that can disrupt or negatively affect the conditions of the business entity.

RISK MANAGEMENT

Potential Impacts on Business

Increased costs, loss of revenue, abuse 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.

Legal Risk Mitigating Strategies

- 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; and
- 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 as well as exploring alternative dispute resolution mechanisms, among others.

COLLATERAL COVER RISKS

The risk of loss arising from errors in the nature, quantity, pricing, or characteristics of collateral securing a transaction with credit risk. As an institution that actively accepts and delivers collateral, the Group is faced with collateral risk when it is unable to manage the process accurately and therefore susceptible to loss.

Potential Impacts on Business

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

Collateral Cover Risk Mitigating Strategies

- 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; and
- Effective and proactive monitoring of credit.

RISK MANAGEMENT

REPUTATIONAL RISK

The risk that an organisation's reputation may be damaged by one or more reputational events from negative publicity about the organisation's business practices, conduct or financial condition. It arises when such reputational event has the potential to materially influence the public and stakeholders' perceived trust and confidence in an institution. It may also be seen in a broader sense as falling short of the expectations of an organisation's stakeholders.

Reputational risk may result from many of the Group's activities, including those related to the management of our strategic, operational, compliance and credit risks.

The Group manages reputational risk through established policies and controls in its businesses and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

The Group ensures processes and procedures are in place to respond to events that give rise to reputational risk, including educating individuals and organisations that influence public opinion, implementing external communication strategies to mitigate the risk, and informing key stakeholders of potential reputational risks. The Group's organisation and governance structure provide oversight of reputational risks, and reputational risk reporting is provided regularly and directly to Business Risk and Compliance Committee and Management.

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.

RISK MANAGEMENT

Reputational Risk Mitigating Strategies

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

Responsibility

The Group Managing Director and the Executive Committee are ultimately responsible for our reputation; however, our employees and representatives are responsible for conducting their business activities in a manner that upholds our reputation. This responsibility is executed through an enterprise-wide reputation risk policy that specifies the oversight responsibilities of the Board of Directors and the responsibilities of the Executive Management, communication to and education of all Directors, officers, employees and representatives, including our Code of Business Conduct and Ethics, and application of guiding principles in conducting all our business activities.

INSURANCE RISK

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

Insurance risk consists of:

- **Claims risk** – the risk that the actual magnitude or frequency of claims will differ from the levels assumed in the pricing or underwriting process. Claims risk includes mortality risk, morbidity risk, longevity risk and catastrophe risk.
- **Policyholder behaviour risk** – the risk that the behaviour of Policyholders relating to premium payments, withdrawals or loans, policy lapses and surrenders and other voluntary terminations will differ from the behaviour assumed in the pricing calculations.
- **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.

RISK MANAGEMENT

- **Reinsurance risk** - This is the risk of inadequate reinsurance cover which may be triggered by a situation such as the insolvency of a reinsurer, discoveries of exposures without current reinsurance coverage, or exhaustion of reinsurance covers through multiple losses. The Company has documented reinsurance policies for adequate reinsurance arrangements and treaties for all categories of insurance business transacted. The policies include the process for reinsurer selection, monitoring, claims recovery, etc.

- **Underwriting risk** - This is the risk of loss borne by an underwriter and refers to the risk of loss from underwriting activity. This may arise from an inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors.

Potential Impacts on Business

Financial loss due to the variation of actual claim from budgeted, possibly leading to impairment of shareholders' funds.

Insurance Risk Mitigating Strategies

- 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; and

- 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.

RISK MANAGEMENT

FOCUS AREAS AND RISK INITIATIVES IN 2019

- Monitoring the significance of several events, including: regulatory policy and political changes in Nigeria and across subsidiaries, activities of rating agencies with regards to the Nigerian sovereign rating and those of its subsidiaries, volatile macroeconomic environment in key financial markets, entrenching qualitative and quantitative risk appetite across the Group;
- The Group will continue to manage trading and non-trading market exposures within overall Group risk appetite and tolerance level to aptly protect the Bank's shareholders' wealth. Utmost attention will be paid to monitoring and managing market risk factors in the context of current market volatility, including monetary policy decisions;
- The Group is poised to proactively forecasting the fusion between Basel II/III standard and IFRS9 in the areas of measurement and disclosure. The risk team is in good stead to take advantage of various regulatory provisions to improve on current level of risk management offerings, optimise the current level and composition of capital with due consideration to current and future business plans;
- Effectively allocating resources, including capital and liquidity between product lines, trading desks, industry sectors and legal entities to enhance the overall Group economic profit and return on equity;
- Increasing the attention on mitigating ongoing portfolio risks related to variable crude oil prices, foreign currency liquidity concerns and political volatility;
- Driving efficient cost management system through robust Group shared service programme;
- Continue to apply appropriate and responsible lending criteria and focus on risk appetite always to ensure prudent lending prevails;
- Managing exposure concentrations across counterparties, portfolios, products, industries and regions;
- Continue to enhance the credit risk governance framework that underpins the Group's credit risk appetite;
- Continue to diversify the Group's funding base across local and foreign currencies with a view to minimising funding costs for the Group;
- Current and emerging cybercrime and cybersecurity threats will receive increased focus through continued improvement of people, process and system vulnerabilities, including increased internal and third-party attention. This will enable the proactive deployment of resources to better manage cyber threats and crimes and allow for protection of our information assets;
- The Group's insurance programme will continue to evolve to ensure coverage for emerging cyber-related risks; and
- Focus on Risk-Adjusted Performance Measurement to maximise shareholder value by optimally managing financial resources within the Board-approved risk appetite.

COMPLAINTS HANDLING

Service Improvement Initiatives

As a Customer-Centric organisation, providing world class customer experience remains our core focus. Several initiatives have been deployed to improve the service experience of our customers and position the Group as the undisputed leader in the industry. Some of the initiatives are:

- **Customer Value Proposition project (CVP)**

  The objective of the CVP project is to develop a better understanding of the Bank's customers towards providing targeted, personalised and differentiated customer experience.

- **Branch Remodeling**

  The objective of the Branch remodelling exercise is to improve the look and feel of our branches. This will portray the Bank as a New Generation Bank with structural designs that appeal to all customer segments.

- **Executive Branch Visit**

  With this initiative, Senior Executives of the Bank visit carefully selected branches across the country on a 2-day work trip during which the Executives work with the branch staff, interact with customers, and address issues relating to customer experience in the Bank.

- **Client Services Team Model (CST)**

  A CST is a client-centric multi-functional team delegated with the authority to make decisions on how to serve the client. The Bank is adopting this model to serve its wholesale customers.

- **ATM Service Improvement**

  An ATM service review committee was set up to address all issues relating to ATM service and performance. Upon completion, this would position the Bank as the undisputed number one in ATM service and performance.

Customer Complaints Management

In 2018, the primary focus of the Customer Complaints Management team were:

- Improved visibility of customer complaints
- Ensure customer's accessibility across our channels

Improved visibility of customer complaints

In line with our commitment, the Customer Experience and Complaints Management team made sure customer experience on all channels were adequately captured across all segments, prior to this, the focus was on Retail Banking segment alone. As part of the initiatives, the new Customer Relationship Management tool known as CRM 365 was developed and deployed to increase the Bank's visualisation of customer experience from the Corporate and Commercial segments. The CRM 365 will significantly improve the complaints turn-around time and ensure optimal complaint tracking process is achieved.

In keeping with current trend of customers' increased preference for electronic channels in processing transactions, the Bank and its customers are susceptible to risk of fraud through social engineering and manipulation. To mitigate this risk, the Bank's transaction monitoring capacity on mobile banking platforms have been upgraded, in line with the regulatory requirements. This has resulted in a substantial decline in reported fraud cases.

Customer's accessibility across channels

To improve customers' service experience across channels, a number of stakeholders were contacted to promote the adoption of the online complaints portal attached to the Online Banking platform. This is to make sure that complaints are promptly transmitted to early responders, who will resolve the problems. The deployment of the CRM 365 facilitates a mobile complaint response and resolution process using the FirstMobile platform. This is part of the improvement adopted by the Bank in line with ISO 9001:2015 certification guidance for which the Bank was evaluated between September 2nd and 7th, 2018. The Bank achieved recertification and its license has been renewed for another year.

COMPLAINTS HANDLING

CONSUMER COMPLAINTS RECEIVED IN 2018

S/N	DESCRIPTION	Number of Complaints		Amount Claimed (₦)		Amount Refunded (₦)	
		2018	2017	2018	2017	2018	2017
1	Pending complaints brought forward	11,627	9,981	4,557,205,949.16	139,739,723.80	126,758,709.00	108,735,478.80
2	Received complaints	652,301	437,522	30,968,320,673.42	45,563,075,066.83	5,266,502,554.53	7,092,749,481.61
3	Resolved complaints	644,499	435,876	33,755,455,126.27	41,145,608,841.48	5,393,261,263.53	7,201,484,960.41
4	Unresolved complaints escalated to CBN for intervention	-	-	-	-	-	-
5	Unresolved complaints pending with the Bank carried forward	19,429	11,627	1,770,071,496.31	4,557,205,949.16	-	-

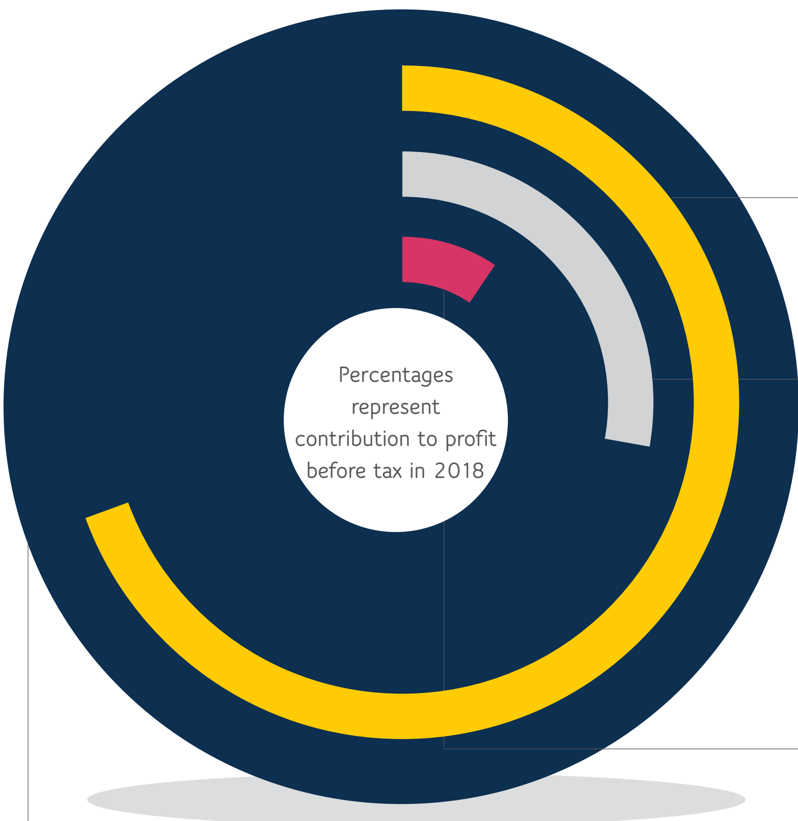
FINANCIAL REVIEW

This section provides an overview of the Group's 2018 performance.

PERFORMANCE SUMMARY

FBN Holdings Plc is the most diversified financial services group in Nigeria. The Holding Company maintains a robust balance sheet size of ₦5,568.3bn, a 6.3% growth from ₦5,236.5bn in 2017.

FBN Holdings Plc is a leading diversified financial services group in Middle Africa offering broad range of products and services across commercial banking in 10 countries (Lagos, Nigeria; London, United Kingdom; Paris, France; Beijing, China; Kinshasa, Democratic Republic of Congo, Accra, Ghana; Banjul, Gambia, Conakry, Guinea, Freetown, Sierra Leone and Dakar, Senegal), merchant banking and asset management as well as insurance. The Group, with over 15.7 million* customer accounts, has 888 business locations (615 local branches, 143 quick service points and agencies for FirstBank (Nigeria) and 130 (local and international) subsidiary locations).



68.1%

COMMERCIAL BANKING

The Group's core business is providing financial services to individuals, corporate and public sector customers. This business segment includes the Group's local, international and representative offices offering commercial banking services.

26.3%

MERCHANT BANKING AND ASSET MANAGEMENT

The Group's key businesses comprise Corporate Banking, Investment Banking, Wealth Management and Fixed Income Securities Trading; as well as its subsidiary businesses; Asset Management and Equity Brokerage. The Group serves a diverse customer base of corporates, banks, public institutions, institutional investors and high networth individuals.

9.4%

INSURANCE

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

OTHERS**

FBNHoldings 100%

* Commercial Banking group
**others represents -3.8% contribution

GROUP PERFORMANCE

INTRODUCTION

Over the course of the 2017-2019 strategic cycle, the priority for the Management has been to strengthen the various businesses across the Group and position for sustainable growth over the long-term. Our three-pronged approach has primarily been to drive long-term revenue generation capabilities, overhaul risk management processes and drive efficiency across our businesses.

We have seen significant results in our revenue diversification aspiration, with improving digital banking offerings which have enhanced our non-interest income from the Commercial Banking group. Similarly, there has been steady growth in contribution to the revenue pool of the Group from the Insurance business and the Merchant Banking business, helping to further reinforce the revenue generation capacity of the Group.

The revamp of our risk management architecture, which is one of the key enablers to our shareholder value creation aspiration, will ensure our revenue generating capacity translates to stronger growth in profitability now that we have materially progressed in resolving the legacy issues as evidenced by the full provision for the largest non-performing loan in our loan book.

In addition, we have focused on driving operational efficiencies across the Group by leveraging technology, improving processes and increasing synergies across various entities.

Finally, in 2019, we expect growth in interest income to complement our growing non-interest revenue as we undertake guided expansion of the loan book which contracted in the last two financial years.

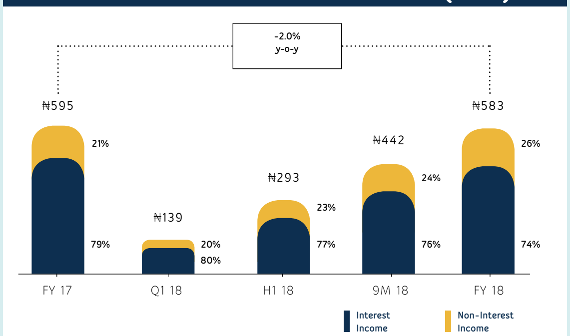
GROUP FINANCIAL REVIEW

Income Statement

Gross earnings amounted to ₦583.5bn (2017: ₦595.4bn), representing a marginal drop of 2.0% year-on-year. This was due to a 7.5% decline in interest income on the back of a decrease in the loan book as well as the depressed yield environment which led to a decline in income from investment securities. However, the drop in gross earnings was partially offset by the 15.8%* year-on-year growth in non-interest income. Interest income and non-interest income contributed 74.5% and 22.6%** (2017: 78.9% and 19.1%) respectively to gross earnings.

Net-interest income decreased by 14.3% year-on-year to ₦284.2bn (2017: ₦331.5bn) largely on account of the contraction in the loan book and the decline in investment securities' income, which were in part mitigated by an increase in income from loan to banks. Income from customer loans declined by 9.1% year-on-year to ₦262.4bn (2017: ₦288.6bn). Investment securities' income declined by 13.0% year-on-year to ₦150.8bn (2017: ₦173.3bn). Income from loan to banks was up 174.4% year-on-year to ₦21.2bn (2017: ₦7.7bn). Income from customer loans and income from investment securities accounted for 60.4% and 34.7% of total interest income in 2018 respectively, compared to 61.5% and 36.9% in 2017. Interest expense however, increased by 8.8% year-on-year to ₦150.2bn (2017: ₦138.1bn) largely driven by 7.6% year-on-year increase in interest on customer deposits resulting from 10.9% year-on-year growth in deposits from customers.

GROSS EARNINGS BREAKDOWN (₦bn)[1]



[1] Non-interest income here is gross and does not account for fee and commission expense

Cost of funds remained flat at 3.4% (2017: 3.4%), primarily on the back of the improvement in the Group's funding mix evidenced by the 18.7% year-on-year growth in low-cost deposits which now account for 77% of total deposits (2017: 72%). We have remained focused on keeping our cost of funds low despite the tight liquidity and competition in the market.

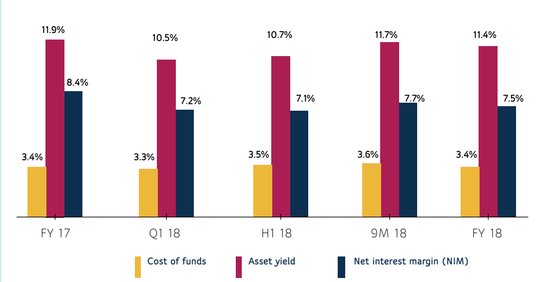
*Growth is 12.4% excluding foreign exchange revaluation gains

**Net of fees and commission expense

GROUP PERFORMANCE

On the other hand, yields declined during the year. Accordingly, average yields on customer loans closed at 13.2% (2017: 14.1%) while yields on investment securities declined to 10.1% (2017: 13.4%). Overall, the blended yield on interest earning assets declined to 11.4% from 11.9% in the previous year resulting in net interest margin declining to 7.5% (2017: 8.4%).

NET INTEREST MARGIN DRIVERS

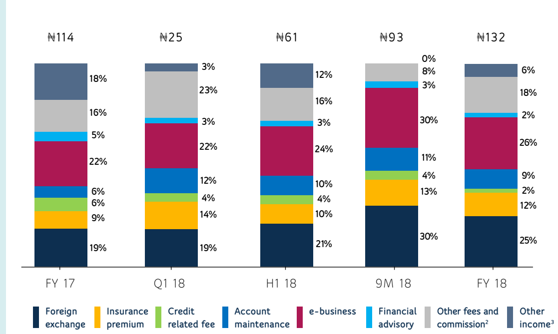


Non-interest income (NII) increased by 15.8% year-on-year to ₦131.7bn from ₦113.7bn in the prior year, driven by the 24.5% year-on-year growth in fees and commission income to ₦92.7bn (2017: ₦74.5bn) on the back of growing contribution from digital banking channels. Furthermore, as a result of increased foreign currency volatility, foreign exchange income increased by 55.0% to ₦32.6bn (2017: ₦21.1bn) representing 24.8% of non-interest income against 18.5% in the prior year. Excluding foreign exchange revaluation gains, NII increased by 12.4% demonstrating the sustainability of our non-interest revenue streams.

The contribution of fees and commission (F&C) income to total non-interest income further increased from 65.5% in the previous year to 70.4%. The key drivers of F&C remained electronic banking fees and account maintenance fees which grew by 36.2% year-on-year and 84.4% year-on-year to ₦34.0bn (2017: ₦25.0bn) and ₦12.3bn (2017: ₦6.7bn) respectively. In addition, brokerage and intermediation fees recorded a marked 665.9% year-on-year growth to ₦11.9bn (2017: ₦1.6bn). Other drivers include: 7.6% year-on-year growth in custodian fees to ₦6.4bn (2017: ₦6.0bn); 51.4% year-on-year increase in fund management fees to ₦3.0bn (2017: ₦2.0bn); as well as 48.8% year-on-year growth in other fees and commissions income to ₦3.9bn (2017: ₦2.6bn). The improvement in F&C was partly offset by the combined effect of a 28.9% year-on-year decline in letters of credit commission and fees to ₦4.3bn (2017: ₦6.0bn), 34.2% year-on-year decline in money transfer commission to ₦2.4bn (2017: ₦3.6bn) as well as 67.5% year-on-year decline in credit related fees to ₦2.4bn (2017: ₦7.4bn).

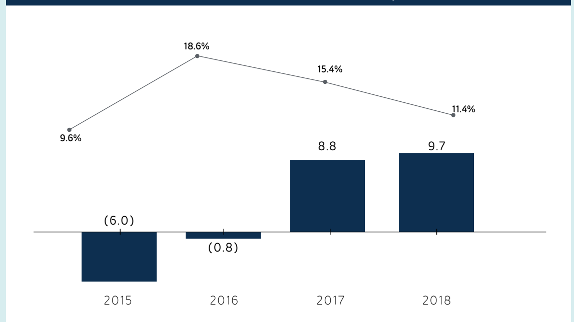
The Group remains focused on growing its non-interest income as shown in the improving contribution of the non-commercial banking business to the Group revenue and profitability. This has been driven by increasing synergies and collaboration across our businesses. During the year, net insurance premium increased by 51.9% to ₦15.5bn (2017: ₦10.2bn), representing 11.8% contribution to non-interest revenue from 9.0% in 2017. In addition, the Commercial Banking business continues to deepen the strategic push of increasing the transaction-based revenue through innovations and continuous digitalisation of financial products and services to better serve the customers.

NON-INTEREST INCOME (NII) BREAKDOWN (₦bn)



Operating expenses increased by 9.7% year-on-year to ₦263.7bn (2017: ₦240.3bn) but remained below the headline inflation rate of 11.4%. Staff related costs (35.4%) and regulatory cost (13.3%) jointly accounted for about half of operating expenses. While staff cost increased by 9.0% year-on-year following employee rejuvenation initiatives to drive increased productivity, regulatory costs grew by 3.9% year-on-year due to the 6.2% year-on-year increase in total asset of the commercial bank in 2017. Other cost drivers can be attributed to inflationary pressures as well as the Group's ongoing transformation related expenses expected to enhance revenue generating capacity, improve operational efficiencies and enhance risk governance.

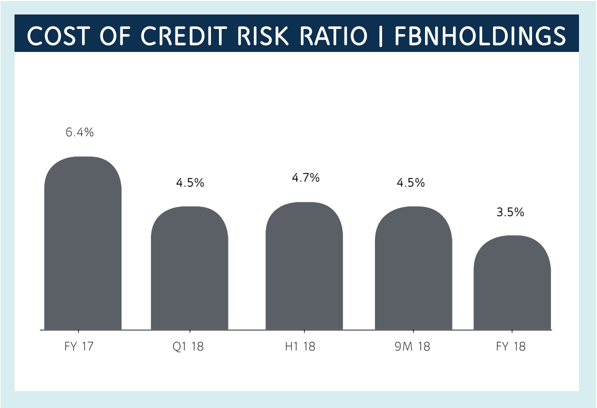
COST GROWTH & INFLATION RATE | FBNHOLDINGS



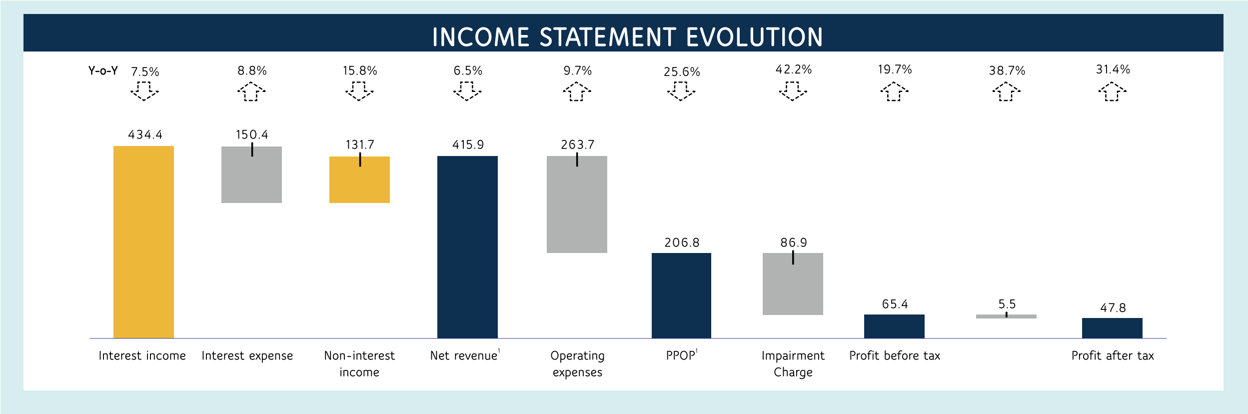
GROUP PERFORMANCE

Cost-to-income ratio closed at 63.4% (Dec 2017: 54.0%). The weakened ratio is essentially driven by the constrained operating income from the moderated lending and the declining yield environment even as operating expenses remain below inflation. Notwithstanding the current position, we remain optimistic on further enhancing our efficiencies in the near term, as we begin to derive the benefits of our investments in people, processes, innovation, technology and synergies.

Impairment charge for losses declined by 42.2% year-on-year to ₦86.9bn (2017: ₦150.4bn) as we continue to focus on remediation and recovery activities towards improving asset quality. Consequently, cost of credit risk decreased to 3.5% (2017: 6.4%). We remain committed to materially resolving legacy non-performing loans and achieving a single digit NPL ratio in the current financial year.



Profit before tax increased by 19.7% year-on-year to ₦65.3bn (2017: ₦54.5bn). Income tax expense for the year was ₦5.5bn (2017: ₦9.0bn). Earnings per share increased by 43.5% year-on-year to ₦1.65 (Dec 2017: ₦1.15).



Statement of Financial Position

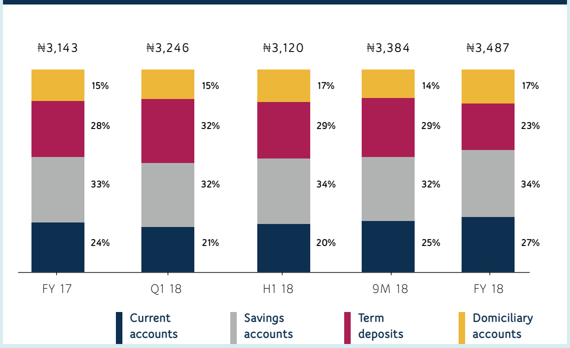
Total assets increased by 6.3% year-on-year to ₦5.6tn (Dec 2017: ₦5.2tn) driven by 33.3% year-on-year increase in investment securities to ₦1.7tn (Dec 2017: ₦1.2tn). Loan to banks and customers and investment securities constitute 76% of total assets (Dec 2017: 76%).

Total customer deposits grew by 10.9% year-on-year to ₦3.49tn (Dec 2017: ₦3.14tn). The growth in deposits was driven by a 21.8% year-on-year and 15.9% year-on-year increase in current and savings accounts to ₦915.3bn (Dec 2017: ₦751.3bn) and ₦1.2tn (Dec 2017: ₦1.0tn) respectively. In addition, domiciliary deposits grew by 20.6% year-on-year to ₦583.5bn (Dec 2017: ₦484.0bn). The continued healthy growth in the face of heightened competition underscores the confidence reposed in the Group by the public, the strength of our franchise as a time-tested financial institution. As a result, the ratio of the low-cost deposit to total deposits has further improved from 72.0% in 2017 to 77.0% at the Group and from 82.9% to 85.0% at FirstBank Nigeria respectively. Furthermore, core current and savings deposits are now 77.8% and 88.8% from 68.2% and 80.7% respectively in 2017, indicating the relative stable nature of these deposits.

GROUP PERFORMANCE

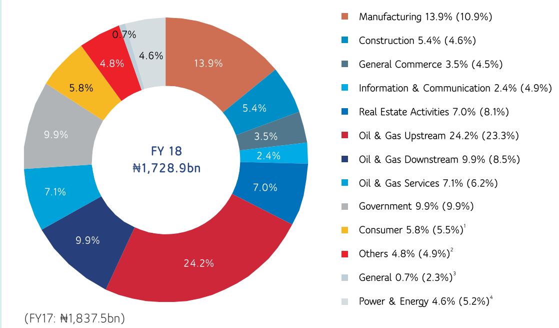
Benefiting from our strong franchise, we are increasing the number of customers across our businesses with customers' accounts at FirstBank currently at 15.7 million from 14.7 million in the prior year. We expect to continuously increase the number of customers leveraging on our Agency Banking network now located across the country. The retail business, with over 95% of total customer accounts in the books, generates approximately 67% of deposit base, and continues to provide very stable funding.

DEPOSITS BY TYPE in ₦bn



Total loans and advances to customers (net) declined by 15.9% year-on-year to ₦1.7tn (Dec 2017: ₦2.0tn). This is reflective of the weak macroeconomic environment that does not support aggressive risk asset creation. Nevertheless, the Group will fulfil its commitment to balance sheet growth and materially reduce its NPLs in the current financial year. As a testament to keeping the financial position of our business strong, we have made appreciable provisions with coverage ratio at 78.3% (Dec 2017: 61.9%). Moreover, at the end of the year, our biggest challenged exposure, was fully provisioned.

LOANS AND ADVANCES BY SECTOR : FirstBank



(FY17: ₦1,837.5bn)

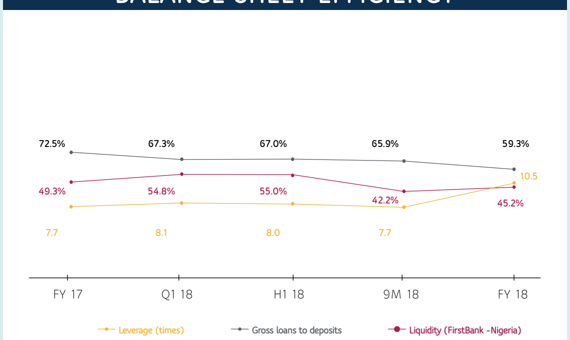
[1] Government loans are loans to the public sector (federal and state)
[2] Represents loans in our retail portfolio < ₦ 50mn
[3] Finance and Insurance, capital market, residential mortgage;
[4] General includes personal & professional, hotel & leisure, logistics and religious bodies

Shareholders' Funds closed at ₦530.6bn (Dec 2017: ₦673.7bn), this was on the back of the implementation of IFRS 9. However, while statutory reserve, foreign currency translation reserve and contingency reserve were up by 11.0%, 1.8% and 60.8% respectively to ₦93.3bn (Dec 2017: ₦84.1bn), ₦49.0bn (Dec 2017: ₦48.1bn) and ₦2.0bn (Dec 2017: ₦1.3bn), statutory credit reserve was down to ₦33.6bn from ₦42.8bn in the prior year.

Capital adequacy ratio for FirstBank (Nigeria) remains strong at 17.3% (Dec 2017: 17.7%), 230bps above the regulatory minimum of 15%, while the capital adequacy ratio for FBN Merchant Bank closed at 12.2% (Dec 2017: 13.5%) above the 10% regulatory requirement for Merchant Banks.

Liquidity ratio for FirstBank (Nigeria) remains healthy at 45.2% (Dec 2017: 49.3%) above the 30% regulatory mark.

BALANCE SHEET EFFICIENCY



PERFORMANCE BY BUSINESS GROUPS

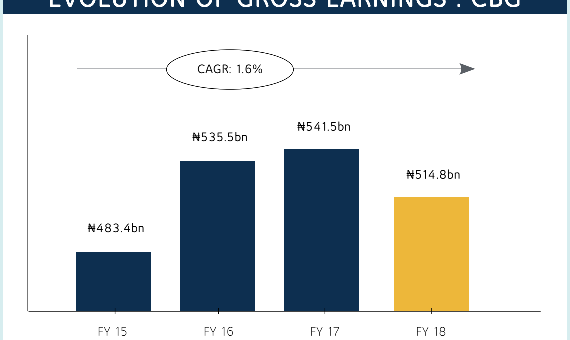
COMMERCIAL BANKING

The performance of the Commercial Banking group in 2018 reflects its strong franchise that helped navigate the tough operating market conditions.

The Bank remains focused on enhancing revenue generation capacity by leveraging new technologies and platforms, improving operational efficiencies and enhancing the Bank's risk management framework to deal with asset quality challenges. The Bank has intensified efforts to grow the business by driving customer acquisition and promoting a full digital and transaction banking offering which has resulted in steady increase in non-interest revenues. In addition, the Commercial Banking group has continued to rejuvenate its workforce to ensure it is a hub of talents towards increasing overall productivity and remaining Nigeria's bank of first choice. Furthermore, several initiatives have been implemented across the businesses in line with the enterprise transformation program which will enable the Bank to deepen market penetration in the markets where it operates.

FirstBank (Nigeria) contributed 86.4% to the Group's earnings of ₦514.8bn, a 129-basis points reduction from the prior year. Profit before tax increased by 16.5% year-on-year to ₦58.2bn due to the 9% growth in non-interest income. Customer deposits grew by 13.4% to ₦3.03tn while loans to customers declined by 12.5% year-on-year to ₦1.45tn (Dec 2017: ₦1.66tn).

EVOLUTION OF GROSS EARNINGS : CBG



In 2019, our focus is on optimising yields from risk assets as we take advantage of growth opportunities in key sectors of the economy whilst resolving asset quality challenges. We are confident that the risk management structures which we have put in place will enable us to increase recoveries and reduce loan losses. Importantly and in line with guidance, the Bank has fully provisioned the largest NPL and on course to a logical conclusion. Consequently, we have enhanced capital absorbing capacity and will continue to build strong capital buffers through earnings retention to meet any business risks across the commercial banking group.

Below are the performance highlights of the Commercial Banking group:

- Gross earnings of ₦514.8bn, down 4.9% year-on-year (2017: ₦541.6bn)
- Net interest income of ₦268. 0bn, down 16.2% year-on-year (2017: ₦319.7bn)
- Non-interest income of ₦95.7bn, up 8.5% year-on-year (2017: ₦88.2bn)
- Operating expenses of ₦231.8bn, up 9.4% year-on-year (2017: ₦211.8bn)
- Profit before tax of ₦40.1bn, down 26.9% year-on-year (2017: ₦54.8bn)
- Profit after tax of ₦40.3bn, down 18.1% year-on-year (2017: ₦49.2bn)
- Total assets of ₦5.3tn, up 5.8% year-on-year (Dec 2017: ₦5.0tn)
- Customers' loans and advances (net) of ₦1.71tn, down 15.7% year-on-year (Dec 2017: ₦2.03tn)
- Customers' deposits of ₦3.4tn, up 10.7% year-on-year (Dec 2017: ₦3.1tn)

The Commercial Banking business contributed 88.2% (Dec 2017: 90.1%) to gross earnings of the Group and 68.1% (Dec 2017: 76.7%) to its profit before tax.

The operating environment in 2018 was particularly

PERFORMANCE BY BUSINESS GROUPS

MERCHANT BANKING AND ASSET MANAGEMENT (MBAM)

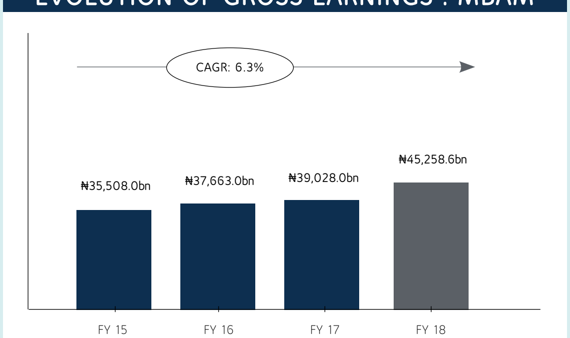
challenging for our business. The year was characterised by contracting spreads in the fixed income market, a sluggish equity/M&A market and a fairly stable foreign exchange environment. With fewer transactions, the competitive landscape also became more intense.

Nonetheless, the MBAM Business group maintained profitability and recorded steady growth in certain business lines. This again demonstrates the resilient and diversified nature of the business portfolio. The main contributors to the fairly strong financial performance were the Asset Management, Corporate Banking, Trustees and Fixed Income, Currencies and Trading (FICT) businesses.

Total revenue increased by 16.0% year-on-year to ₦45.3bn from ₦39.0bn in 2017, while profit before tax grew by 55.0% year-on-year to ₦16.3bn from ₦10.5bn in 2017. Assets under management (AuM) across the Group (FBNQuest Asset Management and FBNQuest Trustees) increased by 5.0% to close at ₦261bn (2017: ₦248.5bn). The Asset Management business has remained strong in the competitive ranking amongst its peers, based on Securities and Exchange Commission (SEC) registered funds, maintaining the 2nd position in the industry, same as the prior year. Overall, total assets closed at ₦218.6bn, representing a 0.8% year-on-year increase (2017: ₦216.9bn). The businesses in the Group remain well capitalised with total group equity of ₦44.0bn, while the capital adequacy of the Merchant Bank stands at 12.2%, above the regulatory requirement of 10%.

In 2019, we will continue to look for ways of creating more value for our customers. In achieving this objective, we will focus on our strategic goals of increasing group collaboration and enhancing revenue generation across all businesses, improving efficiencies as well as deepening innovation and digitisation to enhance the client experience.

EVOLUTION OF GROSS EARNINGS : MBAM



Below are the performance highlights of the Merchant Banking and Asset Management group:

- Gross earnings increased by 16% year-on-year to ₦45.3bn (Dec 2017: ₦39.0bn)
- Operating income of ₦28.7bn, up 29.2% year-on-year (Dec 2017: ₦22.2bn)
- Operating expenses of ₦13.4bn, up 16.9 % year-on-year (Dec 2017: ₦11.5bn)
- Profit before tax of ₦16.3bn, up 55.0% year-on-year (Dec 2017: ₦10.5bn)
- Profit after tax of ₦11.5bn, up 40.9% year-on-year (Dec 2017: ₦8.2bn)
- Total assets of ₦218.6bn, up 0.8% year-on-year (Dec 2017: ₦216.9bn)
- Customer' loans and advances (net) of ₦35.6bn, down 9.4% year-on-year (Dec 2017: ₦39.2bn)
- Customer' deposits of ₦127.3bn, up 10.8% year-on-year (Dec 2017: ₦114.8bn)

The Merchant Banking and Asset Management business contributed 7.7% (Dec 2017: 6.5%) to gross earnings of the Group and 26.3% (Dec 2017: 19.2%) to its profit before tax.

The Insurance business sustained its steady growth

PERFORMANCE BY BUSINESS GROUPS

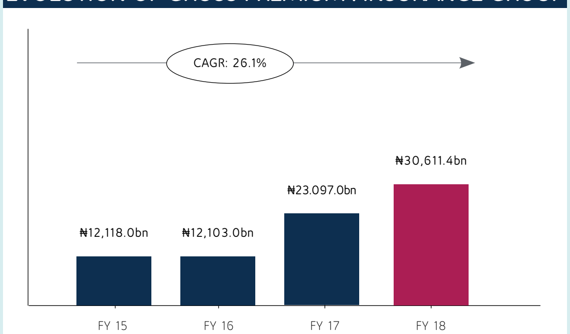
INSURANCE

trajectory across the different segments despite prevailing macroeconomic headwinds. The performance was driven by further deepening customer engagements, growing business activities and generating improved income from effective investment portfolio mix. The retail business continues to generate the highest contribution to revenue followed by the growing Annuity business and the non-life business. To further increase the insurance penetration and enhance revenue as well as profitability, the life business scaled up its direct distribution through the agency network.

Consequently, Gross Premium Written (GPW) increased by 32.5% year-on-year to close at ₦30.6bn (2017: ₦23.1bn). On the back of this, the Insurance business further reinforced its leadership position as one of the fastest growing underwriting businesses in Nigeria with a Compounded Annual Growth Rate (CAGR) of 26.1% in GPW over the last four years. Total revenue of the Insurance business group increased by 21.0% year-on-year to ₦22.7bn (2017: ₦18.7bn), while profit before tax rose by 44.4% year-on-year to ₦6.8bn (2017: ₦4.7bn). The Business group's total assets increased by 49.8% year-on-year to ₦76.6bn (2017: ₦51.1bn).

During the period under review, the Insurance group continued to deepen its underwriting capabilities working with our Partner, Sanlam Emerging Market. As a result, the Insurance group witnessed significant improvement in underwriting results and achieved greater cost efficiency as well as impressive growth across product lines.

EVOLUTION OF GROSS PREMIUM : INSURANCE GROUP



The key sectors driving the growth of the Insurance group remain the retail, corporate and annuity businesses. We are confident of our ability to sustain this growth in 2019 as we continue to enhance revenue generation across all segments, deepen customer engagement, improve operational efficiency and build a competent workforce.

Below are the performance highlights of the Insurance group:

- Gross premium written of ₦30.6bn, up 32.5% year-on-year (Dec 2017: ₦23.1bn)
- Operating income of ₦21.8bn, up 21.5% year-on-year (Dec 2017: ₦17.9bn)
- Operating expenses of ₦14.9bn, up 13.5% year-on-year (Dec 2017: ₦13.1bn)
- Profit before tax of ₦6.8bn, up 44.4% year-on-year (Dec 2017: ₦4.7bn)
- Profit after tax of ₦6.0bn, up 59.1% year-on-year (Dec 2017: ₦3.7bn)
- Total assets of ₦76.6bn, up 49.8% year-to-year (Dec 2017: ₦51.1bn)

The Insurance business contributed 3.8% (2017: 3.1%) to the Group's gross earnings and 9.4% (2017: 7.9%) to its profit before tax.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Our corporate responsibility and sustainability approach is designed to deliver value to our stakeholders.

Our Social Commitment >> 78 | Standards and Codes >> 89 | Stakeholder Engagement >>96

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

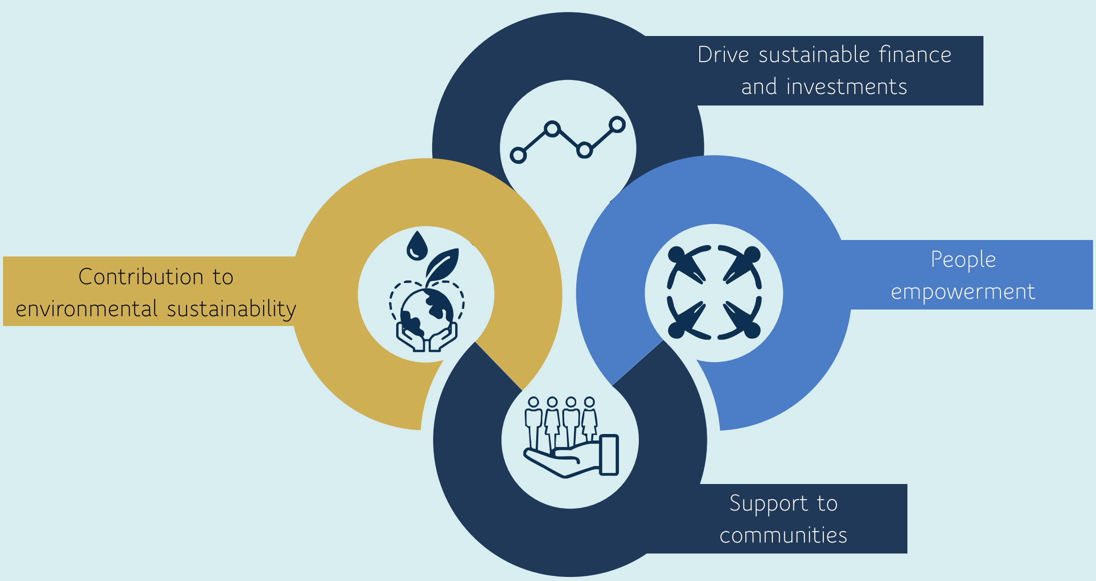
INTRODUCTION

Corporate Responsibility and Sustainability (CR&S) involves meeting the needs of our current 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. Corporate Responsibility and Sustainability is not bolted on to our corporate strategy, it is embedded in 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 considering the needs of stakeholders when making decisions, while impact management is about minimising our negative impacts and increasing our positive impacts on the society. The CR&S approach is contained in the Group's corporate responsibility policy. The policy clearly outlines our commitments and approach to corporate responsibility as well as the Group's CR&S governance framework. The policy's scope and respective guidelines apply to operations and activities across the Group, including the subsidiaries in all locations, stakeholders and associated partners representing the Group.

> "Corporate Responsibility and Sustainability is not bolted on to our corporate strategy, it is embedded in our business strategy and our daily operations."

The CR&S approach is designed to deliver value in a structured way along four key areas within the subsidiaries of FBNHoldings:



OUR SOCIAL COMMITMENT

FBNHoldings has had another successful year of collaborating with our esteemed customers in fulfilling their personal and business needs. Our commitment to putting our customers 'first' continues to drive our product and service offerings and ensure customer satisfaction across all segments. During the year, a new money transfer company was signed up to provide additional options to our customers. At the same time, we deepened our engagement with women and youth through wealth creation and youth empowerment initiatives.

Deepening Wealth Creation for Women across the Nation

Through FirstGem, our passion and drive to increase the number of women who take pride of place in business and wealth creation intensified. FirstGem is a bespoke solution to foster women empowerment across all socio-economic strata. This solution has recorded significant milestones since its launch in November 2016. The growth and success of women-owned businesses is one of the most profound changes taking place in today's business world, and FirstGem is at the heart of far-reaching initiatives to drive financial inclusiveness and development of women. In being true to this vision, the Bank has leveraged different women empowerment programmes across different cities and states within the country through conferences, seminars, workshops and roadshows, connecting with women for sustainable wealth creation. In 2018, a total of 1,261 women benefited from these workshops.

In the same year, the 2nd Anniversary of the FirstGem was celebrated having supported over 4,000 women at various interactive sessions across Nigeria and the United Kingdom. These events provided a platform to deepen women's insight on the principles of wealth management, investments and savings.

FirstGem also partnered with the Nigerian Liquefied Natural Gas in Port Harcourt to promote education and the importance of financial empowerment. This provided an avenue to expand the reach of FirstGem to strategic parts of the country. The initiative continues to witness significant growth from inception with an addition of over 50,000 female customers to FirstBank and a deposit base exceeding ₦3bn (total turnover from inception is ₦27bn).

Left-Right: Dr Adesola Adeduntan (MD/CEO, FirstBank); Ibukun Awosika (Chairman, FirstBank); Arunma Oteh (Vice-President/Treasurer, World Bank); Nimi Akinkugbe (CEO, Bestman Games); Gbenga Shobo (Deputy Managing Director, FirstBank) at the second anniversary of FirstGem in Lagos.

Supporting SMEs in Growing the Nation's GDP

The Bank organised several empowerment programs for SMEs tagged 'SME Connect Series'. This initiative provides 360 degree support to startups and scaleups, offering practical and realistic solutions to numerous business challenges encountered. This is ultimately aimed at improving the country's GDP by enhancing the performance of the SMEs. The SME Connect Series were facilitated by experts in the fields of marketing, legal and regulatory, human resources management, finance as well as research and development to engage the SME customers. The maiden edition of the workshop held in Lagos, attracting about 587 startups.

As a follow-up on the gains of the workshops, an SME Virtual Desk was set up to provide similar services through the use of telephone, with over 100 customers benefitting from the initiative. This empowerment program will continue in 2019 at various locations. To support the SME segment across various industries, new loans disbursed in 2018 was above ₦65bn.

OUR SOCIAL COMMITMENT

Youth Empowerment Initiatives

The Youth Empowerment Series is a program designed to sensitise children and young adults on issues relating to financial literacy with focus on financial discipline, savings, investment and career guidance. In 2018, children between the ages of 10 to 24 years were hosted at the 2nd edition of the Youth Empowerment Series which attracted about 1,350 youths across the Lagos metropolis.

In addition, Campus Storm was organised at the University of Lagos and Obafemi Awolowo University, Ile-Ife to harness untapped potentials of youths, sensitising them with the right information and exposure. The campus storm were mentoring sessions tagged *'Entrepreneur's Mindset'* aimed at teaching young adults to develop entrepreneurial mindset in business as well as alternative career choices upon completion of their first degree. Over 3,200 students benefitted from these engagements. This initiative is primarily designed to foster and establish partnerships towards our customers' success.

The Bank, in the 2018 National School Entrepreneurship Exhibition and Award provided a platform for teenage entrepreneurs across Nigeria to showcase innovative business ideas and community service projects. Our commitment was necessitated by our deep-rooted understanding that adequate investment in the nation's youth is instrumental to sustainable national development.

FirstBank Youth Empowerment Programme 2018
Left-Right: Motunrayo Ade-Famoti (CEO, MoneyStewards); Aderemi Banjoko (CEO - dkbMARKETS Limited); Gbenga Shobo (Deputy Managing Director, FirstBank) and Ibukun Awosika (Chairman, FirstBank) at the FirstBank Youth Empowerment Programme.

Exceeding our Customers' expectations through Money Transfer Services

In meeting our customers' service delivery needs and in line with compliance and regulatory requirements, in 2017, there was a Western Union 'Win Back Your Fee Promo' designed to cushion the 'send' cost for customers in the face of industry-wide increase in such costs, resulting from the harmonisation between official and parallel market exchange rates. Over 400 customers were rewarded with the full fees charged for send transactions. Other promotional campaigns held during the year were the *'Money Transfer Easter Promo'* and the *'MoneyGram 'Back-to-School Promo'*.

Towards offering our customers various options in remittance services, we pioneered an industry-wide agency relationship with WorldRemit, a renowned International Money Transfer Organisation with mobile app-based services. This 'first-of-its-kind' in the market was launched by a media awareness with the Management of FirstBank and WorldRemit in attendance. Our financial inclusion initiatives continued during the year by encouraging walk-in customers to open accounts with part of their inflows, thereby supporting the CBN initiative to on-board the unbanked and underbanked segment of the population for formal banking services. In 2018, the Bank processed over ₦172bn inbound transfers and remitted over ₦9.5bn outbound transfers. FirstBank remains the leading Agent Bank in Nigeria in International Money Transfer remittances.

FirstBank – WorldRemit Media Launch
Left-Right: Pardon Mujakachi (Head, Business Development South Africa and Africa, WorldRemit); Tunde Owolabi (Group Executive, Retail Banking Lagos and West, FirstBank); Adeyemi Ogunmoyela (Group Chief Compliance Officer, FirstBank); Andrew Stewart, (Managing Director, Middle East and Africa, WorldRemit); Gbenga Shobo (Deputy Managing Director, FirstBank); Lydia Mawby (Assistant Finance Manager, WorldRemit); and Abiodun Famuyiwa (Group Head, Products and Marketing Support, FirstBank).

COMMUNITY DEVELOPMENT

FirstBank is committed to nation-building and we have been driving sustainable social, economic and environmental growth for about 125 years. Our community development initiatives are anchored on our strategic education, health and welfare pillars. Our engagement in sustainable business practices is based on our commitment to enhancing economic development and stability for the present and future generation.

Our key programmes include; FutureFirst, Infrastructure Development, Start Performing Acts of Random Kindness (SPARK) as well as Employee Giving and Volunteering.

FutureFirst Programme

The FutureFirst programme is designed to drive financial literacy, career counselling and entrepreneurship for young ones. We work with non-governmental organisations such as Junior Achievement Nigeria (JAN) to implement FutureFirst projects. JAN's programme aligns with the FutureFirst's vision and based on the curriculum, the Bank has positively impacted students in different locations across the country. Through our partnership with JAN, senior secondary school students were provided with practical business experience through the organisation and operation of an after-school business enterprise incubation programme.

The programme offers an experiential supplement to the students' business and economics studies. It provides insight to how businesses are organised and operated, it develops critical thinking, speaking and leadership skills, provides better understanding of the rewards of the free enterprise system, creates a platform to learn about career opportunities, and gain basic workforce-readiness skills. The programme also fosters positive relationship between young people and the business community.

The JAN programme is also connected to the Company of the Year (COY) competition. COY, sponsored by FirstBank, is a competition organised to promote financial inclusion, creativity, entrepreneurship, collective thinking and team work amongst secondary school students, whilst driving their preparedness for university education and subsequent stages of life. This programme is aimed at influencing the economic growth and development in the respective Junior Achievement Worldwide member countries and the world at large.

The Inventive Explorers from Caro Favoured School, Ajegunle in Nigeria won three different categories: Regional Company of the Year, National Company of the Year, and Company of the Year Africa competitions. The latter took place in Accra, Ghana on Friday, 8 December 2018. The Inventive Explorers won the competitions with an inventive user-friendly and portable mobile traffic light designed to reduce accidents. The team won the Coca-Cola 'Excellence in Teamwork' Award and the FedEx Access Award for developing a business that best demonstrates the ability to transcend national borders.

The FutureFirst programme has impacted over 80,000 secondary students across different parts of the country including Lagos, Port Harcourt and Abuja with the knowledge of financial literacy and entrepreneurship. Staff volunteers were recruited from the Bank for the programme and 38,000 volunteering hours expended.

CFA Universities Ethics Challenge and Samuel Asabia Chair on Business Ethics

To demonstrate the Bank's commitment to ethics, professional excellence, capacity building and inclusive growth of Nigerians as well as support youth education and the drive towards nation building, the Bank partnered with CFA Society in its yearly Universities Ethics Challenge. CFA Institute is a global, not-for-profit association of investment professionals with a mission to lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the benefit of society.

COMMUNITY DEVELOPMENT

The Ethics Challenge aligns with the CRS strategic approach and the objective of FirstBank's Endowment programme and the Samuel Asabia Chair for Business Ethics at the University of Lagos. We believe that promoting ethics in business is not only important for the reputation of our brand but also one of the solid pillars that effectively support sustainable financial institutions.

Infrastructural Development Programme

FirstBank Infrastructural Development programme promotes and supports infrastructure development. Some of the identified areas of support include provision of infrastructure to schools, hospitals and our communities. Ten universities and three secondary schools are currently being supported.

A renovated lecture theatre at the University of Ibadan as part of the Infrastructural Development Programme

SPARK (Start Performing Acts of Random Kindness)

SPARK is an initiative that focuses on creating and reinforcing an attitude of going beyond meeting the material needs of people who are unable to help themselves, to showing compassion, empathy and affection. It highlights the need to collectively perform acts of kindness towards restoring hope in humanity and inspiring people to make a difference. An approach has been adopted to deepen our engagement in communities where we operate by integrating and institutionalising random acts of kindness.

Since 1894, FirstBank has contributed to various aspects of nation building. Given the Bank's historical role in developing the nation, we believe it is important to raise people that choose to do the right things.

> “FirstBank's CR&S week is the first of its kind in the financial service industry in Nigeria.”

Celebrating Corporate Responsibility and Sustainability Week

As part of the Employee Giving and Volunteering programme, FirstBank commenced a week-long celebration of its annual Corporate Responsibility and Sustainability initiatives. The maiden edition held in September 2017, while the second edition took place in June 2018. The theme for the FirstBank CR&S week in 2017 was 'Promoting Kindness; Putting 'YouFirst' while the 2018 theme was 'Touching lives; 'YouFirst' This is a culmination and consolidation of the Bank's interventions in social responsibility, promoting random acts of kindness across communities in Nigeria's six geo-political zones and the Bank's subsidiaries in the United Kingdom as well as Middle Africa. The programme reflects the FirstBank's brand promise to always put its customers first while reinforcing the Bank's role in driving sustainable development in the communities where it operates.

The CR&S week is specially designed to show acts of kindness in our society. The events are tailored towards re-orientating the society along the right values; encouraging the citizenry to intentionally create positive impact in their immediate environment. One of the major highlights of the week has been dubbed the SPARK initiative; Start Performing Acts of Random Kindness.

During the week-long activities, FirstBank's employees volunteer their time and resources to promote random acts of kindness within their communities, driving welfare through giving and visits to orphanages, homes of the less privileged and Internally Displaced Persons camps. The Bank also holds career counselling sessions with secondary school students across the country. The career counselling sessions involve FirstBank staff coordinating sessions that will include financial literacy and inclusion in young students, supporting women empowerment initiatives as well as advancing social engagement by providing vision screening and affordable eyeglasses for low-income earners.

FirstBank's CR&S week is the first of its kind in the financial service industry in Nigeria.

COMMUNITY DEVELOPMENT

The FirstBank orphanage visit during the 2018 CR&S week at Abuja. The team was led by Abdullahi Ibrahim, Executive Director, Public Sector.

Visit to the Down Syndrome Foundation
Left-Right: Muyiwa Majekodunmi (Vice President, Down Syndrome Foundation Nigeria), Anthonia Jones-Nduka (Head, Retail Business Advisory, HCMD FirstBank), Gbenga Shobo (Deputy Managing Director, FirstBank) Solomon Omiere, Student of the Down Syndrome Foundation Nigeria, Rose Mordi (Founder, Down Syndrome Foundation Nigeria) and Abiodun Famuyiwa (Group Head, Products and Marketing Support, FirstBank).

Winners of a charity fundraising event at FBNBank UK during the 2018 CR&S Week.

Employee Giving and Volunteering

Our Employee Giving and Volunteering programme was set up to encourage employees to give back to the community and instil the integral corporate culture of giving.

The programme is structured around two elements:

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

Giving: this involves employees donating material resources including cash to the less privileged. Our giving is mainly driven through a crowdfunding approach. Crowd funding enables large numbers of people to make small contributions or donations towards a cause.

The approach is three-pronged:

- Strategic alignment: our volunteering activities and initiatives must align with our corporate responsibility and sustainability strategy.
- Partnerships: the initiatives are also implemented by leveraging existing partnerships, such as 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 projects, a subset of employees who possess the required expertise are targeted. For example, the FutureFirst financial literacy and career counselling programme is driven by employees with the appropriate skills and knowledge. In addition, employees are encouraged to begin and promote their personal initiatives. These initiatives are often recognised and rewarded by the Bank for outstanding performance.

The programme aligns with the four core areas of our Community Support Pillar: education, health and welfare, economic empowerment, and the environment:

COMMUNITY DEVELOPMENT

Education:

Volunteers are expected to train or mentor students and members of the local community on specific subjects identified as knowledge gaps that are hindering these students from doing business. Programmes include; FutureFirst as well as the Youth Leadership and Development programme.

Economic empowerment:

Volunteers make use of their skills to empower students, community groups and displaced people through coaching and teaching. Such programmes are; FutureFirst and Entrepreneurship.

Health and welfare:

Volunteers give their time, energy and financial resources to the aged, orphans, the less privileged and the sick. Such initiatives are; the Hope Rising programme and visiting the less privileged.

Environment:

The Bank supports training that encourage employees' adoption of responsible practices that positively impact the community. Such initiatives are; staff training and the Environment Conservation programme.

In 2018, staff volunteers participated in different CR&S activities of the Bank which included Global Money Week, World Savings Day as well as the Youth Empowerment Series. These activities were designed to provide students with practical business experience through the organisation and operation of an after-school business enterprise programme as well as passing on the relevant skills and values, such as good judgement, hard work, integrity, confidence and collaboration.

COMMUNITY DEVELOPMENT

FBNQUEST MERCHANT BANK

FBNQuest Merchant Bank has remained committed to CR&S. Its sustainability statement is 'We are an ethical organisation committed to conducting business in an innovative and sustainable manner, delivering value to all stakeholders'.

In 2018, FBNQuest Merchant Bank activities focused on:

- Deepening existing initiatives and partnerships at various stakeholder levels and initiating new partnerships based on our CR&S drivers. However, a number of these initiatives are still in the initial phases.

- Increased active employee engagement in fundraising and charitable giving as well as employee volunteering aligned with our business objectives.

- Leveraging activities of the Group; ensuring cohesion in implementation to drive efficiencies and deliver maximum value.

FBNQuest Merchant Bank achieved the following in 2018:

- **Capacity Building:** due to the importance of sustainability to the operations, competence development for improved environmental and social performance and other related areas has been made compulsory. In line with this, capacity training sessions were held across the business for Management, Employees and Key Stakeholders on the concept of Sustainable and Responsible Investing, Environmental, Social and Governance Principles, Business Ethics, Value Chain, Reporting Standards and Sustainability Reporting.

- **Financial Literacy:** staff of FBNQuest Merchant Bank trained over 1,700 students on the importance of earning, saving and growing money. This was done in alignment with the global and local drive for financial literacy which is regulated by the CBN under the Global Money Week and the World Savings Day initiatives. Our impact spanned secondary school students in different geopolitical zones which include; Abuja and Delta State.

- **Partnership with Teach for Nigeria:** Teach for Nigeria (TFN) is a non-profit organisation designed to address poor educational outcomes of Nigeria's most marginalised pupils by enlisting our nation's most promising future leaders in the effort to expand education and life opportunities for all children. Through a two-year Leadership Development programme, TFN recruits outstanding university graduates and young professionals of all academic disciplines to teach as full-time teachers (known as Fellows) in underserved and low-income schools. FBNQuest has committed to sponsoring a minimum of five fellows at the training institute who will directly impact a minimum number of 300 students in low-income schools across different parts of the country.

- **Women Economic Empowerment:** A diverse workforce allows us to continue to develop innovative products and offer unique services. It helps us attract and retain the best talent and ultimately helps us make our customers more successful. In 2018, over 25 women of FBNQuest participated in various female economic empowerment and capacity building initiatives which included: Women in Management, Business and Public Service (WIMBIZ) Annual Lecture Series, WIMBIZ 2018 Annual Conference, Women in Successful Careers (WISCAR) Annual Conference and internal women mentorship initiatives tagged the Women Interactive Network.

COMMUNITY DEVELOPMENT

FBNInsurance

As part of the Group's drive to enhance corporate responsibility and sustainability, FBNInsurance is committed to sustainable insurance to reduce risk, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability.

• Kids' Voice Reality Show

Kids Voice Reality Show is a 13-week musical talent hunt conceptualised and produced by Rwells Media, owners of JYB TV. This is a platform to showcase prodigies to a diverse audience. We supported the show as a way of reinforcing our place in the minds of parents and guardians as well as an avenue to educate tomorrow's customers (the children) about insurance.

Guests at the JYB TV Kids Voice Reality Show

• Donation of a second dialysis machine and an ultrasound scan machine to Gbagada General Hospital

The rising scourge of kidney diseases has necessitated concerted efforts towards arresting this epidemic. FBNInsurance donated a second dialysis machine to one of Lagos' busiest dialysis clinic situated in Gbagada General Hospital. The members of the Board also supported the company by donating a state-of-the-art ultrasound scan machine to ameliorate the burden on the neo-natal unit of the hospital.

Left-Right: Adenrele Kehinde, Chairperson, FBNInsurance; Val Ojumah, MD/CEO, FBNInsurance and Caleb Yaro, Non-Executive Director, FBNInsurance at the commissioning of the second Dialysis Machine donated to Gbagada General Hospital, Lagos.

• WFM Skills Acquisition Programme

As our contribution towards building employable graduates and job seekers, we supported a two-day Job Entry and Skills Acquisition programme organised by WFM 91.7 for job seekers. In addition to supporting financially, we also availed them the use of our Human Resources Manager as a resource person over the two-day period.

• Renovation of classrooms and donation of Boreholes

In line with our community support initiative, the Company renovated two blocks of classrooms at a primary school and also donated boreholes to both the primary school and the neighbouring secondary school located in a village near Abraka, Delta State.

Commissioning of the renovated blocks of classrooms and the donation of a borehole at Aragba Primary and Secondary School
Left-Right: Ineh Francis and Mrs Ajemuaire (Teachers at the Aragaba Secondary School), Prince Otedo Chukudi (Representative of the traditional ruler), Chokor Patience (Principal, Aragaba Secondary School), Val Ojumah (MD/CEO, FBNInsurance), Chief Benson Ndakara (President General, Aragba Development Union).

COMMUNITY DEVELOPMENT

- ## Jakin NGO Dress-A-Child for School

Jakin NGO has been a veritable partner in aiding access to education for over 750 needy students in Lagos. For the past four years, we have supported the NGO's Dress-A-Child-for-School initiative, a project that provides back-to-school kits for needy and vulnerable children in Lagos and environs.

Val Ojumah, MD/CEO, FBNInsurance at the Jakin NGO Dress-A-Child Initiative event.

COMMUNITY SUPPORT SCORE CARD

S/N		Objective/ Programme Measure	2018 Accomplishments	Measure	Impact	2019 Targets
1.	**Infrastructure Development Programme**	Promote and support infrastructural development in schools and the society	Construction of an auditorium for Abolarin College, Oke-Ila Orangun, Osun State Nigeria.	• Cost of projects or programmes • Number of projects and beneficiaries impacted	Expended ₦10mn	• Rehabilitation of the existing infrastructure in select universities • Construction of one additional infrastructure in select universities
2.	**Hope Rising Initiative**	Engender inclusion and diversity through education, advocacy and skills acquisition	• Consistent partnership with the Down Syndrome Foundation Nigeria • Support for others include: - Nigeria Blind Association; - Benola Cerebral Palsy; - Chinwe Bode-Akinwande (CBA) Foundation; - International Women Society; - Red Cross Society; - Hope 4 Sure Foundation; - Segun Aina Foundation; - Pacelli School for the Blind and Partially Sighted Children; - Patrick Speech and Languages Centre; - Rotary Club; - Nigerian Conservation Foundation; and - CFA Society Nigeria.	• Number of beneficiaries impacted	Over 30 charity homes in Nigeria and six countries were supported	5% increase in ratings

COMMUNITY SUPPORT SCORE CARD

S/N		Objective/ Programme Measure	2018 Accomplishments	Measure	Impact	2019 Targets
3.	**FutureFirst Programme**	Ensure financial literacy, career counselling and entrepreneurship skills for young ones	Partnership with Junior Achievement Nigeria (JAN) in driving financial literacy, career counselling and entrepreneurship initiatives	Number of students Impacted	Over 8,000 students were impacted with knowledge of financial literacy	5% increase in the number of students impacted
4.	**SPARK**	• To influence the mindsets of stakeholders to give; empathise, be compassionate towards others thereby promoting these values • To awaken the consciousness of performing acts of random kindness	Project designed to support people deserving of kindness across different geo-political zones in Nigeria	Number of beneficiaries and programmes implemented	34 beneficiaries across six geo-political zones of the country	10% increase in the number of beneficiaries
5.	**Employee Giving and Volunteering**	Provide a platform for employee giving, volunteering and engagement	• Employee Volunteering and Future First events held in Port Harcourt, Ebonyi and Lagos • Other events such as Financial Literacy Day and World Savings Day which were staff-supported initiatives also held	Number of volunteering hours and beneficiaries	Over 39,000 volunteering hours	5% increase in the number of volunteering hours

STANDARDS AND CODES

To further drive our performance and to demonstrate our commitment to integrating corporate responsibility and sustainability into our business strategies and management processes, we continue to adopt relevant frameworks, guidelines and standards in line with global best practice. Below are some of the key codes and standards adopted by the Group. Similar to the previous years, the following guidelines and standards applied in 2018.

GLOBAL REPORTING INITIATIVE GUIDELINES

The Global Reporting Initiative (GRI) is the most widely used sustainability reporting framework in the world which provides a platform for organisations to report on their economic, environmental as well as the social and governance performance. The initiative provides an opportunity for organisations to measure, understand and communicate information. GRI is an international not-for-profit, network-based organisation. Its activity involves thousands of professionals and organisations from various sectors, constituencies and regions. GRI encourages the use of sustainability reporting to promote sustainability within the organisations and at the macro-economic level.

FirstBank has adopted the GRI 4 reporting framework for its Sustainability Reporting and this began in 2015.

THE NIGERIAN SUSTAINABLE BANKING PRINCIPLES (NSBP)

The Nigerian Sustainable Banking Principles programme was Initiated by CBN and the Bankers' Committee to formulate sustainable banking standards and guidelines for Nigerian banks. This led to the establishment of the Strategic Sustainability Working Group and FirstBank is a member.

The focus areas for the sustainability programme were:

The Bank actively participated in two of the sub-committees; agriculture and oil and gas which made submissions that were approved by the Bankers' Committee for implementation by the sector's regulator, banks and other related financial institutions.

FirstBank is a member of the steering committee responsible for providing implementation guidance on the NSBP for signatories to the principles.

STANDARDS AND CODES

Below is our implementation update:

NSBP IMPLEMENTATION UPDATE

	Requirements	Status Update
Principle 1: **Our Business Activities: Environmental and Social Risk Management** Integrate environmental and social considerations into decision-making processes relating to our business activities to avoid, minimise or offset negative impacts.	• Develop appropriate E&S policies • Develop appropriate E&S procedures • Develop and customise E&S due diligence procedures	• Environmental, Social and Governance Management System document (ESGMS) has been developed.
	• Articulate E&S governance and approval authority measures	• The document has been reviewed and approved by relevant stakeholders in the Bank.
	• Monitor E&S risks and review E&S conditions	• The framework for implementation has been developed. • Adoption of the ESGMS to screen credit transactions.
	• Provide client engagement guidance on E&S issues	• Group Heads and Relationship Managers have been trained on responsible lending including technical and compulsory areas as part of the implementation of the ESGMS.
	• Develop appropriate E&S reporting criteria	• Automation of ESG risks screening on-going.
	• Report on implementation progress and support for investment in sustainable, innovative business opportunities	• Transactions valued at ₦2.8tn have been screened and assessed for ESG risks.

STANDARDS AND CODES

	Requirements	Status Update
Principle 2 **Our Business Operations: Environmental and Social (E&S) Footprint** Avoid the negative impacts of our business operations on the environment and local communities where we operate and where possible promote positive impact.	• Develop environmental management programme with facility management. This should address climate change and greenhouse gas emissions reduction, water efficiency, waste management and environment-friendly facility construction and management	• Restriction of staff printing, particularly colour printing. • Increased use of conference calls for meetings as against physical attendance at meetings, thereby minimising fuel consumption and carbon emission from vehicles.
	• Comply with relevant labour and social standards • Implement a community investment programme • Apply the E&S standards to relevant party	• Implemented community development programmes to promote positive impacts on stakeholders i.e. Infrastructural development, FutureFirst, HopeRising Programme, SPARK Programmes.
Principle 3 **Human Rights:** Respect human rights in our business operations and business activities.	• Develop and implement human rights policy (including labour and working conditions) • Integrate human rights due diligence into E&S procedures	• Our respect for human rights forms a major part of our ESGMS.
	• Invest in resources and training of staff on human rights issues	• Conducted training on human rights. • The Group maintains an organisational culture that encourages an open line of communication between superiors and subordinates. • The Group maintains a fair and efficient procedure for resolving disputes and ensures disciplinary measures are fair and effective without breaching labour laws or standards.

STANDARDS AND CODES

	Requirements	Status Update
Principle 4 **Women's Economic Empowerment:** Promote women's economic empowerment through a gender inclusive workplace culture in our business operations and provide products and services designed specifically for women.	• Develop and implement women economic empowerment policy • Establish women economic empowerment committee • Develop initiatives and programmes to promote and celebrate women empowerment	• The Group's Corporate Responsibility and Sustainability policy covers this principle.
	• Invest and dedicate resources for female talent	• Granted about ₦736.7mn loan to female entrepreneurs. • Over 3,000 SMEs run by women received support from FirstBank. • A total of 2,758 staff are women, representing 38% of the total staff strength.
	• Support the establishment of a sector-wide women empowerment fund	• Established women economic empowerment policy which includes policies such as: maternity leave policy, study leave policy, training policy, career mobility policy etc. • Partnered with Women Of West Africa Entrepreneurship (WOWE), Women in Management, Business and Public Service (WIMBIZ); Chinwe Bode-Akinwande Foundation (CBA), on women development.
Principle 5 **Financial Inclusion:** Promote financial inclusion by providing financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.	• Develop and implement a financial inclusion policy	• Financial Inclusion is part of the Group's Corporate Sustainability policy.
	• Provide development and growth support to SMEs	• Increased volume and value of financial transactions through FirstMonie agents in over 14,000 locations.
	• Improve financial literacy and institutional practices • Improve access to Bank facilities and services	• Promoted financial literacy through FutureFirst, participation in the Financial Literacy and World Savings Days as well as several other programmes.

STANDARDS AND CODES

	Requirements	Status Update
Principle 6 **E&S Governance:** Implement robust and transparent E&S governance practices in our respective institutions and assess the governance practices of our clients.	• Establish E&S governance responsibility • Develop institutional E&S governance practices • Active support of key industry initiatives aimed to address E&S governance issues with customers operating in sensitive sectors • Implement E&S performance-linked compensation and incentive schemes	• The Bank has in place a Sustainability Committee chaired by the Chief Risk Officer.
	• Establish internal and where appropriate, external E&S audit procedures	• FirstBank is a member of the NSBP network steering committee responsible for implementing the principles across sectors.
Principle 7 **Capacity Building:** Develop individual, institutional and sector capacity necessary to identify, assess and manage the environmental and social risks as well as opportunities associated with our business activities and operations.	• Identify relevant roles and responsibilities towards delivering sustainable banking commitments	• The Board and the Executive have been trained on sustainability.
	• Provide sustainable banking training sessions • Create practical E&S training tools and resources	• A total of 15,038 staff were trained.
	• Multi-stakeholder capacity building	• Partnered with NSBP and IFC in training key staff. The target is to train all staff on sustainability.

STANDARDS AND CODES

	Requirements	Status Update
Principle 8 **Collaborative Partnership:** Collaborate across sectors and leverage international partnerships to accelerate our collective progress towards aligning with international standards and Nigerian development needs.	• Collaborate and coordinate with other banks	• FirstBank is a member of the NSBP network steering committee responsible for implementing the principles across sectors.
	• Organise sector-wide workshops and events	• FirstBank participated in industry-wide workshops.
	• Align with international standards and best practice initiatives	• FirstBank is a member of the United Nations Global Compact (UNGC) and in line with the guidance, the Bank has submitted its 2017 Communication on progress (COP) report.
	• Establish and participate in Nigerian sector-level initiatives	• The Bank participated in the development of a work plan for the local network aimed at energising the activities of the network among business actors in Nigeria and encourages non-participants to adopt the UNGC principles.
Principle 9 **Reporting:** Regular review of the principles and reporting on the progress at the individual institution and sector levels.	• Establish a sustainable banking reporting template	• Developed a reporting template.
	• Set clear targets and relevant performance indicators	• Targets and KPIs have been set. The implementation commenced in 2014.
	• Ensure systems are in place for data collection	• Developed a system for data collection. Yearly internal reporting and quarterly external reporting.
	• Agree on the frequency, nature and format of internal and external reporting	• Internal reports provided quarterly while external reports provided yearly. The 2013, 2014, 2015, 2016, 2017 and 2018 corporate responsibility and sustainability reports have been published and distributed to stakeholders.
	• Contribute to sector-level reporting	• NSBP half-yearly reports submitted to the CBN.

STANDARDS AND CODES

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact (UNGC) is currently the highest body for corporate citizenship in the world today. It was established in 2000 to serve as a platform for dialogue, learning and partnership for organisations willing to commit to adopting corporate responsibility as part of their business strategy and daily operations. The UNGC has successfully attracted and mobilised over 12,000 businesses to become members in over 170 countries across the world.

Membership into the UNGC implies an organisation's willingness to align with the UN values and support initiatives that advance the UN goals as contained in the Millennium Development Goals – now Sustainable Development Goals. Participants simply commit to align their strategies and operations with 10 principles in the areas of labour, human rights, environment and anti-corruption.

FirstBank became a member of the United Nations Global Compact in January 2013 having commenced the process in 2012. To ensure all other subsidiaries under FBNHoldings of which FirstBank is a part, synchronise their activities and align their practices to the 10 principles of the UNGC, FBNHoldings became a member of the UNGC in the stead of FirstBank.

The Group maintains a Global Compact active membership status in the United Nations Global Compact and has published its Communication on the Progress Reports for 2013, 2014, 2015, 2016 and 2017 in the UNGC website. The 2018 report has also been concluded. The 2018 Communication on the Progress Report can be accessed using the link on the United Nations Global Compact Website.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the tripod of our Corporate Responsibility and Sustainability. The other two are citizenship and impact management. Stakeholder engagement involves putting into consideration the needs of our stakeholders when making business decisions.

Our stakeholders are broadly categorised into two: Internal and External. Our main internal stakeholders are our employees and shareholders while our external stakeholders consist of our customers, host communities, regulators, the media, government agencies, amongst others.

As in previous years, our robust engagement with our stakeholders provided opportunities to further align our business practices with societal needs and expectations and drive long-term sustainability as well as shareholder value.

	Reasons for the engagement	Types of engagement
EMPLOYEES	• To ensure the Group remains a great place to work by providing a secure, positive and inspiring working environment. • To ensure employees are connected and in tune with the culture of the Group thereby encouraging communication, dialogue and ultimately increase productivity and staff retention. • To ensure members of staff are aware of the Group's vision and activities and the role they are required to play.	These include: • Focus groups • Knowledge sharing sessions • Roadshows • Engagement surveys • Emails • Intranet • Communications • Magazines • Training
CUSTOMERS	• To better understand the financial services need of our customers and provide appropriate solutions.	• Interactions through branch service points; relationship managers, contact centres, complaint lines (First Contact and specific e-mail addresses), customer engagement forums; social media (Facebook, LinkedIn, Twitter, YouTube etc.) surveys as well as marketing and advertising activities in the traditional media.

STAKEHOLDER ENGAGEMENT

	Reasons for the engagement	Types of engagement
INVESTORS	• To improve the market's understanding of the Company's investment proposition • To provide the necessary information to existing and prospective Investors, shareholders and analysts • To keep the market informed of developments and events in a reliable, consistent and transparent manner • To manage the relationships with the market, project the intrinsic value of the business and enhance investors' confidence • Enable the Group succeed in the competition for capital	• Roadshows • Shareholder Association visits • Communication and responses to investor and analyst queries • Investor meetings • Annual General Meeting • Conferences and presentations.
REGULATORS	• To foster deeper relationships with regulators by making sure all legal and compliance requirements are met thereby minimising associated risks and safeguarding our license to operate.	• Meetings • Statutory reporting
COMMUNITIES	• To foster a mutually beneficial and meaningful relationship with our communities, focusing on the Group's corporate sustainability and responsibility goals. • To obtain inputs from the communities regarding the Group's corporate responsibility programmes and how to meet their needs. • To partner with persons, groups and NGOs in ensuring that the Group's activities and operations are conducted responsibly. • To create awareness of the Group's corporate sustainability and responsibility initiatives.	• Citizenship and stakeholder engagement approach; ongoing support of projects and interaction with a wide variety of NGOs and government organisations. • Steering Committee – Sustainability Champions of NSBP

GOVERNANCE

FBNHoldings' staunch commitment to the highest standards of Corporate Governance practices and ethical conduct continues to undergird our approach to doing business the right way.

BOARD OF DIRECTORS

Front left to right: 'Debola Osibogun, Cecilia Akintomide, OON; U.K. Eke, MFR; Dr Oba Otudeko, CFR; Dr Adesola Adeduntan, Oluwande Muoyo.
Back left to right: Dr Hamza Wuro Bokki, Omatseyin Ayida, Seye Kosoko, Chidi Anya, Oye Hassan-Odukale, MFR.

Appointment Philosophy

The process of appointments to the Board of FBN Holdings Plc is transparent and in accordance with relevant regulatory laws and guidelines. Directors are selected based on their skills, competencies and experience. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment. Thereafter, recommendations on candidates' suitability are made to the Board to decide on the appointment of the candidate subject to the approval of the relevant regulatory authorities and ratification of shareholders at the annual general meeting.

Training Philosophy

Local and international training programmes are organised for Board members to improve their decision-making capacity as well as enhance their contribution to the effectiveness of the Board, regardless of their expected indepth knowledge and experience. An annual Training Plan is approved by the Board while the Company Secretariat ensures the implementation of the plan.

> “Directors are selected based on their skills, competencies and experience.”

BOARD OF DIRECTORS

Detailed below are the profiles of the members of the Board:

Dr Oba Otudeko, *CFR*
Group Chairman

Dr Oba Otudeko, CFR, is the pioneer Chairman of FBN Holdings Plc and founding Chairman, Honeywell Group. 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) Ltd. 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).

Dr Otudeko was the 16th President and Chairman of Council of the Nigerian Stock Exchange between 2006-2009. He was the pioneer Chairman of the Nigerian-South African Chamber of Commerce between 2013-2014; he was the Chairman of the Business Support Group (BSG) for the delivery of the National Integrated Infrastructure Master Plan. In 2011, Dr Otudeko was conferred with the Nigerian National Honour of Commander of the Order of the Federal Republic (CFR).

Dr Otudeko is a Chartered Banker, Chartered Accountant and Chartered Corporate Secretary. He has also attended executive management training programmes at the International Institute for Management Development, Lausanne, Switzerland; Harvard Business School, Boston, USA; and the Arthur D. Little School of Management, USA. He was the Chancellor of Olabisi Onabanjo University, Ogun State, and currently serves as a member of the Office of Distinguished Friends of London Business School, United Kingdom. He is the founder of the Oba Otudeko Foundation, a not-for-profit organisation. Dr Otudeko is married with children.

U.K. Eke, *MFR*
Group Managing Director

U.K. Eke, MFR, assumed office as the Group Managing Director, FBN Holdings Plc on January 1, 2016. He joined the Board of FirstBank, a subsidiary of FBNHoldings in 2011 as the Executive Director, Public Sector South and until his appointment as the GMD of FBNHoldings, he was the Executive Director, South. His sound managerial and motivational skills, coupled with his vast experience, helped develop FirstBank's businesses within the Public Sector, Retail and Private Banking groups as well as on the Board. In 2017, he was appointed to the Board of Nigeria Sovereign Investment Authority.

Prior to his appointment to the Board of FirstBank, he was the Executive Director, Regional Businesses, Lagos and West, Diamond Bank Plc. His work experience spans Deloitte Haskins & Sells International where he rose to a Senior Audit Consultant. At Diamond Bank Plc, he was a Branch Manager, Regional Manager and Divisional Head before he became an Executive Director. He has over 30 years' experience in financial services, auditing, consulting, taxation, process engineering and capital market operations.

BOARD OF DIRECTORS

U.K. is a Fellow of the Institute of Management Consultants, Fellow of the Institute of Directors and a Fellow of the Institute of Chartered Accountants of Nigeria. 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 Non-Executive Director of First Bank of Nigeria Ltd and FBNQuest Merchant Bank Ltd.

A philanthropist and mentor to many, he is a ruling Elder of the Presbyterian Church of Nigeria, Lekki Parish and a Paul Harris Fellow of The Rotary Club International. He is a recipient of Nigeria's National Honour of Member of the Order of the Federal Republic (MFR). U.K. is married with children.

Oye Hassan-Odukale, MFR, is a pioneer Director on the Board of FBN Holdings Plc. He holds Bachelor and Masters' degrees in Business Administration from the University of Houston. He is the current Managing Director/CEO of Leadway Assurance Company Ltd, a leading Insurance company in Nigeria, a position he has held for several years. His appointment was preceded by several years of experience in insurance brokerage, underwriting, investments and general management.

He is a recipient of the Nigerian National Honour of Member of the Order of the Federal Republic of Nigeria (MFR) and sits on the Board of several companies in Nigeria, both for-profit and non-profit. He was a Non-Executive Director on the Board of First Bank of Nigeria Plc; and currently Chairman of FBNBank (UK) Ltd, a wholly-owned subsidiary of FirstBank. He is a Securities and Exchange Commission-accredited investment manager and portfolio advisor. Oye is married with children and enjoys listening to music, reading and travelling.

Oye Hassan-Odukale, *MFR*
Non-Executive Director

Chidi Anya joined the Board of FBN Holdings Plc in 2013. He has nearly three decades of professional practice within the Nigerian legal system, including pupillage with LN Mbanefo SAN, and roles as an Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria. Since 1997, he is the founding Partner of The Channings Law Firm, providing leadership and strategic direction as it has grown. The firm currently acts as Company Secretary to several leading indigenous conglomerates operating in strategic sectors of the Nigerian economy, provides guidance on corporate governance and compliance matters. For many years, Chidi has been recognised by clients and peers as a leading commercial and corporate law specialist and his 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. Chidi is a member of the Nigerian Bar Association, and its section on Business Law, and a Notary Public. He is married with children and his interests include gardening, reading, writing and intellectual debates. He also contributes to the building of stronger and more resilient communities.

Chidi Anya
Non-Executive Director

BOARD OF DIRECTORS

Hamza Wuro Bokki PhD joined the Board of FBN Holdings Plc as a Non-Executive Director in 2014. He is an alumnus of Harvard Business School and an experienced Chief Executive Officer with a demonstrated history of working in the financial services industry. He currently serves as Managing Director/CEO of NPF Pensions Ltd.

Dr Hamza Wuro Bokki
Non-Executive Director

He is a strong business development professional, skilled in Negotiation, Business start-up, Planning, Analytical Skills, Capital Markets, Board administration (having served on Boards of about 20 companies and currently serving), and Business Transformation. Hamza was the first student to be awarded a first-class degree in Public Administration from the University of Maiduguri and 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 the Managing Director of the Gombe State Investment and Property Development Company Ltd, where he revamped the company's financial position. He was also the pioneer MD/CEO of APT Pensions and he brought the company to profitability within four years. He served as the Honourable Commissioner for Trade and Industry, Gombe State between 2012 and 2014. During this time, he successfully ran the GMSG/BOI entrepreneurship development programme which was adjudged the best in the country. He has attended several executive programmes on Corporate Governance and Audit Committee. Dr Wuro Bokki is married with children and enjoys reading as well as travelling.

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She has extensive financial services experience, covering real estate financing, trusteeship, retail savings and loans at various institutions having spent over 33 years in these fields.

'Debola Osibogun
Non-Executive Director

'Debola has considerable experience of Boards at both Executive and Non-Executive level as she is currently the Managing Director of Davidfinn Global Concept Limited and the President of Consumer Awareness and Financial Enlightenment Initiative (CAFEi), a non-for profit organisation, limited by guarantee. She also served as the Managing Director of COOP Savings & Loans Limited, Skye Trustees Limited and as Non-Executive Director of FBN Mortgages Limited. She was the National President of the Mortgage Bankers Association of Nigeria.

'Debola is a Fellow and former President of the Chartered Institute of Bankers of Nigeria, a Fellow of the Chartered Institute of Taxation of Nigeria, the Nigerian Institute of Management, Association of Enterprise Risk Management Professionals and a member of Institute of Directors. She earned a Master of Science degree in Banking and Finance and a Bachelor of Education degree in Economics, both from the prestigious University of Ibadan.

An astute researcher and writer, she has published several articles and papers on primary mortgage institutions, creation of mortgages as well as financial literacy. At the National level, she served as a member of the Presidential Committee on Urban Development and Housing, Presidential Committee on Mortgage Finance as well as an Executive Member of the Nigerian Real Estate Developers Association.'Debola has attended several executive programmes at both local and international prestigious institutions which include INSEAD, Kellogs School of Management and Euromoney. She is married with children and enjoys playing basketball, polo and golf.

BOARD OF DIRECTORS

Omatseyin Ayida joined the Board of FBN Holdings Plc in 2015. He brings to the Board vast experience in the field of portfolio management and strategic human resource management. He is also very knowledgeable in risk and corporate regulatory issues. He holds a Bachelor of Arts degree in Economics and Politics from the University of Kent, Canterbury. He is currently the Managing Director of Saken Capital Partners Ltd.

He was previously the Managing Director of Capital Bank International Ltd, where he led the well-executed buyout of the bank from Commercial Bank (Credit Lyonnaise Nigeria) over an 11-month period in 2001 as well as the subsequent successful merger with Access Bank Plc and Marina International Bank Ltd in 2005. During his successful banking career with Commercial Bank (Credit Lyonnaise Nigeria), he worked in various departments in the bank and rose to become the Deputy Managing Director in 1998.

After his banking career, Omatseyin set up Ruyat Oil Ltd which he ran for just over a decade before selling it to an international food processing group. He is an honorary member of the Chartered Institute of Bankers and has attended several executive programmes including at Harvard Business School, Lagos Business School, Centre International de Management et d'Enseignement Strategique, as well as the Kellogg School of Management. He is married with children and enjoys playing golf.

Dr Adesola Adeduntan joined the Board of FBN Holdings Plc as a Non-Executive Director in 2016. Sola attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine degree. He also holds a Master's Degree in Business Administration 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 he is a Fellow of the Institute of Chartered Accountants of Nigeria. Sola is the Managing Director/CEO of First Bank of Nigeria Ltd and subsidiaries. Prior to this appointment, he was an Executive Director and the Chief Financial Officer of FirstBank.

Prior to joining FirstBank in 2014, Sola was the pioneer Chief Financial Officer and Business Manager of the Africa Finance Corporation, where he remains a Director. He has served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Ltd. He was 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 as a graduate trainee where he worked mainly in Banking Operations.

He is a Director of the Nigeria Interbank Settlement System Plc and FMDQ OTC Securities Exchange as well as a member of the Sigma Educational Foundation, which focuses on enhancing the quality of tertiary education system in Nigeria. Over the course of his sterling career, he has garnered expertise in diverse areas of management including; financial and risk management, treasury, performance management, strategy design and execution, information technology and compliance. Sola is married with children and enjoys listening to music, especially African folk music.

BOARD OF DIRECTORS

Oluwande Muoyo
Independent Non-Executive Director

Oluwande Muoyo was appointed to the Board of FBN Holdings Plc in 2016. She brings to the Board well over three decades of post-professional qualification experience in the private and public sectors, with key strengths in policy formulation, relationship management and business development. She is a Chartered Accountant and Banker and past Honourable Commissioner for Budget and Planning in Ogun State.

Prior to this appointment, she had worked with Stanbic IBTC Bank for over 22 years, in various parts of the bank, including Financial Control, Treasury and Financial Services, Trade Finance and Corporate Banking. Oluwande holds a BSc degree in Accounting from the University of Lagos. She 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.

Her past Directorships include the Governing Board of the International Crop Research Institute for the Semi-Arid Tropics. Oluwande has attended many training programmes including Strategic Marketing Management at Harvard Business School and Advanced Management Programme at the Lagos Business School. Oluwande is married with children and enjoys walking, cycling and playing golf.

Cecilia Akintomide, *OON*
Independent Non-Executive Director

Cecilia Akintomide, OON, joined the Board of FBN Holdings Plc in 2016 and brings considerable executive-level management experience. She was until recently, Vice President 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 delivery of 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 Africa, and served as Chief Counsel Institutional Affairs as well as Finance Counsel.

She brings to the Board of FBNHoldings her wealth of management experience, particularly from an international financial institution, and her legal experience spans over 31 years since her call to Bar. She has expertise in corporate governance, institutional affairs, business reorganisations and financing. She has practiced law in different jurisdictions, which includes 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, won by Nelson Mandela.

She was conferred with the honour of 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 in 2014. 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. Cecilia is a member of the Nigerian Bar and the New York Bar.

BOARD OF DIRECTORS

Oluseye Kosoko
Company Secretary

Oluseye Kosoko was appointed Company Secretary of FBN Holdings Plc in 2017. Prior to his appointment, he was the Head, Legal (Nigeria and West Africa) and Company Secretary, Standard Chartered Bank Nigeria Ltd. He is an experienced business executive and legal practitioner with a versatile and diversified professional background.

Seye brings to the FBNHoldings his experience in Banking and Finance, Telecommunications, Law teaching and practice and Taxation planning and advisory. He was the Managing Solicitor, Henley Crankshaw Solicitors, prior to which he was the Chief Legal Officer/Company Secretary, Econet Wireless Nigeria Ltd (now Airtel Networks) with responsibility for the Legal, Regulatory and Company Secretarial Group.

Seye has both Bachelor's and Master's degrees in Law from the University of Ife (now Obafemi Awolowo University) and the University of Lagos, respectively. He was called to the Nigerian Bar in 1985. Seye began his career as Counsel at Professor A.B. Kasunmu's Chambers while he taught Law at the Lagos State University. He was a Tax Consultant at Price Waterhouse and General Counsel/Company Secretary/Head of Compliance/Head of External Affairs at Citibank Nigeria.

He served as an Advisory Board Member of the General Counsel Summit, Association of Corporate Counsel from 2014-2018. He is a member of the Nigerian Bar Association and the International Bar Association. He is a member of the Governing Council of the Federal University of Technology, Akure. He loves reading, community activity, music, sports and enjoys meeting people. Seye is married with children.

BOARD OF DIRECTORS

ATTENDANCE AT BOARD MEETINGS

In 2018, the Board of FBNHoldings met eight times. The record of attendance is provided below:

Names	January 30	March 23	April 26	May 14	July 26	October 24	November 1	December 18
Dr Oba Otudeko, *CFR*	☑	☑	☑	☑	☑	☑	☑	☑
U.K. Eke, *MFR*	☑	☑	☑	☑	☑	☑	☑	☑
Oye Hassan-Odukale, *MFR*	☑	☑	☑	☑	☑	☑	☑	☑
Omatseyin Ayida	☑	☑	☑	☑	☑	☑	☑	☑
Chidi Anya	☑	☑	☑	☑	☑	☑	☑	☑
Dr Hamza Wuro Bokki	☑	☑	☑	☑	☑	☑	☑	☑
'Debola Osibogun	☑	☑	☑	☑	☑	☑	☑	☑
Oluwande Muoyo	☑	☑	☑	☑	☑	☑	☑	☑
Cecilia Akintomide, *OON*	☑	☑	☑	☑	☑	☑	☑	☑
Dr Adesola Adeduntan	☑	☑	☑	☑	☑	☑	☑	☑

BOARD COMMITTEE REPORTS

Board and Committee Governance Structure

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

BOARD COMMITTEES

FBNHoldings has the following constituted Board Committees:

BOARD GOVERNANCE AND NOMINATION COMMITTEE

Membership

- ‘Debola Osibogun
- Dr Hamza Wuro Bokki
- Oluwande Muoyo
- Omatseyin Ayida

‘Debola Osibogun
Chairman

Attendance at the Board Governance and Nomination Committee meetings in 2018

In 2018, the Committee met six times. The record of attendance is provided below:

Names	January 29	March 20	April 25	July 25	October 23	December 13
‘Debola Osibogun	☑	☑	☑	☑	☑	☑
Dr Hamza Wuro Bokki	☑	☑	☒	☑	☑	☑
Oluwande Muoyo	☑	☑	☑	☑	☑	☑
Omatseyin Ayida	☑	☑	☑	☑	☒	☑

Key responsibilities

The responsibilities of the Committee are to:

- develop and maintain an appropriate corporate governance framework for the Group;
- develop and maintain an appropriate policy on remuneration of Directors, both Executive and Non-Executive;
- nominate new Directors to the Board;
- succession plan for the Board of Directors and key Management staff across the Group;
- nominate and endorse Board appointments for the subsidiary companies;
- recommend Directors’ remuneration for the Group;
- oversee Board performance and evaluation within the Group;
- identify individuals for consideration for Board appointment and present to the Board for ratification;
- recommend potential appointment and re-election of Directors (including the GMD) to the Board, in line with FBNHoldings approved Director selection criteria;
- ensure the Board composition includes at least two Independent Directors who meet the independence criteria as defined in CBN circular;
- make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification;
- review and make recommendations to the Board on all retirement and termination payment plans to the Executive Directors;
- ensure proper disclosure of the Directors’ remuneration to the stakeholders;
- ensure compliance with the regulatory requirements and other international best practices in corporate governance;

BOARD COMMITTEES

- review and approve amendments to the Group's Corporate Governance framework;
- review and approve the corporate governance disclosures to be included in the annual report;
- ensure the performance evaluation of the GMD is performed by the Board on an annual basis and formal feedback provided to the GMD;
- nominate independent consultants to conduct an annual review and appraisal of the performance of the Board and make recommendations to the Board in this regard. This review and appraisal will cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight over corporate culture, monitoring role and evaluation of Management performance and stewardship towards shareholders;
- evaluate the performance of the Board Committees and Boards of subsidiary companies on an annual basis. The Committee may 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 Groups Evaluation policy;
- perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- evaluate the role of the Board Committees and Boards of subsidiary companies, and ratify the performance appraisals of the Executive Directors as presented by the GMD; and
- ensure compliance with the SEC, CBN and FRCN Codes of Corporate Governance and other global best practices on corporate governance.

BOARD COMMITTEES

BOARD AUDIT AND RISK ASSESSMENT COMMITTEE

Membership

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

Oluwande Muoyo
Chairman

Attendance at the Board Audit and Risk Assessment Committee meetings in 2018

In 2018, the Board Audit and Risk Assessment Committee met five times. The record of attendance is provided below:

Names	January 23	March 22	April 12	July 17	October 16
Oluwande Muoyo	☑	☑	☑	☑	☑
'Debola Osibogun	☑	☑	☑	☑	☑
Omatseyin Ayida	☑	☑	☑	☑	☒
Chidi Anya	☑	☑	☑	☑	☑

Key Responsibilities

The responsibilities of the Committee are to:

- ensure there is an efficient risk management framework for the identification, quantification and management of the 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;
- 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.

BOARD COMMITTEES

BOARD FINANCE AND INVESTMENT COMMITTEE

Membership

- Oye Hassan-Odukale, MFR
- Cecilia Akintomide, OON
- Dr Hamza Wuro Bokki
- U.K. Eke, MFR

Oye Hassan-Odukale, *MFR*
Chairman

Attendance at the Board Finance and Investment Committee meeting in 2018

In 2018, the Board Finance and Investment Committee met five times. The record of attendance is provided below:

Names	January 23	April 16	July 23	October 16	December 11
Oye Hassan-Odukale, *MFR*	☑	☑	☑	☑	☑
Cecilia Akintomide, *OON*	☑	☑	☑	☑	☑
Dr Hamza Wuro Bokki	☑	☑	☑	☑	☑
U.K. Eke, *MFR*	☑	☑	☑	☑	☑

Key Responsibilities

The responsibilities of the Committee are to:

- understand, identify and discuss with the 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 the Board retains sufficient knowledge of the Group's business and the industries in which it operates to provide strategic input and identify any critical strategic discontinuities in the 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;
- periodically engage the Management and act as a sounding board on strategic issues;
- regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investments 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 the 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 an effective tax policy is implemented.

BOARD COMMITTEES

GROUP EXECUTIVE COMMITTEE (GEC)

U.K. Eke, *MFR*
Chairman

The role of the Committee is to ensure implementation and alignment of the Group's strategy. The GEC is a management committee that meets quarterly, or as may be required. In 2018, the Committee met five times.

Membership

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

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

Key Responsibilities

The responsibilities of the Committee are to:

- review and ratify the quarterly and annual financial statements;
- review and approve the annual internal audit plan encompassing all 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 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 ensure confidentiality and anonymity of the submissions received regarding such complaints.

BOARD COMMITTEES

STATUTORY AUDIT COMMITTEE

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

Shareholder Representative's Profiles

Ismail Adamu
Chairman, Statutory 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 33 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, 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 professional ethical conduct. Ismail is married with children and enjoys music and football.

Christopher Okereke

Christopher Okereke was appointed member of the Audit Committee in May 2016. Chris has over 18 years' experience with the Securities and Exchange Commission, where he initiated and extensively contributed to policy formulation for the Regulation of the Nigerian Capital Market and 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 the Honourable Commissioner, Economic Empowerment and Poverty Reduction, Ebonyi State from 2007-2009. He served as a member of several committees including Technical Committee of National Council on Privatisation and Committee on Guidelines for Universal Banking in Nigeria.

He 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. Christopher is married with children and enjoys reading and playing golf.

BOARD COMMITTEES

Kolawole Durojaiye was appointed Shareholders' Representative of the Statutory Audit Committee of FBN Holdings Plc in May 2018. Prior to his appointment, he had worked with the Central Bank of Nigeria, Lagos for close to 14 years where he rose to the position of Director. He was an Assistant Manager at KPMG, Nigeria between 1986 and 1996, leading teams to commercial and merchant banks, finance companies and other financial institutions. Kolawole brings to the Committee 25 years' experience in Audit and Banking.

Kolawole Durojaiye

He was part of the team that codified the Nigeria Microfinance Policy Framework following the international study tour of countries with successful Microfinance history and was fully involved in the implementation as Secretary, Joint CBN-NDIC Consultative Committee on Microfinance Banking. A Fellow of the Institute of Chartered Accountants of Nigeria, Kolawole has attended several trainings and conferences; he participated in the 6th Global Housing Finance Conference by the World Bank Group, Washington DC, USA in May 2014 and led the Specialist Team that formulated the recent Reforms for Primary Mortgage Banks in Nigeria. Kolawole is married with children.

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.

Summary of the educational qualifications of the Statutory Audit Committee Members:

S/N	Names	Role	Status	Educational Qualification
1.	Ismail Adamu	Chairman	Shareholder Representative	FCICA, MSc Banking & Finance, HND (Banking & Finance)
2.	Christopher Okereke	Member	Shareholder Representative	FCA, MNI, MSc (Econs), PhD (Econs)
3.	Kolawole Durojaiye	Member	Shareholder Representative	FCA, MBF, BSc (Agric Econs)
4.	Oye Hassan-Odukale, *MFR* ***	Member	Non-Executive Director	MBA Finance, BBA, BSc (Bus Admin)
5.	Chidi Anya ***	Member	Non-Executive Director	MILD. BL, LLB
6.	Cecilia Akintomide, *OON* ***	Member	Independent Non-Executive Director	LLM, BL, LLB

*** Please refer to the Leadership section for the profile of the Directors.

BOARD COMMITTEES

Independence of the Statutory Audit Committee

The independence of the SAC is fundamental to upholding public confidence in the reliability of the SAC's reports and the Company's financials. The Committee has access to the external auditors to seek explanations and additional information.

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

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

Attendance at Statutory Audit Committee Meeting

In 2018, the Statutory Audit Committee met four times. The record of attendance is provided below:

Names	March 23	July 3	September 25	December 10
Ismail Adamu	☑	☑	☑	☑
Christopher Okereke	☑	☑	☑	☑
*Kolawole Durojaiye, *FCA*	N/A	☑	☑	☑
Oye Hassan-Odukale, *MFR*	☑	☑	☑	☑
Chidi Anya	☑	☑	☑	☑
Cecilia Akintomide, *OON*	☑	☑	☑	☑

*Kolawole Durojaiye, *FCA*, was elected at the Annual General Meeting of May 15, 2018

The Responsibilities of the Committee

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

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on Management matters in conjunction with the external auditor and departmental responses thereon (Management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and making sure that there are no conflicts 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, establish and develop the internal audit function.

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 views the Company as a going concern for the foreseeable future.

External Auditors

The external auditors for the 2018 financial year was Messrs.' PricewaterhouseCoopers (PwC).

FBNHoldings is in full compliance with the Code as its external auditors were appointed as sole auditors commencing 2014 financial year and have been retained for five years. They are subject to re-appointment annually and will be considered for re-appointment at the 2018 Annual General Meeting.

BOARD COMMITTEES

2018 Audit Fees

The audit fees paid by FBNHoldings to the external auditors for the 2018 statutory audit was ₦25mn. There were no non-audit services rendered to the Company during the year.

Prohibition of Insider Dealings

In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, structures have been put in place to ensure compliance and to communicate closed periods to insiders as well as the Nigerian Stock Exchange. The Registrars 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.

Succession Planning

The Board Governance and Nomination Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and Executive Management level that are deemed important to the achievement of the Company's business objectives and strategies and have a significant impact on the operations of the Group. These critical positions include:

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

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

Upon conclusion of this phase, the Committee thereafter identifies a talent pool, following which the skills and competency gaps are determined.

For the Chairman's position, the existing Chairman of the Board will articulate the developmental needs of each individual Non-Executive Director on the Board towards developing a plan to bridge that gap and position them as potential successors.

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

For Executive Management positions, the Governance Committee in conjunction with the GMD, shall note and review the skills gap of the possible successors against expected competency requirements.

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE WITH THE NIGERIAN STOCK EXCHANGE (NSE) LISTING RULES ON SECURITIES TRADING POLICY

In line with Section 14 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 FBNHolding's Securities Trading Policy (Policy) is embedded in the Board-approved Group Disclosure Policy and having made specific enquiries from all our Directors regarding compliance with the Policy, we hereby confirm to the best of our knowledge that our Board of Directors are compliant with FBNHoldings' Securities Trading Policy and the Rules on Securities Trading.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

STATEMENT OF COMPLIANCE WITH NIGERIAN STOCK EXCHANGE ON LISTING ON THE PREMIUM BOARD

In compliance with Section 4 of the Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the SEC Code of Corporate Governance (Code) governs the operations of FBN Holdings Plc.

We hereby confirm to the best of our knowledge that FBNHoldings is in full compliance with the Code.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

STATEMENT OF COMPLIANCE WITH SECTION 34 OF THE SEC CODE OF CORPORATE GOVERNANCE

In compliance with Section 34 of the SEC Code of Corporate Governance (SEC Code), we hereby confirm to the best of our knowledge the following:

- That FBNHoldings has in place effective internal audit functions and the Risk Management Control and Compliance system operates efficiently and effectively.
- That FBNHoldings' sustainability initiatives are in alignment with Part D of the SEC Code.
- That FBNHoldings' related party transactions are being monitored in compliance with the provisions of the SEC Code.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

STATEMENT OF COMPLIANCE WITH THE CENTRAL BANK OF NIGERIA (CBN) AND SECURITIES AND EXCHANGE COMMISSION'S (SEC) 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.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

WHISTLEBLOWING PROCEDURES

Commitment to High Ethical Standards

Whistleblowing is the process of raising concerns about wrongdoing, an illegal act or an unlawful conduct e.g. fraud, corruption, bribery or theft. The Board of FBN Holdings Plc attaches priority to high ethical standards and probity, and expects all its employees as well as officers to do the same in all their dealings.

The Board recognises that there may be instances where ethical guidelines may be violated. The Whistleblowing Policy ('Policy') was adopted by the Group to ensure such violations receive attention from the appropriate authorities. The Policy provides a channel for the employees' of the Group and other relevant stakeholders to confidentially raise concerns about workplace malpractices to enable the relevant authorities investigate and deal with such malpractice in a manner consistent with the Group's policies and relevant regulations.

This Policy complies with the requirements of various regulatory authorities with oversight on the activities of the Group, including the CBN 'Guidelines for Whistleblowing for Banks and other Financial Institutions in Nigeria'.

The Policy

The Policy applies to both internal whistleblowers (staff, contract employees, Management or Directors) and external whistleblowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders) and it is intended to encourage staff and other relevant stakeholders to report perceived unethical or illegal conduct of employees, Management, Directors and other stakeholders within the Group to appropriate authorities without fear of harassment, intimidation, victimisation or reprisal of any kind for raising concern(s) under the Policy.

Subsidiaries within the Group have a localised version of the whistleblowing policy and provide channels through which whistleblowers can report perceived acts of impropriety, unethical or illegal conduct. Such reports should not be based on mere speculation, rumours and gossips, but on factual knowledge. The full version of the Group Whistleblowing Policy can be viewed on our website: *www.fbnholdings.com.*

The Culture of Whistleblowing

To entrench the culture of whistleblowing among staff, emails and flyers on the advantages of whistleblowing, and the channels through which the whistleblowers can report perceived act of impropriety, unethical or illegal conduct are publicised. The provisions of the Whistleblowing Policy, and the Group's core values, encourage staff to speak up without fear and with the assurance that such reported cases will be thoroughly investigated by the Management and the findings will be communicated to the parties involved.

Internal Whistleblowing Procedure

Internal whistleblowing involves members of staff within the Group raising concerns about unethical conduct. An internal whistleblower can report perceived acts of impropriety, unethical or illegal conduct through any of the following channels, either declaration, in confidence or anonymously:

- Formal letter to the Group Managing Director FBN Holdings Plc or the Head, Internal Audit, FBN Holdings Plc
- Call or text a dedicated phone number 0812 716 6777; 0817 597 8505
- Internal instant messaging platform
- Dedicated email address (FBNHoldingsWhistleBlowing@fbnholdings.com)

If the concern is reported to a staff other than the GMD or the Head, Internal Audit, the recipient is required to immediately forward same to the Head, Internal Audit with the GMD, FBN Holdings Plc in copy.

WHISTLEBLOWING PROCEDURES

If the concerns affect the Head, Internal Audit, the GMD is notified and when a Director is involved, such concern 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 in line with the staff handbook shall be taken against any employee that receives a whistleblowing report and fails to act or an internal whistleblower that acts out of malice.

External Whistleblowing Procedure

External whistleblowers are non-members of staff such as contractors, service providers, shareholders, depositors, analysts, consultants, job applicants or members of the public. An external whistleblower may raise concerns through any of the following channels, either by declaration, in confidence or anonymously:

- Formal letter to the Group Managing Director, FBN Holdings Plc or Head, Internal Audit FBN Holdings Plc;
- Dedicated phone number 0817 597 8505;
- Dedicated email address; FBNHoldingsWhistleBlowing@fbnholdings.com;

Protection and Compensation for Whistleblowers

The Group's Policy protects whistleblowers who disclose concerns, provided the disclosure is made:

- With 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.

The Group will not subject a whistleblower to any punishment and where necessary, compensation of whistleblowers that have suffered loss shall be at the discretion of the Management taking into consideration the appropriate regulatory guidance on compensation of whistleblowers which may be issued from time-to-time.

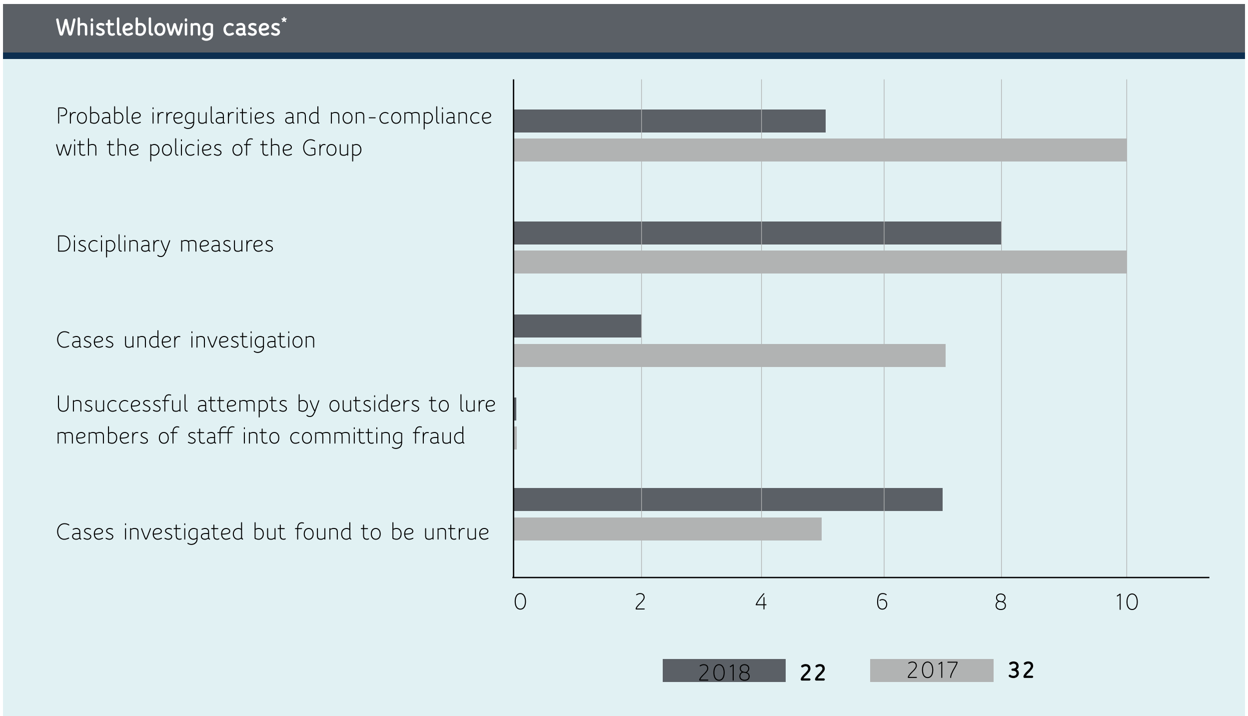
Wider Disclosure

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

S/N	Regulator	Address
1.	**Central Bank of Nigeria (CBN)**	Central Business District. P.M.B. 0187 Garki Abuja. +234 9 462 39246 **anticorruptionunit@cbn.gov.ng**
2.	**Nigeria Deposit Insurance Corporation (NDIC)**	Plot 447/448 Constitution Avenue Central Business District P.M.B. 284, Garki Abuja +234 (0) 9460 1380-9 **info@ndic.org.ng, helpdesk@ndic.org.ng**
3.	**Securities and Exchange Commission (SEC)**	SEC Towers, Plot 272, Samuel Adesujo Ademulegun Street, Central Business District P.M.B. 315 Garki Abuja. +234 (0) 94621159 **sec@sec.gov.ng**
4.	**Nigeria Insurance Commission (NAICOM)**	Plot 1239, Ladoke Akintola Boulevard, Garki II, P.M.B. 457 Garki, Abuja, Nigeria. +234 (0) 92915101 **info@naicom.gov.ng**
5.	**National Pension Commission (PENCOM)**	Plot 174, Adetokunbo Ademola Crescent, Wuse, Abuja, +234 (0) 94603930 **info@pencom.gov.ng**
6.	**Nigerian Stock Exchange (NSE)**	Stock Exchange House 2-4, Customs Street, P. O. Box 2457 Marina, Lagos +234 (0) 14489373, 0817243061, 08120160463 **x-whistle@nse.com.ng**

WHISTLEBLOWING PROCEDURES

FBNHoldings two-year analysis of whistleblowing cases



*includes all subsidiaries within the Group

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 2018.

a. Legal Form

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

b. Principal Activity and Business Review

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

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

The Company consists of three groups namely:

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

The Company prepares separate and consolidated financial statements.

DIRECTORS' REPORT

c. Directors' Shareholdings

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the register of Directors' shareholding 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:

DIRECTORS' SHAREHOLDINGS AS AT 31 DECEMBER 2018

S/N	Name	2018 HOLDINGS		2017 HOLDINGS		Entities
		Direct	Indirect	Direct	Indirect	
1	Dr Oba Otudeko, CFR	5,895,264		5,895,264		
			113,079,843		113,079,843	Metropolitan Trust Nig. Ltd
			44,188,168		44,188,168	Honeywell Staff Ct & Cs
			70,206,271		70,206,271	Orbit International Ltd
			111,663,659		111,663,659	Springwater Ltd
			72,138,423		72,138,423	Landbond Ltd
			52,394,669		52,394,669	Coral Products Ltd
			68,404,806		68,404,806	Network Securities Ltd
	TOTAL	5,895,264	532,075,839	5,895,264	532,075,839	
2	Oye Hassan-Odukale, MFR	1,854,003		1,854,003		
			112,552		112,552	Lac Investments Ltd
			13,229,148		1,467,506	Haskal Holdings Ltd
			24,223,469		28,723,469	Oho Investments Ltd
			2,175,578		2,175,578	Leadway Capital & Trusts Ltd
			266,697,449		266,697,449	Leadway Assurance Co. Ltd
	TOTAL	1,854,003	306,438,196	1,854,003	299,176,554	
3	Chidi Anya	-	52,168	-	52,168	Muonta And Guonta Ltd
4	Dr Hamza Wuro Bokki	5,389,061	-	3,389,061	-	
5	'Debola Osibogun	1,171,612	-	1,171,612	-	
6	Omatseyin Ayida	1,100,000	-	1,100,000	-	
			4,018,131		-	Alemaje and Company Ltd
			9,914,780		-	Apricot Securities Ltd
			79,994,505		-	Jurewa Investment Ltd
	TOTAL	1,100,000	93,927,416	1,100,000	-	
7	U.K. Eke, MFR	22,453,436	-	14,575,178	-	
8	Dr Adesola Adeduntan	18,871,689	-	10,942,189	-	
9	Oluwande Muoyo	771,481	-	674,043	-	
			798,596		798,596	Clayder Ltd
10	Cecilia Akintomide, OON	5,500	-	5,500	-	

DIRECTORS' REPORT

d. Operating results

The Directors recommend for approval a dividend of ₦0.26 per share, amounting to ₦9,332,776,126. Highlights of the operating results for the period under review are as follows:

	GROUP		COMPANY	
	31 Dec 2018 ₦'m	31 Dec 2017 ₦'m	31 Dec 2018 ₦'m	31 Dec 2017 ₦'m
Gross earnings	583, 477	595,446	13,649	13,715
Profit before tax	65,288	54,522	9,440	9,382
Taxation	(5,544)	(9,040)	(98)	(107)
Profit for the year from continuing operations	59,744	45,482	9,342	9,275
Total profit for the year	59,667	37,708	9,342	9,275
Appropriation:				
Transfer to statutory reserve	9,221	7,877	-	-
Transfer from statutory credit reserve	33,621	19,176	-	-
Transfer to contingency reserve	764	530	-	-
Transfer to non-controlling interest	668	(3,620)	-	-
Transfer to retained earnings reserve	15,393	13,745	9,342	9,275

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 32 to the Accounts. In the Directors' opinion, the market value of the Company's properties is not less than the value shown in the financial statements.

g. Shareholding Analysis

Shareholding Range Analysis as at 31 December 2018.

RANGE			No. of Holders	% Holders	% Units	% Units
1	-	1000	290,486	24.06	212,330,313	0.59
1001	-	5000	493,961	40.91	1,188,571,073	3.31
5001	-	10000	171,852	14.23	1,181,566,058	3.29
10001	-	50000	208,129	17.24	4,229,261,089	11.78
50001	-	100000	21,349	1.77	1,486,200,326	4.14
100001	-	500000	17,486	1.45	3,464,795,921	9.65
500001	-	1000000	2,058	0.17	1,444,799,335	4.03
1000001	-	5000000	1,668	0.14	3,154,847,892	8.79
5000001	-	10000000	199	0.02	1,392,579,662	3.88
10000001	-	50000000	168	0.01	3,478,532,596	9.69
50000001	-	100000000	28	0.00	1,991,286,018	5.55
100000001	-	35895292791	39	0.00	12,670,522,508	35.30
			1,207,423	**100.00**	**35,895,292,791**	**100.00**

DIRECTORS' REPORT

Shareholding Analysis as at 31 December 2018

Types of Shareholdings	Holdings	% Holdings
Retail	18,634,546,633	51.92
Domestic Institutional	11,835,953,679	32.97
Foreign Institutional	5,271,100,370	14.68
Government-Related Holdings	153,689,109	0.43
	35,895,292,791	100.00

h. Substantial Interest in Shares

According to the Register of Members as at 31 December 2018, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Donations and Charitable Gifts

The Company did not make any donations during the year ended 31 December 2018.

j. Human Resources

Employment of Disabled

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.

k. 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.

l. 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.

DIRECTORS' REPORT

m. Auditors

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

BY ORDER OF THE BOARD

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

REPORT OF THE INDEPENDENT CONSULTANT TO THE BOARD OF DIRECTORS OF FBN HOLDINGS PLC ON THEIR APPRAISAL FOR THE YEAR ENDED 31 DECEMBER 2018

In compliance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ('the CBN Code') and the Securities and Exchange Commission (SEC) Code of Corporate Governance ('the SEC Code'), FBN Holdings Plc. ('FBNHoldings' or 'the Company') engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ('the Board') for the year ended 31 December 2018. The CBN Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

We have performed the procedures agreed with FBNHoldings in respect of the appraisal of the Board in accordance with the provisions of the Central Bank of Nigeria (CBN). These procedures, which are limited in scope but sufficient for the Board's objectives in line with the CBN Code, are different in scope from an external audit. Consequently, no opinion is expressed by us on the activities reported upon.

Our approach to the appraisal of the Board involved a review of the Company's board papers and minutes. key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained from questionnaires, interviews with the members of the Board and Senior Management.

On the basis of our review, the Company's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations to continue the improvement in the disclosure process.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
March, 2019

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS

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

COMPANY SECRETARY

Oluseye Kosoko

REGISTERED OFFICE

Samuel Asabia House
35 Marina
Lagos

AUDITOR

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

REGISTRAR

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

BANKERS

First Bank of Nigeria Limited
35 Marina
Lagos

FBNQuest Merchant Bank Limited
10 Keffi Street, Ikoyi
Lagos

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 judgements 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 judgements and estimates, in conformity with:

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

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

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

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

STATEMENT OF COMPLIANCE WITH NIGERIAN STOCK EXCHANGE (NSE) LISTING RULES ON SECURITIES TRADING POLICY

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

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

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

Oluseye Kosoko
Company Secretary
FRC/2013/NBA/00000002006

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 (6) of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended 31 December 2018 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 12 March 2019

Ismail Adamu
Chairman, Audit Committee
FRC/2019/CIBN/00000019286

Members of the Committee
Ismail Adamu
Christopher Okereke, FCA, mni
Kolawole Durojaiye, FCA
Oye Hassan-Odukale, MFR
Chidi Anya
Cecilia Akintomide, OON

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FBN HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FBN Holdings Plc ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate income statements for the year ended 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year ended 31 December 2018;
- the consolidated and separate statements of financial position as at 31 December 2018;
- 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.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers (refer to Notes 2.9.1e, 9 and 23)	
The gross balance of loans and advances to customers as at 31 December 2018 was ₦2,069billion for the Group. The associated impairment reserve on loans and advances to customers was ₦385billion. The measurement of impairment losses is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The significant judgements include: • determination of the Group's definition of default; • determination of the criteria for assessing significant increase in credit risk (SICR); • methodology used to determine the 12 month and lifetime probability of default (PD) used in the Expected credit loss (ECL) model. • estimation of Loss Given Default (LGD) by considering collateral values and the haircut adjustment as well as estimation of unsecured LGD; • determination of the credit conversion factor for undrawn loan commitments and the key inputs used in determining the lifetime exposure at default (EAD); • methodology for incorporating forward looking macroeconomic information into impairment parameters as well as determination of multiple economic scenarios used in the ECL model; This matter is considered a key audit matter in the consolidated financial statements only.	We adopted a substantive approach in assessing the allowance for impairment made by management. 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 the stage allocation of the loans. For a sample of loans, we tested the collateral values used in the computation of secured loss given default, by comparing the collateral values to the results of valuation performed by Management's valuation experts. We assessed the competence and independence of the Management's experts. We obtained the ECL models, and tested the appropriateness of the historical data used. We used our credit modelling experts to perform the following procedures on the ECL models: • Checked that the Group's definition of default is consistent with the requirements of the standard. • Checked the reasonableness of the criteria defined by the Group as indicating a significant increase in credit risk. Staging rules were reviewed by establishing that quantitative, qualitative and backstop indicators are considered in classifying loans and advances to customers into different stages as required under IFRS 9. • Examined the appropriateness of the probability of default (PD) by checking that PDs were correctly assigned to each customer based on the customer rating. • Examined the appropriateness of PD term structure by checking the reasonableness of the adjustment factors. • Checked that individual maturities of selected facilities was considered in the determination of the PD term structure used in the ECL computation. • Evaluated the reasonableness of the Loss Given Default (LGD) assumptions on haircut and unsecured recovery rates. We also re-performed the LGD calculations to test for accuracy.

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Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers (refer to Notes 2.9.1e, 9 and 23)	
	• Reviewed the appropriateness of the credit conversion factor used in determining the exposure at default for loan commitments. We also checked the accuracy of the methodology used in forecasting the EAD term structure for a select sample of loans. • Tested sensitivity of the expected loss measurements to macro-economic factors (forward-looking assumptions) and checked the appropriateness of the multiple economic scenarios chosen as well as their probability weights. The forward looking information was checked to the data source. • Reviewed the IFRS 9 disclosures for reasonableness.
Valuation of liability on insurance contracts – (refer to Notes 2.22, 5f and 39)	
The balance of Liability on insurance contracts is ₦34.2billion. We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management makes in determining the reserve for insurance contract liabilities. Determination of the fair value of the contracts is an area that involves the exercise of significant judgements and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes such as mortality, morbidity, lapse and surrender, and also economic assumptions relating to inflation rates, expenses, return on investments, discount rates and future growth rates. These are the key inputs used to estimate these long-term liabilities. An in-house actuary assesses on a periodic basis, an estimate of the insurance liabilities for the various portfolios. At the end of each financial year, management employs the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation. This matter is considered a key audit matter in the consolidated financial statements only.	Our procedures included the following: • We reviewed the methodology and processes adopted by management for making reserves in the books; • We tested controls around the reserving process and maintenance of data for valuation of insurance contract liabilities; • We considered the validity of Management's liability adequacy testing which is a key test performed to check that the liabilities are adequate. The work on the liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience and specific product features; • We checked the data used in the valuation of the insurance contract liabilities for consistency with internal records; • With the assistance of the auditor's expert, we reviewed the operating assumptions relating to mortality, morbidity lapse and surrender, economic assumptions around inflation rates, expenses, return on investments, discount rates and future growth rates; • We checked the figures disclosed in the financial statements to the amounts stated in the actuarial valuation report; and • We reviewed the financial statement disclosures for reasonableness.

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Other information

The Directors are responsible for the other information. The other information comprise Directors and Advisors, Corporate governance report, Directors Report, Responsibility for annual financial statements, Statement of compliance with NSE listing rule on securities trading policy, Report of the audit committee, Statement of value added, and Five-year financial summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the FBN Holdings Plc 2018 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the FBN Holdings Plc 2018 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.

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As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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Report on other legal and regulatory requirements

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

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

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

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

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

v) contraventions of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2018 are disclosed in Note 49 to the consolidated and separate financial statements.

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
0978280

12 April 2019

INCOME STATEMENT

		GROUP		COMPANY	
	Notes	31 December 2018 ₦'million	Restated 31 December 2017 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
Continuing operations					
Interest income	7	**434,410**	469,586	**2,163**	2,215
Interest expense	8	**(150,242)**	(138,064)	**-**	-
Net interest income		**284,168**	331,522	**2,163**	2,215
Impairment charge for losses	9	**(86,911)**	(150,424)	**-**	-
Net interest income after impairment charge for losses		**197,257**	181,098	**2,163**	2,215
Insurance premium revenue	10	**18,035**	12,973	**-**	-
Insurance premium revenue ceded to reinsurers		**(2,494)**	(2,739)	**-**	-
Net insurance premium revenue		**15,541**	10,234	**-**	-
Fee and commission income	11	**92,724**	74,453	**-**	-
Fee and commission expense	11b	**(17,330)**	(12,117)	**-**	-
Net gains on foreign exchange	12	**32,636**	21,062	**52**	8
Net gains/(losses) on investment securities	13	**5,733**	2,610	**(21)**	16
Net (losses)/gains from financial instruments at fair value through profit or loss	14	**(3,135)**	11,117	**575**	-
Dividend income	15	**2,312**	2,053	**10,840**	11,437
Other operating income	16	**3,233**	3,901	**40**	38
Insurance claims		**(4,717)**	(4,041)	**-**	-
Personnel expenses	17	**(93,395)**	(85,678)	**(904)**	(982)
Depreciation of property and equipment	32	**(12,282)**	(11,600)	**(397)**	(398)
Amortisation of intangible assets	33	**(5,336)**	(4,201)	**-**	-
Other operating expenses	18	**(147,976)**	(134,799)	**(2,908)**	(2,952)
Operating profit		**65,265**	54,092	**9,440**	9,382
Share of profit of associates		**23**	430	**-**	-
Profit before tax		**65,288**	54,522	**9,440**	9,382
Income tax expense	19a	**(5,544)**	(9,040)	**(98)**	(107)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59,744**	45,482	**9,342**	9,275
Discontinued operations					
Loss for the year from discontinued operations	31	**(77)**	(7,774)	**-**	-
PROFIT FOR THE YEAR		**59,667**	37,708	**9,342**	9,275
Profit/(loss) attributable to:					
Owners of the parent		**58,999**	41,328	**9,342**	9,275
Non-controlling interest		**668**	(3,620)	**-**	-
		59,667	37,708	**9,342**	9,275
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share (in Naira):	52				
From continuing operations		**1.65**	1.37	**0.26**	0.26
From discontinued operations		**(0.00)**	(0.22)	**-**	-
From profit for the year		**1.65**	1.15	**0.26**	0.26

STATEMENT OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Notes	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
PROFIT FOR THE YEAR		**59,667**	37,708	**9,342**	9,275
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net (losses)/gains on FVOCI debt assets					
- Unrealised net (losses)/gains arising during the year		**(20,512)**	16,208	**(144)**	144
- Net reclassification adjustments for realised net gains		**5,776**	659	**-**	-
- Net changes in allowance on FVOCI financial instruments		**983**	-	**-**	-
Share of other comprehensive income of associates		**(5)**	(65)	**-**	-
Exchange difference on translation of foreign operations		**880**	13,362	**-**	-
Items that will not be reclassified to profit or loss					
Net gains on FVOCI equity instruments		**12,694**	34,032	**-**	19
Remeasurement of defined benefit pension scheme	41	**597**	744	**-**	-
Income tax relating to components of other comprehensive income	34	**(1,934)**	(784)	**-**	-
Total Other comprehensive (loss)/income for the year		**(1,521)**	64,156	**(144)**	163
COMPREHENSIVE INCOME FOR THE YEAR		**58,146**	101,864	**9,198**	9,438
Comprehensive income/(loss) attributable to:					
Owners of the parent		**57,654**	105,123	**9,198**	9,438
Non-controlling interest		**492**	(3,259)	**-**	-
		58,146	101,864	**9,198**	9,438
Total comprehensive income/(loss) attributable to owners of the parent arises from:					
Continuing operations		**57,696**	107,920	**9,198**	9,438
Discontinued operations		**(42)**	(2,797)	**-**	-
		57,654	105,123	**9,198**	9,438

STATEMENT OF FINANCIAL POSITION

		GROUP			COMPANY	
	Notes	31 December 2018 ₦'million	Restated 31 December 2017 ₦'million	Restated 1 January 2017 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
ASSETS						
Cash and balances with Central Banks	20	**653,335**	641,881	690,165	**-**	-
Loans and advances to banks	22	**863,435**	742,929	444,871	**16,639**	7,585
Loans and advances to customers	23	**1,683,813**	2,001,223	2,083,894	**110**	108
Financial assets at fair value through profit or loss	24	**109,162**	83,713	46,711	**3,427**	-
Investment securities	25	**1,663,821**	1,248,608	1,050,588	**7,079**	9,842
Asset pledged as collateral	26	**309,051**	208,925	197,420	**-**	-
Other assets	27	**112,362**	132,731	47,786	**292**	9,011
Investment properties	28	**515**	1,993	3,003	**-**	-
Investments in associates accounted for using the equity method	29	**625**	1,357	1,114	**-**	-
Investment in subsidiaries	30	**-**	-	-	**242,395**	242,395
Property and equipment	32	**91,515**	88,263	88,315	**382**	680
Intangible assets	33	**16,134**	16,211	15,328	**-**	-
Deferred tax assets	34	**25,558**	18,554	17,278	**-**	-
		5,529,326	5,186,388	4,686,473	**270,324**	269,621
Assets held-for-sale	31	**38,990**	50,149	50,332	**-**	-
Total assets		**5,568,316**	5,236,537	4,736,805	**270,324**	269,621
LIABILITIES						
Deposits from banks	35	**749,315**	665,366	416,078	**-**	-
Deposits from customers	36	**3,486,691**	3,143,338	3,104,221	**-**	-
Derivative liabilities	24a	**15,791**	9,404	37,137	**-**	-
Current income tax liability	19b	**15,656**	10,194	8,897	**102**	104
Other liabilities	37	**373,345**	266,198	237,557	**8,034**	7,553
Liability on investment contracts	38	**19,766**	13,399	9,440	**-**	-
Liability on insurance contracts	39	**34,192**	21,734	10,287	**-**	-
Borrowings	40	**338,214**	420,919	316,792	**-**	-
Retirement benefit obligations	41	**1,940**	2,203	2,662	**-**	-
Deferred tax liabilities	34	**266**	606	813	**-**	-
		5,035,176	4,553,361	4,143,884	**8,136**	7,657
Liabilities held-for-sale	31	**2,493**	9,457	12,515	**-**	-
Total liabilities		**5,037,669**	4,562,818	4,156,399	**8,136**	7,657

STATEMENT OF FINANCIAL POSITION (CONTINUED)

		GROUP			COMPANY	
	Notes	31 December 2018 ₦'million	Restated 31 December 2017 ₦'million	Restated 1 January 2017 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
EQUITY						
Share capital	42	**17,948**	17,948	17,948	**17,948**	17,948
Share premium	43	**233,392**	233,392	233,392	**233,392**	233,392
Retained earnings	43	**4,373**	166,303	159,462	**10,850**	10,104
Statutory reserve	43	**93,325**	84,103	76,226	**-**	-
Capital reserve	43	**1,223**	1,223	1,223	**10**	10
Small scale investments reserve	43	**6,076**	6,076	6,076	**-**	-
Fair value reserve	43	**77,276**	77,981	27,507	**(12)**	510
Contingency reserve	43	**2,022**	1,257	727	**-**	-
Statutory credit reserve	43	**33,599**	42,816	23,640	**-**	-
Foreign currency translation reserve	43	**48,995**	48,115	34,753	**-**	-
		518,229	679,214	580,954	**262,188**	261,964
Non-controlling interest		**12,418**	(5,494)	(548)	**-**	-
Total equity		**530,647**	673,719	580,406	**262,188**	261,964
Total equity and liabilities		**5,568,316**	5,236,537	4,736,805	**270,324**	269,621

The financial statements were approved and authorised for issue by the Board of Directors on 13 March 2019 and signed on its behalf by:

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

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

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

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	Small scale investments reserve ₦'million	Fair value reserve ₦'million	Contingency reserve ₦'million	Statutory credit reserve ₦'million	Foreign currency translation reserve ₦'million	Total ₦'million	Non-controlling interest ₦'million	Total equity ₦'million
Balance at 1 January 2017	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123	(548)	582,575
Restatement- AMCON levy Note 54	-	-	(2,169)	-	-	-	-	-	-	-	(2,169)	-	(2,169)
Restated Balance at 1 January 2017	17,948	233,392	159,462	1,223	76,226	6,076	27,507	727	23,640	34,753	580,954	(548)	580,406
Profit/(loss) for the year	-	-	41,328	-	-	-	-	-	-	-	41,328	(3,620)	37,708
Other comprehensive income											-		-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	13,362	13,362	-	13,362
Fair value movements on financial assets	-	-	-	-	-	-	50,539	-	-	-	50,539	360	50,899
Income tax relating to components of other comprehensive income	-	-	(784)	-	-	-	-	-	-	-	(784)	-	(784)
Remeasurement of defined benefit pension scheme, net of tax	-	-	744	-	-	-	-	-	-	-	744	-	744
Share of OCI of associates, net of tax	-	-	-	-	-	-	(65)	-	-	-	(65)	-	(65)
Total comprehensive income	-	-	41,288	-	-	-	50,474	-	-	13,362	105,124	(3,260)	101,864
Transactions with owners													
Dividends	-	-	(7,179)	-	-	-	-	-	-	-	(7,179)	(760)	(7,939)
Acquisition of Non controlling interest	-	-	-	-	-	-	-	-	-	-	-	(611)	(611)
Transfer to retained earnings	-	-	315	-	-	-	-	-	-	-	315	(315)	-
Transfer between reserves	-	-	(27,583)	-	7,877	-	-	530	19,176	-	-	-	-
Total transactions with Owners	-	-	(34,447)	-	7,877	-	-	530	19,176	-	(6,864)	(1,686)	(8,550)
At 31 December 2017	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214	(5,494)	673,719
Balance at 1 January 2018	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214	(5,494)	673,719
Initial application of IFRS 9			(169,700)				204		(42,838)		(212,334)		(212,334)
Impact of IFRS 9 on deferred tax			2,743								2,743		2,743
Restated opening balance	17,948	233,392	(654)	1,223	84,103	6,076	78,185	1,257	(22)	48,115	469,623	(5,494)	464,129
Profit/(loss) for the year	-	-	58,999	-	-	-	-	-	-	-	58,999	668	59,667
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	880	880	-	880
Fair value movements on financial assets	-	-	-	-	-	-	(1,867)	-	-	-	(1,867)	(176)	(2,043)
Changes in allowance on FVOCI financial instruments							983				983		983
Income tax relating to components of other comprehensive income	-	-	(1,934)	-	-	-	-	-	-	-	(1,934)	-	(1,934)
Remeasurement of defined benefit pension scheme	-	-	597	-	-	-	-	-	-	-	597	-	597
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	57,662		-	-	(889)	-	-	880	57,653	492	58,146
Transactions with owners													
Dividends	-	-	(8,974)		-	-	-	-	-	-	(8,974)	(1,027)	(10,001)
Investment by Non controlling interest	-	-	-	-	-	-	-	-	-	-	-	18,371	18,371
Transfer to retained earnings	-	-	-		-	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	(43,661)	-	9,221	-	(20)	764	33,621	-	(75)	75	-
Total transactions with Owners	-	-	(52,636)	-	9,221	-	(20)	764	33,622	-	(9,049)	17,419	8,370
At 31 December 2018	17,948	233,392	4,373	1,223	93,324	6,076	77,276	2,022	33,599	48,995	518,229	12,418	530,647

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Fair value reserve ₦'million	Total ₦'million
Balance at 1 January 2017	17,948	233,392	8,008	10	347	259,705
Profit for the year	-	-	9,275	-	-	9,275
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	163	163
Total comprehensive income	-	-	9,275	-	163	9,438
Transactions with owners						
Dividends	-	-	(7,179)	-	-	(7,179)
Total transactions with Owners	-	-	(7,179)	-	-	(7,179)
At 31 December 2017	17,948	233,392	10,104	10	510	261,964
Balance at 1 January 2018	**17,948**	**233,392**	**10,104**	**10**	**510**	**261,964**
Initial application of IFRS 9	**-**	**-**	**378**	**-**	**(378)**	**-**
Restated opening balance	**17,948**	**233,392**	**10,482**	**10**	**132**	**261,964**
Profit for the year	**-**	**-**	**9,342**	**-**	**-**	**9,342**
Other comprehensive income						
Fair value movements on financial assets	**-**	**-**	**-**	**-**	**(144)**	**(144)**
Total comprehensive income	**-**	**-**	**9,342**	**-**	**(144)**	**9,198**
Transactions with owners						
Dividends	**-**	**-**	**(8,974)**	**-**	**-**	**(8,974)**
Total transactions with Owners	**-**	**-**	**(8,974)**	**-**	**-**	**(8,974)**
At 31 December 2018	**17,948**	**233,392**	**10,850**	**10**	**(12)**	**262,188**

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
	Notes	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
Operating activities					
Cash flow (used in)/generated from operations	44	**233,563**	116,302	**(3,590)**	(3,609)
Income taxes paid	19	**(6,026)**	(6,761)	**(63)**	(87)
Interest received		**437,392**	459,401	**2,410**	2,110
Interest paid		**(126,472)**	(138,939)	**-**	-
Net cash flow generated from/(used in) operating activities		**538,458**	430,003	**(1,243)**	(1,586)
Investing activities					
Disposal of subsidiaries, net of cash disposed		**500**	-	**-**	-
Purchase of investment securities		**(1,295,228)**	(1,036,882)	**(10,691)**	(13,142)
Proceeds from the sale of investment securities		**1,114,808**	895,237	**10,181**	15,934
Dividends received		**2,312**	2,054	**19,825**	13,139
Purchase of property and equipment	32	**(15,615)**	(12,816)	**(105)**	(235)
Purchase of intangible assets	33	**(5,542)**	(6,114)	**-**	-
Proceeds on disposal of property and equipment		**388**	576	**9**	1
Net cash flow (used in)/generated from investing activities		**(197,377)**	(157,945)	**19,219**	15,697
Financing activities					
Dividend paid		**(10,001)**	(7,939)	**(8,974)**	(7,179)
Proceeds from new borrowings	40	**41,709**	92,800	**-**	-
Repayment of borrowings	40	**(148,749)**	(17,596)	**-**	-
Interest paid on borrowings	40	**(31,926)**	(23,416)	**-**	-
Acquisition of/(disposal) Non-controlling interest		**18,373**	(611)	**-**	-
Net cash flow (used in)/generated from financing activities		**(130,594)**	43,238	**(8,974)**	(7,179)
Increase in cash and cash equivalents		**209,487**	315,296	**9,002**	6,932
Cash and cash equivalents at start of year		**1,166,447**	746,231	**7,585**	645
Effect of exchange rate fluctuations on cash held		**43,955**	104,920	**52**	8
Cash and cash equivalents at end of year	21	**1,419,889**	1,166,447	**16,639**	7,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 Samuel Asabia House, 35 Marina, Lagos, Nigeria.

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

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 13 March 2019.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

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

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

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

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

2.1.1 Basis of measurement

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

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Financial assets at fair value through other comprehensive income (FVOCI).
- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

Below are the standards that have become effective for the period beginning on or after 1 January 2018 that are relevant to the Group:

i. IFRS 9 Financial Instruments

ii. IFRS 15 Revenue from contracts with customers

None of these standards were early adopted by the Group.

(i) IFRS 9 - Financial Instruments

The Group has adopted IFRS 9: Financial Instruments from 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairments of financial assets.

See details in Section 2.9 and Note 53.

(ii) IFRS 15 - Revenue from contracts with customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Group has adopted IFRS 15 Revenue from contracts with customers from 1 January 2018 which resulted in changes to the wording of the accounting policies. However, the adoption of IFRS 15 does not have any significant impact on the Group.

See details in Section 2.10(b) and Note 11a.

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) IFRS 16 - Leases (effective annual periods beginning on or after 1 January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease 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 its predecessor, IAS 17.

The Group is close to concluding the impact assessment resulting from the application of IFRS 16 on its consolidated financial statements.

The Group intends to adopt IFRS 16 not later than the accounting period beginning on or after January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 Consolidation

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

a. Subsidiaries

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

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

c. Disposal of subsidiaries

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

d. Associates

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

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

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

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

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

e. Investment entities

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

2.4 Segment reporting

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

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

2.5 Common control transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

and applying an accounting policy that is relevant and reliable. In making this judgement, Directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

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

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

2.6 Foreign currency translation

a. Functional and presentation currency

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

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

b. Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income 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 fair value through other comprehensive income, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 IFRS 15, 'Revenue from Contracts with Customers').

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

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

2.9 Financial assets and liabilities

In accordance with IFRS 9, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

Initial recognition

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

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

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

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

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

2.9.1 Financial assets

Classification and measurement

From 1 January 2018, the Group classifies its debt financial assets in the following measurement categories:

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

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

Business Model Assessment

Business Model assessment involves determining whether financial assets are held to collect the contractual cashflows (rather than sell the instrument prior to its contractual maturity to realise its fair value changes).

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Investment strategy for holding or selling the assets.
- Past experience on how cash flows for these assets were collected.
- How the asset's performance is evaluated and reported to key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

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

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

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

Cash flow characteristics assessment

The assessment aims to identify whether the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.

The SPPI test is based on the premise that it is only when the variability in the contractual cash flows arises to maintain the holder's return in line with a 'basic lending arrangement' that the application of the effective interest method provides useful information.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments. Thus the principal is not the legal amount due under the contractual terms of an instrument This definition allows assets acquired at a discount or premium pass the SPPI test.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

a. Financial assets measured at amortised cost

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

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

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

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

b. Financial assets measured at FVOCI

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

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- interest revenue using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

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

c. Financial assets measured at FVTPL

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

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

d. Equity Instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

e. Impairment of Financial Assets

From 1 January 2018, the Group will recognise expected credit losses ("ECL") on forward-looking basis for its financial assets measured at amortised cost, lease receivables, debt instrument at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss.
No impairment is recognised on equity investments. This is because the fair value changes would incorporate impairment gains or losses if any.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f. Modification and renegotiation of financial assets

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

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

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

g. Derecognition other than on a modification

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

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

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

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

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

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

h. Reclassifications

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Group changes its business model for managing financial assets, the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

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

i. Derivative financial instruments

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

j. Embedded derivatives

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

k. Financial assets under IAS 39

For the purpose of measuring a financial asset after initial recognition, IAS 39 classifies financial assets into fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale instruments. Impairment on financial assets was based on an incurred loss model.

2.9.2 Financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL)
- Amortised cost

a. Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are measured at FVTPL when they are designated as such on initial recognition using the fair value option or when they meet the definition of held-for-trading i.e.

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- or it is a derivative [except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument].

For financial liabilities designated as at FVTPL using the fair value option, the elements of gains or losses attributable to changes in the Group's own credit risk are recognised in OCI, with the remainder recognised in profit or loss. The movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spread above observable market interest rates. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

However, if presentation of the fair value change in respect of the liability's credit risk in OCI creates or enlarges an accounting mismatch in profit or loss, gains and losses must be entirely presented in profit or loss. To determine whether the treatment would create or enlarge an accounting mismatch, the Group assesses whether it expects the effect of the change in the liability's credit risk to be offset in profit or loss by a change in fair value of another financial instrument, such as when the fair value of an asset is linked to the fair value of the liability. If such a mismatch does arise, the Group will be required to present all fair value changes of the liability in profit or loss.

b. Financial liabilities at amortised cost

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

c. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

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

2.9.3 Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

2.9.4 Offsetting financial instruments

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

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

2.10 Revenue recognition

a. Interest income and expense

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

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

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

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

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

b. Fees and commission income

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

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

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

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

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

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

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

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

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

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

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

2.11 Impairment of non-financial assets

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

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

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

2.12 Discontinued operations

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

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

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

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.

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

2.13 Collateral

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

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

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

2.14 Leases

Leases are divided into finance leases and operating leases.

a. The Group is the lessee

(i) Operating lease

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

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

(ii) Finance lease

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

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

b The Group is the lessor

(i) Operating lease

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

(ii) Finance lease

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

2.15 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated Group, are classified as investment properties. Investment properties comprise residential buildings constructed with the aim of leasing out to tenants or for selling. Recognition of investment properties takes place only when it is probable that the future

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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 recognised only when there is a change in use, evidenced by one or more of the following:

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

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

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

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

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

2.16 Property and Equipment

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

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

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

Asset class	Depreciation rate
Improvement and building	2%
Motor vechicle	25%
Office equipment	20%
Computer equipment	$33^1/_3$%
Furniture and fittings	20%
Machinery	20%

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

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

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

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

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

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

2.17 Intangible assets

a. Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit that is expected to derive benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis 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;

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v. Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
vi. The expenditure attributable to the software product during its development can be reliably measured.

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

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

c. Brand, customer deposits and customer relationships

Brand, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively.

2.18 Investment contracts

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

2.19 Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents excludes restricted balances with Central Banks.

2.20 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans.

a. Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

b. Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Federal Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

(ii) Short-term benefits

Short-term benefits consists of salaries, accumulated leave allowances, bonuses and other non-monetary benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related services provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

2.21 Provisions

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

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

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

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

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

2.22 Insurance contracts

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

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

a. Classification of contracts

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

b. Recognition and measurement

(i) Short-term insurance contracts

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

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

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

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assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The Company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.23 Fiduciary activities

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

2.24 Issued debt and equity securities

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

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2.25 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. Earnings per share

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

d. Treasury shares

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

e. Statutory credit reserve

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

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

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in income statement.

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

2.26 Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at the fair value, and the initial fair value is amortised over the life of the financial guarantee. The guaranteee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guaranteee has become probable).

3. Financial risk management

3.1 Introduction and overview

Effective risk management is fundamental to the business activities of the Group. At FBNHoldings, we promote a culture where risk management is everyone's business from board level down to risk owners and units across the Group.

Our approach to risk is supported by a robust Enterprise Risk Management framework (ERM) and a strong risk culture to identify, measure, monitor and control risks thereby promoting accountability at all levels across the Group. Objectives of the ERM framework are communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organisation.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include Credit risk, Liquidity risk and Market risk. Other material risks impacting activities of the Group include, Operational, Legal, Compliance, Strategic, Reputational, Information security, Environmental and Social risk.

3.1.1 Risk Management Philosophy

The key elements of the risk management philosophy are as follows:

- 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.
- Risks are reported openly and fully to the appropriate levels once they are identified.

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- Risk officers work as allies and thought partners to other stakeholders within and outside the Group, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

- All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.1.2 Risk appetite

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

Risk Appetite Statement (RAS)

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

Risk tolerance

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

Once established, these parameters are communicated downward throughout the Group to give clear guidelines to every stakeholder and to provide feedback when they are exceeded.

3.1.3 Risk management framework

The risk management framework of the Group consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for-purpose.

The Group's framework for management of enterprise risk specifically covers:

- Governance and oversight of the overall risk management framework.
- Risk appetite statement and risk appetite measurements.
- Policies, procedures, controls and systems through which risk is identified and managed.
- Oversight, control, assurance and delegation of authorities for each type of risk.
- Monitoring and reporting of the risk profile against risk appetite.
- Control and correction of the risk profile should it deviate from risk appetite.
- Reassessment of risk appetite and/or the Group's strategy in the light of changes in the business.

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

3.1.4 Risk governance structure, roles and responsibilities

The Group addresses the challenge of risks by applying leading practices that are supported by a robust governance structure consisting of board level and executive management committees.

The Group adopts the 'three-pronged line of defence' model to underpin its approach to strong risk management principles. Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. Risk governance is maintained through delegation of authority from the board, down to management hierarchy, supported by committee structure both at the Board level and at Management level. The delegation of risk management responsibilities across the Group is structured to ensure that decisions are enacted at the most appropriate level, in line with business objectives, subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite with the executive and risk committees closely monitoring risk profiles against this appetite.

RISK GOVERNANCE FRAMEWORK

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

a. First line of defence - Risk management and ownership

The primary responsibilities and objectives of the first line of defence include:

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

b. Second line of defence - Risk oversight

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

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

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c. Third line of defence - Risk assurance

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Group's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defence include:

- Performing periodic reviews based on a rationalised and systematised approach that allows for risk assessment and governance reporting;
- Providing oversight on the risk management process;
- Reporting to the Executive Management Ccommittee, the audit committee and the Board of Directors on the state of the control environment and gaps in the controls or monitoring environment;

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

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

3.2 Credit risk

Credit risk is the single largest risk for the Group's business therefore prominence is placed on effective management of credit risk.

Credit risk is defined as the potential that a borrower or counter party will fail to meet obligations in accordance with agreed terms. It is also defined as the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties.

Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities. It can also arise from credit enhancement provided such as financial guarantees, letters of credit, endorsements and acceptances.

The Risk Management function of each subsidiary has specific and overall responsibility for facilitating risk asset creation and exposure management processes across the Group.

3.2.1 Management of credit risk

The Credit Risk Policy Manual is the primary reference document for creating and managing credit risk exposures. The manual outlines the general policies and procedures, framework for credit risk management across the subsidiaries and incorporates provisions for marketing, risk analysis, approval, administration, monitoring and reporting of risk exposures.

The Credit Risk Management Policy Manual is designed to:

- Standardise credit policies, give employees clear and consistent direction for the creation of risk exposures across all asset creating business units;

- Provide a comprehensive guide and framework in creating and managing risk assets;

- Ensure prompt identification of problem credits and prudent management of decline in credit quality;

- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio; and

- Provide a framework for the on-going maintenance of the risk management policies and processes.

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

3.2.2 Risk limit control and mitigation policies

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

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

(a) Portfolio limits

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews macroeconomic, regulatory and political factors, identifies sectors/industries with opportunity as well as the Group's business targets to determine appropriate portfolio and sub-portfolio limits.

The Group's Portfolio limit includes:

- Maintain aggregate large exposure of not more than 400% of shareholders' funds.
- Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'Ba2'.
- Maintain minimum weighted average facility risk rating (facility-WARR) of 'Ba2'.
- The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
  - The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'Baa3' or better.
  - No more than 15% of the Group's portfolio would be in any industry rated 'Ba3' or worse.
  - No more than 10% of the Group's portfolio in any single industry rated 'B3' or worse.

(b) Geographical limits

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

(c) Single obligor limits

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

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

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3.2.3 Collateral held as security to mitigate credit risk

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

Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The principal collateral types for loans and advances are:

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

Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the Company's undertaking on one or more of its assets and keyman insurance.

No loan allowance is recognized for the portion of the Group's financial assets which are fully collateralised by cash in the same currency in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is ₦8.08billion as at 31 December 2018.

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

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

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

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

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3.2.4 Exposure management

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

3.2.5 Delinquency management/loan workout

The Group's delinquency management process involves effective and timely management of accounts showing signs of delinquency to reduce the crystallisation of impairment loss. In line with the Group's delinquency management process, all activities are geared towards resuscitating delinquent loans and includes restructuring and loan work-out arrangements.

3.2.6 Credit recovery

In the event of continued delinquency and failure of remediation, full credit recovery action is initiated to recover on such exposures and minimise the overall credit loss to the Group. Recovery action may include appointment of a receiver manager, external recovery agent and/or sale of pledged assets.

3.2.7 Write-Off

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year ended 31 December 2018 was ₦97.97bn. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written-off due to no reasonable expectation of full recovery.

3.2.8 Governance structure around the ECL model

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

i. Obligor ratings

ii. Loss Given Default

iii. Governance also covers derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilised in deriving these estimates are sourced from credible sources. However, a team of IT experts still carry out periodic checks for system vulnerability, performance and deficiency.

Overall, review of completeness and accuracy is jointly carried out by credit risk team, internal control on regular basis and by internal audit periodically.

3.2.9 Grouping of instruments for losses measured on collective basis

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

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

PD for each product category is calculated as the ratio of the loans which have defaulted to the total count of the loans in the product group while LGD is estimated based on account balances, recoveries and collateral cover.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.2.10 Credit risk measurement

In measuring credit risk of financial assets (loans and advances to customers and to banks, Investment securities and loan commitments) at a counterparty level, the Group reflects the following components:

- The character and capacity to pay of the client or counterparty to meet its contractual obligations;
- Current exposures to the counterparty and its likely future development;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out.

Obligor risk rating

The Group has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default.

The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.

The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers regarding default events.

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

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

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3.2.11 Expected Credit loss measurement

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

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

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

However, the simplified approach has been adopted for trade receivables and other assets.

a Assessment of significant increase in credit risk

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

Corporate portfolio, Investment Securities and Placements with financial institutions

Quantitative Criteria:

Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold.

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Qualitative Criteria:

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

i Significant increase in credit spread

ii Significant adverse changes in business, financial and/or economic conditions in which the borrower operates

iii Actual or expected forberance or restructuring

iv Actual or expected significant adverse change in operating results of the borrower

v Significant change in collateral value (secured facilities only) which is expected to increase risk of dafault.

vi Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

Retail portfolio

Quantitative criteria:

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

Qualitative Criteria:

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

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

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

Backstop

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

Backstop criteria for non-specialised facilities

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

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Backstop criteria for specialised facilities

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

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018.

b Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

Cure Criteria

- An exposure will move from Stage 2 to 1 where probationary period of 90 days is met subject to all payments being up-to-date with the customer demonstrating ability to maintain future repayments.

- An Exposure will move from Stage 3 to 2 where probationary period of 180 days is met and there is consistency in repayment of obligations as and when due.

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

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales which have embedded cost of recovery, recovery period and haircuts.

- For unsecured products, the Group leverages on a statistical model which estimates recovery rate based on analysis of default data. The model takes in to consideration the credit worthiness and borrowers industry in arriving at the recovery rate.

- LGD's are typically set at product level for retail portfolio and counterparty level for the corporate portfolio, investment securities and placements with financial institutions.

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

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

d Forward-looking information incorporated in the ECL models

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

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These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgement has also been applied in this process.

Forecasts of these macroeconomic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody's Analytics economic's team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see Note 3.2.10). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

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

e Simplified approach

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

3.2.12 Economic variable assumptions

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

Corporate portfolio, investment securities and placements with financial institutions

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

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3.2.12 Economic variable assumptions continued

The weightings assigned to each economic scenario at 31 December 2018 were as follows:

	Base	Upturn	Downturn
Corporate portfolio, investment securities and placement with financial institutions	40%	30%	30%

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

3.2.13 Sensitivity analysis on ECL model

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

Corporate portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations

(ii) Oil price, given its significant impact on Nigerian economy and industry players

(iii) Stock Price Index, given its relevance for evaluating market performance of firms.

Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

Corporate portfolios

		Oil Price		
		₦'m	₦'m	₦'m
		(-5%)	No change	+5%
GDP	+5%	252,721	252,721	252,721
	No Change	252,721	252,176	252,721
	(-5%)	252,721	252,721	252,721

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3.2.14 Measurement basis of financial assets and liabilities

GROUP

	Fair value through profit/loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Cash and balances with Central Banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to customers - Corporate portfolio:				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	867,283	867,283
- Project finance	-	-	471,078	471,078
- Advances under finance lease	-	-	417	417
Loans and advances to customers - Retail portfolio:				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Financial assets at fair value through profit or loss	109,162	-	-	109,162
Investment securities:				
- Investments at FVOCI	-	874,119	-	874,119
- Investments at amortised cost	-	-	789,702	789,702
Asset pledged as collateral	-	215,753	93,298	309,051
Other assets	-	-	36,270	36,270
Total financial assets	109,162	1,089,871	4,119,854	5,318,887

	Fair value through profit/loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	749,315	749,315
Deposits from customers	-	3,486,691	3,486,691
Financial liabilities at fair value through profit or loss	15,791	-	15,791
Other liabilities	-	346,627	346,627
Liability on investment contracts	-	19,766	19,766
Borrowings	-	338,214	338,214
Total financial liabilities	15,791	4,940,614	4,956,405

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3.2.14 Measurement basis of financial assets and liabilities continued

GROUP

	Fair value through profit/loss	Fair value through OCI	Amortised cost	Amortised cost	
	Held-for-trading ₦'million	Available-for-sale ₦'million	Loans and receivables ₦'million	Held-to-maturity ₦'million	Total ₦'million
31 December 2017					
Financial assets					
Cash and balances with Central Banks	-	-	641,881	-	641,881
Loans and advances to banks	-	-	742,929	-	742,929
Loans and advances to customers:					-
- Overdrafts	-	-	296,135	-	296,135
- Term loans	-	-	1,670,334	-	1,670,334
- Staff loans	-	-	7,947	-	7,947
- Project finance	-	-	26,296	-	26,296
- Advances under finance lease	-	-	511	-	511
Financial assets at fair value through profit or loss	83,713	-	-	-	83,713
Investment securities:					-
- Available-for-sale investments	-	1,122,757	-	-	1,122,757
- Held-to-maturity investments	-	-	-	108,283	108,283
- Loans and receivables	-	-	17,568	-	17,568
Asset pledged as collateral	-	134,513	-	74,412	208,924
Other assets	-	-	63,462	-	63,462
Total financial assets	83,713	1,257,270	3,467,064	182,695	4,990,743

	Fair value through profit/loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	665,366	665,366
Deposits from customers	-	3,143,338	3,143,338
Financial liabilities at fair value through profit or loss	9,404	-	9,404
Other liabilities	-	226,410	226,410
Liability on investment contracts	-	13,399	13,399
Borrowings	-	420,919	420,919
Total financial liabilities	9,404	4,469,432	4,478,837

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3.2.14 Measurement basis of financial assets and liabilities continued

COMPANY

	Fair value through Profit/Loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	110	110
Financial assets at FVTPL	3,427			3,427
Investment securities:				-
- Investment securities at FVOCI	-	7,078	-	7,078
Other assets	-	-	87	87
Total financial assets	3,427	7,078	16,836	27,341

	Amortised cost ₦'million	Total ₦'million
Financial liabilities		
Other liabilities	8,034	8,034
Total Financial Liabilities	8,034	8,034

COMPANY

	Fair value through OCI	Amotised cost	
	Available-for-sale ₦'million	Loans and receivables ₦'million	Total ₦'million
31 December 2017			
Financial assets			
Loans and advances to banks	-	7,585	7,585
Loans and advances to customers			
- Staff loans	-	108	108
Investment securities:			-
- Available-for-sale investments	9,842	-	9,842
Other assets	-	8,832	8,832
Total financial assets	9,842	16,524	26,367

	Amortised cost ₦'million	Total ₦'million
Financial liabilities		
Other liabilities	7,553	7,553
Total financial liabilities	7,553	7,553

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

(a) Financial instruments subject to impairment

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

GROUP

	Balances with Central Banks 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	542,098	-	-	-	542,098
Non-investment grade	531	-	-	-	531
Gross carrying amount	542,629	-	-	-	542,629
Loss allowance	-	-	-	-	-
Carrying amount	542,629	-	-	-	542,629

	Loans and Advances to Banks 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	463,241	-	-	-	463,241
Non-investment grade	366,091	34,998	-	-	401,090
Gross carrying amount	829,332	34,998	-	-	864,330
Loss allowance	(895)	-	-	-	(895)
Carrying amount	828,437	34,998	-	-	863,435

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	Loans and Advances to Customers - Retail Portfolio 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	345	-	-	-	345
Non-investment grade	143,351	3,433	19	-	146,803
Default	-	-	55,339	-	55,339
Gross carrying amount	143,696	3,433	55,357	-	202,487
Loss allowance	(1,451)	(33)	(32,653)	-	(34,137)
Carrying amount	142,245	3,401	22,704	-	168,350

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	407,977	30,329	-	-	438,307
Non-investment grade	450,199	498,642	20,262	-	969,103
Default	-	-	459,389	-	459,389
Gross carrying amount	858,176	528,972	479,651	-	1,866,798
Loss allowance	(4,157)	(5,151)	(342,028)	-	(351,336)
Carrying amount	854,019	523,820	137,623	-	1,515,462

	Debt Investment Securities - at FVOCI 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	719,347	-	-	-	719,347
Non-investment Grade	46,423	-	-	-	46,423
Carrying Amount	765,770	-	-	-	765,770
Loss allowance	(1,134)	-	-	-	(1,134)

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	Investment Securities - at Amortised Cost 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	738,120	-	-	-	738,120
Non-investment grade	52,410	-	-	-	52,410
Default	7	-	-	-	7
Gross carrying amount	790,537	-	-	-	790,537
Loss allowance	(835)	-	-	-	(835)
Carrying amount	789,702	-	-	-	789,702

	Assets pledged as collateral 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	309,051	-	-	-	309,051
Non-investment grade	-	-	-	-	-
Gross carrying amount	309,051	-	-	-	309,051
Loss allowance	-	-	-	-	-
Carrying amount	309,051	-	-	-	309,051

	31 Dec 2018 Total ₦'millions
Other assets	36,736

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COMPANY

	Loans and Advances to Banks 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	16,639	-	-	-	16,639
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	16,639	-	-	-	16,639
Loss allowance	-	-	-	-	-
Carrying amount	16,639	-	-	-	16,639

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	-	-	-	-	-
Non-investment grade	110	-	-	-	110
Default	-	-	-	-	-
Gross carrying amount	110	-	-	-	110
Loss allowance	-	-	-	-	-
Carrying amount	110	-	-	-	110

	Debt Investment Securities - at FVOCI 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	7,079	-	-	-	7,079
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	7,079	-	-	-	7,079
Loss allowance	-	-	-	-	-
Carrying amount	7,079	-	-	-	7,079

	31 Dec 2018 Total ₦'millions
Other assets	87

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Maximum exposure to credit risk

Financial instruments subject to impairment

2017	GROUP 31 Dec 2017 ₦'millions	COMPANY 31 Dec 2017 ₦'millions
Balances with Central Banks	472,848	-
Loans and advances to banks	742,929	7,585
Loans and advances to customers		
- Overdrafts	296,135	-
- Term loans	1,670,334	-
- Staff loans	7,947	108
- Project finance	26,296	-
- Advances under finance lease	511	-
Financial assets at FVTPL	75,157	-
Investment securities - Debt		
- Available-for-sale investments	1,026,739	6,989
- Held-to-maturity investments	108,283	-
- Loans and receivables	17,568	-
Asset pledged as collateral	208,925	-
Other assets	63,462	8,832
	4,717,137	23,513
Credit risk exposures relating to off balance sheet assets are as follows:		
Loan commitments	8,263	-
Letter of credit and other credit related obligations	530,969	-
	539,232	-
TOTAL MAXIMUM EXPOSURE	5,256,369	23,513

(b) Financial instruments not subject to impairment

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

	GROUP		COMPANY	
	Maximum exposure to credit risk		Maximum exposure to credit risk	
	31 Dec 2018 ₦'m	31 Dec 2017 ₦'m	31 Dec 2018 ₦'m	31 Dec 2017 ₦'m
Financial Assets at FVPTL				
- Debt securities	**55,042**	52,164	**-**	-
- Derivatives	**17,786**	22,993	**-**	-

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3.2.16 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2018 and 31 December 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with Central Banks	526,268	-	-	16,158	203	-	542,629
Loans and advances to banks	393,238	-	-	63,687	281,443	125,068	863,435
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,254	2,335	556	6,630	0	-	13,775
- Term loans	19,549	42,501	18,256	18,069	36	-	98,410
- Credit cards	770	774	372	-	-	-	1,916
- Mortgage	33,948	1,578	593	2,885	9,216	6,030	54,249
Corporate portfolio:							
- Overdrafts	111,902	20,976	6,576	16,202	21,016	13	176,685
- Term loans	637,295	124,312	15,089	52,578	37,454	554	867,283
- Project finance	425,725	7,159	38,194	-	-	-	471,078
- Advances under finance lease	69	348	-	-	-	-	417
Financial assets at FVTPL	60,996	-	-	11,778	54	-	72,828
Investment securities							
- FVOCI Investments	761,943	2,176	1,651	-	-	-	765,770
- Amortised cost investments	39,299	654	-	173,136	70,965	505,648	789,702
Asset pledged as collateral	294,908	-	-	14,143	-	-	309,051
Other assets	20,029	8,995	1,291	5,265	649	41	36,270
31 December 2018	3,330,192	211,808	82,579	380,531	421,035	637,354	5,063,500
Credit risk exposure relating to off balance sheet items are as follows:							
Loan commitments	21,341	19,044	1,289	1,228	-	-	42,902
Letters of credit and other credit related obligations	705,983	52,613	40,271	14,461	26,677	2,184	842,189
31 December 2018	727,323	71,657	41,560	15,690	26,677	2,184	885,091

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
Balances with Central Banks	458,273	-	-	14,377	198	-	472,848
Loans and advances to banks	236,597	-	-	48,582	308,276	149,474	742,929
Loans and advances to customers							
- Overdrafts	159,842	44,437	12,936	43,495	28,154	7,271	296,135
- Term loans	1,220,248	201,162	54,942	83,451	47,813	62,718	1,670,334
- Staff loans	6,049	-	20	1,837	41	-	7,947
- Project finance	6,092	5,503	14,700	-	-	-	26,296
- Advances under finance lease	233	275	3	-	-	-	511
Financial assets at fair value through profit or loss	68,753	-	-	2,238	4,166	-	75,157
Investment securities							
- Available-for-sale investments	593,590	3,233	1,933	17,131	56,263	354,589	1,026,739
- Held-to-maturity investments	65,661	2,016	-	40,606	-	-	108,283
- Loans and receivables	17,568	-	-	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	5,100	-	-	208,925
Other assets	49,757	6,693	318	5,961	732	-	63,462
31 December 2017	3,086,492	263,319	84,852	262,778	445,643	574,052	4,717,137

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	4,962	1,073	-	2,228	-	-	8,263
Letters of credit and other credit related obligations	303,807	45,271	32,858	2,354	143,417	3,262	530,969
31 December 2017	308,769	46,344	32,858	4,582	143,417	3,262	539,232

COMPANY

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	**16,639**	**-**	**-**	**-**	**-**	**-**	**16,639**
Loans and advances to customers							
- Staff loans	**110**	**-**	**-**	**-**	**-**	**-**	**110**
Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment securities							
- FVOCI Investments	**7,079**	**-**	**-**	**-**	**-**	**-**	**7,079**
Other assets	**87**	**-**	**-**	**-**	**-**	**-**	**87**
31 December 2018	**23,916**	**-**	**-**	**-**	**-**	**-**	**23,916**
Loans and advances to banks	7,585	-	-	-	-	-	7,585
Loans and advances to customers							
- Staff loans	108	-	-	-	-	-	108
Investment securities							
- Available-for-sale investments	6,989	-	-	-	-	-	6,989
Other assets	8,832	-	-	-	-	-	8,832
31 December 2017	23,513	-	-	-	-	-	23,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

b) Industry sectors

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

GROUP

	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
Oil and gas	-	-	2,957	9,092	13,447	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	121	3,064	-	-	2,017
Finance and insurance	542,629	863,435	61,818	50,429	206,675	14,143	27,849
General commerce	-	-	-	-	-	-	5,500
Utilities	-	-	-	-	-	-	63
Public sector	-	-	7,933	703,185	569,633	294,909	841
Total at 31 December 2018	542,629	863,435	72,828	765,770	789,702	309,051	36,270

	Loans and advances to customers - Retail Portfolio				
	Overdraft ₦'millions	Term loans ₦'millions	Credit cards ₦'millions	Mortgage ₦'millions	Total ₦'millions
Agriculture	93	299	-	-	392
Oil and gas	250	782	-	205	1,237
Consumer credit	3,351	83,623	1,914	364	89,252
Manufacturing	783	584	-	267	1,634
Real estate	24	41	-	25,767	25,832
Construction	371	87	-	-	458
Finance and insurance	250	1,623	-	184	2,057
Transportation	35	206	-	175	416
Communication	92	105	-	452	648
General commerce	3,559	6,770	-	651	10,980
Utilities	343	82	-	-	425
Retail services	4,532	2,710	2	26,185	33,428
Public sector	93	1,499	-	-	1,592
Total at 31 December 2018	13,775	98,410	1,916	54,249	168,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Loans and advances to customers – Corporate Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	8,117	37,361	-	-	45,478
Oil and gas	58,815	202,664	313,870	361	575,710
Consumer credit	-	305	-	-	305
Manufacturing	36,309	239,904	-	-	276,213
Real estate	13,168	13,319	35,612	-	62,099
Construction	18,293	54,966	17,930	5	91,194
Finance and insurance	1,202	15,745	-	-	16,947
Transportation	524	7,795	4,273	-	12,592
Communication	13,108	22,955	-	-	36,063
General commerce	20,108	45,020	-	-	65,129
Utilities	3,404	13,492	99,392	-	116,287
Retail services	3,637	32,615	-	51	36,303
Public sector	-	181,143	-	-	181,143
Total at 31 December 2018	176,685	867,283	471,078	417	1,515,463

	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities- Available-for-sale ₦'million	Investment Securities - Held-to-maturity ₦'million	Investment Securities - Loans and receivables ₦'million	Asset pledged as collateral ₦'million
Oil and gas	-	-	10,266	-	-	-	-
Manufacturing	-	-	981	4,859	3,903	-	-
Finance and insurance	472,848	742,903	11,772	435,659	16,718	-	12,250
Public sector	-	26	52,137	586,221	87,662	17,568	196,675
Total at 31 December 2017	472,848	742,929	75,157	1,026,739	108,283	17,568	208,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

		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	-	5,264	49,932	1	-	-	55,196
Oil and gas	-	58,959	672,194	-	8,369	-	739,522
Consumer credit	-	6,361	92,875	5,704	-	2	104,942
Manufacturing	-	78,163	250,611	-	-	-	328,774
Real estate	-	59,576	56,025	1,815	-	-	117,416
Construction	-	13,012	49,807	-	14,700	8	77,527
Finance and insurance	57,635	340	43,697	39	-	-	44,076
Transportation	-	358	12,442	-	-	-	12,800
Communication	-	16,457	39,202	-	3,227	-	58,886
General commerce	5	29,947	35,958	-	-	-	65,905
Utilities	5,512	3,617	123,696	-	-	-	127,313
Retail services	-	23,910	51,649	388	-	501	76,448
Public sector	310	171	192,246	-	-	-	192,417
Total at 31 December 2017	63,462	296,135	1,670,334	7,947	26,296	511	2,001,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

COMPANY

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

	Loans and advances to banks ₦'million	Investment Securities - Available-for-sale ₦'million	Investment Securities - Held-to-maturity ₦'million	Investment Securities - Loans and receivables ₦'million	Other assets ₦'million	Loans to customers Staff Loan ₦'million
Finance and insurance	7,585	-	-	-	8,832	
Consumer credit						108
Public sector	-	6,989	-	-	-	-
Total at 31 December 2017	7,585	6,989	-	-	8,832	108

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

	Loan commitments 31 Dec 2018 ₦'million	Letter of credit and other related obligations 31 Dec 2018 ₦'million	Loan commitments 31 Dec 2017 ₦'million	Letter of credit and other related obligations 31 Dec 2017 ₦'million
Agriculture	758	17,318	-	5,169
Oil and gas	29,520	75,301	1,080	57,869
Consumer credit	2,768	-	79	-
Manufacturing	3,396	175,158	18	131,730
Real estate	17	-	-	167
Construction	186	58,193	12	54,140
Finance and insurance	250	359,394	35	168,407
Transportation	-	1,500	-	2,752
Communication	1,672	3,862	76	2,006
General commerce	2,646	92,014	1,949	48,570
Utilities	-	17,750	4,897	21,582
Retail services	1,689	26,081	113	11,581
Public sector	-	15,619	4	26,996
Total	42,902	842,189	8,263	530,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.17 Loans and advances to customers

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

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

GROUP	Loans to customers				
December 2018	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Corporate					
Stage 1 loans	113,386	591,491	153,130	178	858,185
Stage 2 loans	17,651	203,682	307,629	-	528,962
Stage 3 loans	120,932	342,394	15,766	559	479,651
Gross	251,969	1,137,567	476,524	737	1,866,798
Less: allowance for impairment (Note 23)	(75,284)	(270,284)	(5,447)	(320)	(351,335)
Net	176,685	867,283	471,078	417	1,515,463
Lifetime ECL (see Note 23)	75,048	266,861	4,949	320	347,178
12-months' ECL (see Note 23)	236	3,423	498	-	4,157
Total	75,284	270,284	5,447	320	351,335

GROUP	Loans to customers					
December 2017	Overdraft ₦'millions	Term loans ₦'millions	Staff loans ₦'millions	Project finance ₦'millions	Advances under finance lease ₦'millions	Total ₦'millions
Neither past due nor impaired	241,404	1,340,167	8,223	26,775	375	1,616,944
Past due but not impaired	34,281	109,016	14	-	110	143,421
Individually impaired	67,565	422,698	6	-	533	490,802
Collectively impaired	2,378	26,794	-	-	54	29,226
Gross	345,628	1,898,675	8,243	26,775	1,072	2,280,393
Less: allowance for impairment (Note 23)	(49,493)	(228,341)	(296)	(479)	(561)	(279,170)
Net	296,135	1,670,334	7,947	26,296	511	2,001,223
Individually impaired	44,205	185,326	4	-	533	230,068
Portfolio allowance	5,288	43,015	292	479	28	49,102
Total	49,493	228,341	296	479	561	279,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.17 Loans and advances to customers continued

COMPANY

	Term loans ₦'million	Total ₦'million
Retail		
December 2018		
Stage 1 loans	110	110
Gross	110	110
Less: allowance for impairment	-	-
Net	110	110
December 2017		
Neither past due nor impaired	108	108
Gross	108	108
Less: allowance for impairment	-	-
Net	108	108

GROUP

December 2018

Retail

(a) Loans and advances to customers - Stage 1

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Past due up to 30 days	1,425	247	-	2	1,674
Past due by 30 - 60 days	170	749	4	91	1,014
Past due 60-90 days	90	346	3	24	463
Gross amount	1,685	1,341	7	118	3,151

(c) Loans and advances - Stage 3

Gross amount	10,690	42,555	272	1,840	55,357
Life time ECL- credit impaired	(7,837)	(23,833)	(82)	(902)	(32,654)
Net amount	2,854	18,722	191	937	22,703

December 2018

Corporate

(a) Loans and advances to customers - Stage 1

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

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Grades:					
Aaa	5	11,605	-	-	11,611
Aa	10,988	254,371	5,050	-	270,409
A	2,110	62,195	-	-	64,306
Baa	8,107	53,829	-	-	61,937
Ba	57,468	41,378	131,880	178	230,904
B	34,707	168,112	16,200	-	219,019
	113,386	591,491	153,130	178	858,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	5,727	99,831	99,374	-	204,931
Past due by 30 - 60 days	11,907	25,990	9,095	-	46,992
Past due 60-90 days	14	3,470	905	-	4,390
Above 90 days	3	74,392	198,255	-	272,649
Gross amount	17,651	203,682	307,629	-	528,962

(c) Loans and advances - Stage 3

Gross amount	120,932	342,392	15,766	559	479,649
Life time ECL- credit impaired	(74,966)	(264,081)	(2,659)	(320)	(342,026)
Net amount	45,967	78,311	13,106	239	137,623

December 2017

(a) Loans and advances to customers - neither past due nor impaired

	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Grades:						
Aaa	257	10,888	482	1	1	11,629
Aaa	994	51,303	-	-	-	52,297
A	16,174	57,603	3	-	-	73,780
Baa	39,264	249,526	1,615	-	-	290,405
Baa	68,379	329,896	1,865	18,109	203	418,452
B	55,972	426,890	4,060	8,665	171	495,758
Caa	29	387	-	-	-	416
Caa	56	1,424	138	-	-	1,618
C	60,279	212,249	59	-	-	272,587
	241,404	1,340,167	8,223	26,775	375	1,616,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.17 Loans and advances to customers continued

(b) Loans and advances past due but not impaired

	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	21,881	61,599	9	-	110	83,599
Past due by 30 - 60 days	11,313	20,852	5	-	-	32,170
Past due 60-90 days	1,087	26,565	-	-	-	27,652
Gross amount	34,281	109,016	14	-	110	143,421

(c) Collectively impaired loans

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

	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
	2,378	26,794	-	-	54	29,226

(d) Loans and advances individually impaired

	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	67,565	422,698	6	-	533	490,802
Specific impairment	(44,205)	(185,326)	(4)	-	(533)	(230,068)
Net amount	23,360	237,372	2	-	-	260,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.2.18 Collaterized assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2018 and 31 December 2017 are as shown below:

GROUP	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
31 December 2018				
Financial assets				
Loans and advances to banks	**-**	**-**	**863,435**	**316,931**
Financial assets at fair value through profit or loss	**-**	**-**	**72,828**	**11,492**
Total financial assets	**-**	**-**	**936,264**	**328,423**
31 December 2017				
Financial assets				
Loans and advances to banks	-	-	742,929	5,426
Financial assets at fair value through profit or loss	-	-	83,713	2,452
Total financial assets	-	-	826,642	7,878

COMPANY	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
31 December 2018				
Financial assets				
Loans and advances to banks	**-**	**-**	**16,639**	**-**
Financial assets at fair value through profit or loss	**-**	**-**	**3,427**	**-**
Total financial assets	**-**	**-**	**20,067**	**-**
31 December 2017				
Financial assets				
Loans and advances to banks	-	-	7,585	-
Financial assets at fair value through profit or loss	-	-	-	-
Total financial assets	-	-	7,585	-

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

Asset pledged as collateral
Other assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk continued

GROUP

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

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 years ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	2,487,177	426,509	273,375	191,148	113,499	8,400	3,500,108
Financial liabilities at fair value through profit or loss	902	1,497	401	10,916	2,075	-	15,791
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	3,366,143	538,851	309,332	299,606	491,905	20,347	5,026,185
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	6,461	29,324	264,866	135,886	168,231	237,423	842,190
Total commitments	24,809	30,297	267,564	154,087	170,817	237,518	885,092
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877
31 December 2017							
Financial liabilities							
Deposits from banks	605,683	11,798	2,414	45,471	-	-	665,366
Deposits from customers	2,299,832	322,019	175,699	156,664	173,416	15,709	3,143,338
Financial liabilities at fair value through profit or loss	9,372	-	33	-	-	-	9,404
Borrowings	18,050	20,431	10,262	21,466	337,195	13,515	420,919
Other liabilities	108,611	54,190	62,529	999	81	-	226,410
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	3,041,548	409,921	251,900	226,237	519,162	30,070	4,478,837
Loan commitments	915	130	675	531	1,114	4,898	8,263
Letters of credit and other credit related obligations	27,537	31,147	98,625	307,773	65,887	-	530,969
Total commitments	28,452	31,277	99,300	308,304	67,001	4,898	539,232
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

COMPANY	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 years ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2018							
Financial liabilities							
Other liabilities	7,055	980	-	-	-	-	8,035
Total financial liabilities	7,055	980	-	-	-	-	8,035
Assets held for managing liquidity risk	17,515	1,136	932	3,902	868	673	25,025
31 December 2017							
Financial liabilities							
Other liabilities	-	-	-	7,553	-	-	7,553
Total financial liabilities	-	-	-	7,553	-	-	7,553
Assets held for managing liquidity risk	7,585	-	-	8,832	-	-	16,417

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

TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 years ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	180,159	480,115	402,203	346,875	465,479	1,625,144	3,499,975
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	1,058,224	590,960	437,759	444,417	841,810	1,637,091	5,010,261
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	17,222	29,324	264,866	134,479	168,231	234,834	848,956
Total commitments	35,570	30,297	267,564	152,680	170,817	234,929	891,857
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	11,798	2,414	45,471	-	-	668,180
Deposits from customers	359,473	340,645	303,117	323,176	500,877	1,324,790	3,152,077
Borrowings	18,050	20,431	10,262	21,466	418,819	13,515	502,543
Other liabilities	98,850	54,190	62,529	999	81	-	216,649
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	1,084,870	428,547	379,284	392,749	928,247	1,339,151	4,552,847
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,539	31,147	98,625	307,773	65,888	-	530,972
Total commitments	28,454	31,277	99,300	308,304	67,002	4,897	539,234
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.3.5 Derivative liabilities continued

(a) Derivatives settled on a net basis continued

GROUP	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Total ₦'million
At 31 December 2018						
FX futures	10	12	7	24	-	53
Put options	1,167	905	3,614	6,733	3,213	15,632
	1,177	917	3,621	6,757	3,213	15,685
Derivative assets						
FX futures	10	12	6	23	-	51
Put options	1,254	1,132	3,980	7,331	3,434	17,131
	1,264	1,144	3,986	7,354	3,434	17,182
	2,441	2,061	7,607	14,111	6,647	32,867
At 31 December 2017						
Derivative liabilities						
Cross-currency swap	32	20	-	-	-	52
Accumulator-forward FX contract	-	139	4	19	-	162
Put options	(346)	2,275	3,244	5,680	6,932	17,785
	(314)	2,434	3,248	5,699	6,932	17,998
Derivative assets						
Cross-currency swap	32	-	-	-	-	32
Put options	-	146	4	19	-	169
Forward contract	371	2,320	3,939	7,087	7,848	21,565
	403	2,466	3,943	7,106	7,848	21,765
	89	4,900	7,190	12,805	14,780	39,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.3.5 Derivative liabilities continued

(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 2018							
Assets held-for-trading							
FX Swap - Payable	-	(11,281)	(7,836)	-	-	-	(19,117)
FX Swap - Receivable	-	11,525	7,900	-	-	-	19,425
Forward Contract - Payment	(118,478)	(63,387)	(8,727)	-	-	-	(190,592)
Forward Contract - Receipt	51,436	38,127	3,912	213	-	-	93,688
	(67,042)	(25,016)	(4,751)	213	-	-	(96,596)
Liabilities held-for-trading							
Forward Contract - Payment	(31,035)	(28,830)	(3,664)	(213)	-	-	(63,742)
Forward Contract - Receipt	5,113	-	-	-	-	-	5,113
	(25,922)	(28,830)	(3,664)	(213)	-	-	(58,629)
At 31 December 2017							
Assets held-for-trading							
FX Swap - Payable	(28,353)	(14,672)	(12,265)	-	-	-	(55,290)
FX Swap - Receivable	33,102	16,501	13,480	-	-	-	63,083
Forward Contract - Payment	(369)	-	-	-	-	-	(369)
Forward Contract - Receipt	92,212	42,600	40,312	8,062	-	-	183,186
	96,592	44,429	41,527	8,062	-	-	190,610
Liabilities held-for-trading							
FX Swap - Payable	28,353	14,672	12,265	-	-	-	55,290
FX Swap - Receivable	33,102	16,501	13,480	-	-	-	63,083
Forward Contract - Payment	369	-	-	-	-	-	369
Forward Contract - Receipt	92,212	42,600	40,312	8,062	-	-	183,186
	154,036	73,773	66,057	8,062	-	-	301,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.4 Market risk

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

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

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

- interest rate movements in reaction to monetary policy changes by the Central Banks in each jurisdiction, fiscal policies changes, and market forces;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces and changing market dynamics, such as market making on the Stock Exchange.

3.4.1 Management of market risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4.2 Market risk measurement techniques

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

(a) Value at risk (VAR)

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

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the bank) is subject to the VaR methodology. The Group measures interest rate risk and foreign exchange risk using sensitivity analysis, see Notes 3.4.6 and 3.4.3 respectively.

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

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

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

The assets included in the VAR analysis are the held-for-trading assets.

The Fixed Income portfolio (Interest Rate Risk) trading VaR is ₦401million as at 31 December 2018 and reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was ₦6million as at 31st December 2018, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

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

VAR summary	GROUP		
	12 months to 31 December 2017		
	Average	High	Low
Foreign exchange risk	58	280	4
Interest rate risk	1,493	5,870	34
Total VAR	1,551	6,150	38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.4.2 Market risk measurement techniques continued

(b) Stress tests

Based on the reality of unpredictable market environment and the frequency of regulations that have had significant effect on market rates and prices, the Group augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

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

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

Non-trading portfolio

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

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

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

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

See Note 3.4.5 for interest rate sensitivity disclosures.

Hedged non-trading market risk exposures

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

3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2018 and 31 December 2017. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

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3.4.3 Foreign exchange risk continued

GROUP	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
At 31 December 2018						
Financial assets						
Cash and balances with Central Banks	588,135	26,934	2,633	14,377	21,256	653,335
Loans and advances to banks	306,586	313,197	206,384	25,743	11,525	863,435
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,394	4,407	-	1,588	2,387	13,775
- Term loans	79,751	11,833	35	12	6,779	98,410
- Credit cards	1,455	461	-	-	-	1,916
- Mortgage	8,046	45,840	-	-	363	54,249
Loans and advances to customers: Corporate portfolio						
- Overdrafts	96,111	57,516	-	21,043	2,015	176,685
- Term loans	419,281	392,144	28,903	22,173	4,781	867,283
- Project finance	86,040	385,038	-	-	-	471,078
- Advances under finance lease	417	-	-	-	-	417
Investment securities		-	-	-	-	
- FVOCI investments	792,452	81,667	-	-	-	874,119
- Amortised cost investments	33,335	687,566	-	7	68,795	789,702
Asset pledged as collateral	294,120	788	-	-	14,143	309,051
Financial assets at fair value through profit or loss	86,930	22,232	-	-	-	109,162
Other assets	26,449	7,623	662	54	1,482	36,720
	2,824,501	2,037,246	238,618	84,997	133,525	5,318,887
Financial liabilities						
Customer deposits	2,437,277	633,675	318,406	33,361	63,973	3,486,691
Deposits from banks	36,855	673,438	22,930	8,000	8,092	749,315
Financial liabilities at FVTPL		15,510	-	281	-	15,791
Borrowings	61,992	272,110	517	108	3,487	338,214
Other liabilities	119,624	194,807	3,107	18,847	10,242	346,627
Investment contracts	19,766	-	-	-	-	19,766
	2,675,514	1,789,540	344,960	60,597	85,794	4,956,405

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3.4.3 Foreign exchange risk continued

GROUP	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2017						
Financial assets						
Cash and balances with Central Banks	514,992	99,284	1,759	7,565	18,281	641,881
Loans and advances to banks	186,112	260,089	268,516	19,729	8,483	742,929
Loans and advances						
- Overdrafts	154,324	96,780	12,932	27,799	4,300	296,135
- Term loans	576,675	1,017,184	48,950	16,771	10,755	1,670,334
- Staff loans	6,069	1,416	41	1	420	7,947
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities						
- Available-for-sale investments	646,143	476,614	-	-	-	1,122,757
- Held-to-maturity investments	67,688	-	-	-	40,595	108,283
- Loans and receivables	-	17,568	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	-	5,100	208,925
Financial assets at fair value through profit or loss	60,570	23,143	-	-	-	83,713
Other assets	55,143	4,843	356	336	2,784	63,462
	2,489,620	2,005,651	332,554	72,201	90,718	4,990,743
Financial liabilities						
Customer deposits	2,193,814	473,512	384,477	26,510	65,025	3,143,338
Deposits from banks	6,140	623,893	19,031	9,843	6,459	665,366
Financial liabilities at fair value through profit or loss	20	9,375	-	10	-	9,404
Borrowings	58,324	359,541	6	386	2,662	420,919
Other liabilities	100,752	109,276	946	14,095	1,341	226,410
Investment contracts	13,399	-	-	-	-	13,399
	2,372,449	1,575,596	404,460	50,844	75,487	4,478,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.4.3 Foreign exchange risk continued

COMPANY	Naira ₦'million	USD ₦'million	Total ₦'million
At 31 December 2018			
Financial assets			
Loans and advances to banks	16,312	327	16,639
Loans and advances to customers: Retail portfolio			
- Term loans	110	-	110
Investment securities			
- FVOCI Investments	7,079	-	7,079
Financial assets at fair value through profit or loss	3,427	-	3,427
Other assets	87	-	87
	27,016	327	27,343
Financial liabilities			
Other liabilities	8,034		8,034
	8,034	-	8,034
31 December 2017			
Financial assets			
Loans and advances to banks	7,585	303	7,888
Loans and advances to customers			
- Staff loans	108	-	108
Investment securities			
- FVOCI Investments	9,842	-	9,842
Other assets	8,832	-	8,832
	26,367	303	26,670
Financial liabilities			
Other liabilities	7,553		7,553
	7,553	-	7,553

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

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

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

	GROUP	
	31 Dec 2018	31 Dec 2017
Naira strengthens by 10% against the US dollar (2017:25%)	**(24,771)**	(107,628)
Profit/(loss)		
Naira weakens by 10% against the US dollar (2017:25%)	**24,771**	107,628
Profit/(loss)		
Naira strengthens by 10% against the EURO (2017:25%)	**(2,440)**	(5,339)
Profit/(loss)		
Naira weakens by 10% against the EURO (2017:25%)	**2,440**	5,339
Profit/(loss)		
Naira strengthens by 10% against the GBP (2017:25%)	**(10,634)**	(17,976)
Profit/(loss)		
Naira weakens by 10% against the GBP (2017:25%)	**10,634**	17,976
Profit/(loss)		

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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 2018				
Financial assets				
Cash and balances with Central Banks	653,335	-	-	653,335
Loans and advances to banks	863,435	450,355	231,827	181,253
Loans and advances to customers: Retail portfolio				
- Overdrafts	13,775	13,775	-	-
- Term loans	98,410	90,670	7,740	-
- Credit cards	1,916	1,916	-	-
- Mortgage	54,249	54,228	21	-
Loans and advances to customers: Corporate portfolio				
- Overdrafts	176,685	176,685	-	-
- Term loans	867,283	861,184	4,836	1,263
- Project finance	471,078	471,078	-	-
- Advances under finance lease	417	417	-	-
Financial assets at fair value through profit or loss	109,162	-	55,041	54,123
Investment securities:				
- FVOCI investments	874,119	18,836	747,333	107,950
- Amortised cost investments	789,702	1,870	787,832	-
Assets pledged as collateral	309,051	-	309,051	-
Other assets	36,270	-	-	36,270
	5,318,887	2,141,013	2,143,681	1,034,195
Financial liabilities				
Deposits from customers	3,486,691	1,566,210	1,124,949	795,532
Deposits from banks	749,315	634,602	114,128	586
Financial liabilities at fair value through profit or loss	15,791	-	-	15,791
Other liabilities	346,627	-	-	346,627
Liability on investment contracts	19,766	-	-	19,766
Borrowings	338,214	72,948	265,266	-
	4,956,405	2,273,760	1,504,342	1,178,302
Interest rate mismatch		(132,747)	639,339	(144,106)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4.4 Interest rate risk continued

	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
GROUP				
31 December 2017				
Financial assets				
Cash and balances with Central Banks	641,881	79,084	500	562,297
Loans and advances to banks	742,929	316,533	288,563	137,833
Loans and advances				
- Overdrafts				
- Term loans	296,135	296,135	-	-
- Staff loans	1,670,334	1,649,377	20,957	-
- Project finance	7,947	-	7,947	-
- Advances under finance lease	26,296	26,296	-	-
Financial assets at fair value through profit or loss	511	511	-	-
Investment securities:	83,713	-	52,413	31,300
- Available-for-sale investments	1,122,757	-	1,029,274	93,483
- Held-to-maturity investments	108,283	-	108,283	-
- Loans and receivables	17,568	-	17,568	-
Assets pledged as collateral	208,925	11,865	197,060	-
Other assets	63,462	-	-	63,462
	4,990,742	2,379,800	1,722,564	888,374
Financial liabilities				
Customer deposits				
Deposits from banks	3,143,338	1,419,166	1,146,392	577,780
Financial liabilities at fair value through profit or loss	665,366	547,665	117,701	-
Other liabilities	9,404	-	33	9,352
Liability on investment contracts	226,410	-	-	226,410
Borrowings	13,399	13,399	-	-
	420,919	77,707	343,212	-
	4,478,837	2,057,936	1,607,337	813,542
Interest rate mismatch		321,864	115,227	74,833

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3.4.4 Interest rate risk continued

	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	16,639	-	16,639	-
Loans and advances to customers: Retail portfolio				
- Term loans	110	-	110	-
Financial assets at fair value through profit or loss	3,427	-	-	3,427
Investment securities:				
- FVOCI Investments	7,079	-	7,079	-
Other assets	87	-		87
	27,343	-	23,829	3,514
Financial liabilities				
Other liabilities	8,034	-		8,034
	8,034	-	-	8,034
Interest rate mismatch		-	23,829	(4,518)
31 December 2017				
Financial assets				
Loans and advances to banks	7,585	-	7,585	-
Loans and advances to customers				
- Staff loans	108	-	108	-
Financial assets at fair value through profit or loss	-	-	-	-
Investment securities:				
- FVOCI Investments	9,842	-	6,990	2,852
Other assets	9,011	-		9,011
	26,545	-	14,682	11,864
Financial liabilities				
Other liabilities	7,553	-	-	7,553
	7,553	-	-	7,553
Interest rate mismatch		-	14,682	4,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4.5 Interest rate sensitivity gap analysis

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

	GROUP		COMPANY	
	31 Dec 2018 ₦'millions	31 Dec 2017 ₦'millions	31 Dec 2018 ₦'millions	31 Dec 2017 ₦'millions
Financial assets at fair value through profit or loss				
Treasury bills	22,424	29,328	-	-
Government bonds	32,618	22,836	-	-
Total	55,042	52,164	-	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	(1,101)	(1,043)	-	-
Favourable change @ 2% increase in interest rates	1,101	1,043	-	-
Investment securities - FVOCI				
Treasury bills	604,247	706,836	6,080	6,297
Government bonds	161,523	319,903	999	693
Total	765,770	1,026,739	7,078	6,990
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	(15,315)	(20,535)	(142)	(140)
Favourable change @ 2% increase in interest rates	15,315	20,535	142	140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5 Management of insurance risk

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year-to-year from the level established using statistical techniques.

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

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

3.5.1 Underwriting risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 staff are trained to identify and investigate fraudulent claims timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also investigates and advises on improvements to internal control systems.

3.5.2 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information are not readily available.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than ₦20million 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.2 Frequency and severity of claims continued

	December 2018			December 2017		
	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million
Individual traditional	13,799	-	13,799	8,677	-	8,677
Investment linked contracts	19,766	-	19,766	13,399	-	13,399
Group credit life	585	-	585	219	-	219
Group Life – UPR incl AURR	455	(63)	392	356	(146)	210
General business – UPR incl AURR	1,153	-	1,153	906	-	906
Group Life - IBNR	1,138	(150)	989	1,670	(326)	1,344
Annuity	14,194	-	14,194	7,432	-	7,432
Additional reserves	212	-	212	221	-	221
Claims reserve - Life business	318	(30)	289	375	-	375
General business - IBNR	591	(256)	335	211	89	300
Claims reserve - General business	1,745	(1,283)	462	863	349	1,212
Total	53,958	(1,782)	52,176	34,329	(33)	34,296

Claims paid by class of business during the period under review are shown below						
Group life	952	(243)	709	748	(808)	(60)
Group credit life	180	-	180	230	-	230
Annuity	1,691		1,691	557		557
Individual life	2,019	-	2,019	1,369	-	1,369
General business	1,734	(1,539)	195	1,210	(454)	756
Total	6,576	(1,782)	4,795	4,114	(1,262)	2,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.	Death only
		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.	
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders.	Death only
		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.	
Family Support Plan (FSP)	Individual traditional	Pays a lumpsum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no claim on the policy.	Death only
Family Income Protection Plan	Individual traditional	Pays a lumpsum to the beneficiary should any of the covered events happens to the policyholder, dependiong on the option chosen at inception.	Death with either Permanent Disability and Critical Illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of ₦500,000.00 (subjected to ₦1million for a maximum of 2 lines) for registered Airtel subscribers.	Death only
		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.	
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.	Death and loss of job.
		2. The scheme pays a maximum of 6 months instalment after loss of job by the borrower to the bank.	
General Business-Short-term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured	Accident-motor and general accident, fire outbreak, burglary and other hazards

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.3 Sources of uncertainty in the estimation of future claim payments continued

The insurance liabilities have been made on the following principles:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Due to the limited nature of data captured for credit life business, the cashflow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

Non-life business

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The Basic Chain Ladder Method (BCL), a Loss ratio method adjusted for assumed experience to date and in more recent years and where the claim development seems different than in the past a Bornheutter – Ferguson Method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to sub-divide claims between large and small claims. Sub-dividing the data would reduce the volume of the data in the triangles and compromise the credibility. Extreme large claims however were removed from the triangulations to avoid distorting development patterns.

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

Net valuation interest rate of 14.6% and 14.00% pa were adopted for annuity and other long-term businesses, which has been applied as a single long-term rate of return. As at 31 December 2018, FGN bond yields of duration between 5 and 20 years were round 15%. By comparison long-term bonds were yielding 14% at December 2017.

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 14.85%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	Annuity
Average yield on a long-term FGN bond	15.37%	15.37%
Less prudent margin	-0.25%	-0.25%
Less reinvestment risk margin	0.00%	-0.25%
Gross valuation interest rate	15.12%	14.87%
Less 6% tax	-0.91%	0.00%
Net valuation interest rate	14.21%	14.87%
Rates adopted	14.21%	14.87%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.4 Process used to decide on assumptions continued

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

Type of business	Current valuation	Previous valuation
Risk products	14.21%	13.00%
Risk reserves for deposit-based policies	14.21%	13.00%
Pension annuity	14.87%	13.00%

Expenses

The Group makes provisions for expenses in its mathematical reserves of an amount which is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

Future maintenance expenses

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

(1) Per policy maintenance charges

2) Allocated operating expenses

The 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: ₦4,000 per policy

(2) Credit life: ₦2,200 per policy

(3) Family shield: ₦525 per policy

(4) Group life: 42% of premium

The Group adopted a valuation expense assumption of ₦4,000 per policy on risk policies excluding family shield and ₦2,200 per policy for credit life while expense per policy for family shield is set at ₦525. The analysis is based on the number of active policies at the valuation date.

Type of business	Current valuation ₦'per policy	Previous valuation ₦'per policy
Individual life	₦4,000	₦5,000
Credit life	₦2,200	₦1,540
Family shield	₦525	₦620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.4 Process used to decide on assumptions continued

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2018 was 11.28%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A67/70 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data which demonstrated a good fit to the A67/70 table.

Annuity valuation and Future mortality improvements

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

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and Flexisave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the Flexisave surrender values are apportioned on the basis of sum insured.

Lapses

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and cashflow	Lapse rate p.a	Surrender rate p.a
Year 1	25.0%	-
Year 2	-	17.5%
Year 3	-	3.5%
Year 4	-	3.5%
Year 5+	-	3.5%

i. For individual policies the valuation age has been taken as Age Last Birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.

ii. The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

iii. No specific adjustment has been made for immediate payment of claims.

iv. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies.

vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

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3.5.4 Process used to decide on assumptions continued

Bonuses

We have made 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. Commission is currently payable at 15% of premium.

(iv) The IBNR was estimated based on an average claims notification delay period of 3 months, which was derived from the claims experience data.

No additional contingency reserves was made in addition to those provided for long-term business to be held. Other liabilities such as expense and data contingencies reserves have been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	2018	2017
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. All reserves have been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

Changes in assumptions

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

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3.5.5 Insurance and market risk sensitivities

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

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

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

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

b) Expenses +/- 10%

c) Expense inflation +/-2%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.5 Insurance and market risk sensitivities continued

2018 ₦'million	Base	Mortality	
		5%	-5%
Individual risk reserves	13,799	13,903	13,695
PRA regulated annuities	14,194	14,248	14,141
Investment linked contracts	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744
Group credit Life	585	585	585
Group life – UPR incl AURR	455	455	455
Group life - IBNR	1,138	1,138	1,138
Additional reserves	212	212	212
Reinsurance	(213)	(213)	(213)
Net liability	51,682	51,840	51,526
% change in net liability		0.3%	-0.3%
Assets	66,635	66,635	66,635
Surplus	14,952	14,794	15,109

2017 ₦'million	Base	VIR		Expenses		Expense inflation	
		1%	-1%	10%	-10%	2%	-2%
Individual risk reserves	9,341	7,526	11,617	9,736	8,953	9,706	9,058
PRA regulated annuities	7,431	7,028	7,885	7,446	7,418	7,469	7,405
Investment linked contracts	13,399	13,399	13,399	13,399	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554	554	554	554	554
Group life - IBNR	21	21	21	21	21	21	21
Additional reserves	1,670	1,670	1,670	1,670	1,670	1,670	1,670
Reinsurance	222	222	222	222	222	222	222
Net liability	33,820	31,602	36,550	34,230	33,419	34,223	33,511
% change in net liability		-6.6%	8.1%	1.2%	-1.2%	1.2%	-0.9%
Assets	7,620	7,620	7,620	7,620	7,620	7,620	7,620
Surplus	(26,200)	(23,982)	(28,930)	(26,609)	(25,798)	(26,602)	(25,891)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.5.5 Insurance and market risk sensitivities continued

2017 ₦'million	Base	Mortality	
		5%	-5%
Individual Risk Reserves	9,341	9,420	9,262
PRA Regulated Annuities	7,431	7,457	7,408
Investment linked contracts	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554
Group Life - IBNR	21	21	21
Additional reserves	1,670	1,670	1,670
Reinsurance	222	222	222
Net Liability	33,819	33,925	33,719
% change in Net Liability		0.3%	-0.3%
Assets	7,620	7,620	7,620
Surplus	(26,200)	(26,305)	(26,098)

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

3.5.6 Solvency

The solvency level at the valuation date was 252% (2017: 247%). That is, assets representing life and non-life fund on the Group's balance sheet (₦76.0bn) were 140% of the value of the actuarially calculated net liabilities (₦54.2bn).

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

	2018 ₦'million	2017 ₦'million
Government bonds	**43,096**	21,364
Treasury bills	**19,798**	21,075
Cash and bank balances	**798**	1,403
Reinsurance assets	**2,703**	1,652
Trade receivables	**19**	42.62
Due from policyholders	**16**	10.62
Investment in quoted equity	**-**	5
Total	**66,430**	45,552

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in Section 25 of 2003 Insurance Act were met. The life fund shows a surplus of ₦9.2billion (2017: ₦5.7billion), while life and non-life show a surplus of ₦517.1million (2017: ₦807million).

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FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, the market value of quoted securities held by the Group is ₦1.22billion (2017: ₦2.49billion). If the all share index of the NSE moves by 6,813 basis points from the 31,431 position at 31 December 2018, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦264million.

The Group holds a number of investments in unquoted securities with a market value of ₦107.13billion (2017: ₦94.28billion) of which investments in Airtel Nigeria Ltd and African Finance Corporation (AFC) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments, see sensitivity analysis in Note 3.7.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

The following table presents the Group's assets and liabilities that are measured at fair value at reporting date.

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	**55,042**	**-**	**-**	**55,042**
Equity	**270**	**304**	**35,759**	**36,333**
Derivatives	**-**	**17,786**	**-**	**17,786**
FVOCI investments				
Investment securities - debt	**719,934**	**16,658**	**28,848**	**765,440**
Investment securities - unlisted debt	**-**	**-**	**329**	**329**
Investment securities - unlisted equity	**-**	**579**	**106,552**	**107,131**
Investment securities - listed equity	**1,218**	**-**	**-**	**1,218**
Assets pledged as collateral	**215,914**	**-**	**-**	**215,914**
Financial liabilities at fair value through profit or loss				
Derivatives	**-**	**15,791**	**-**	**15,791**
31 December 2017				
Financial assets at fair value through profit or loss				
Debt securities	50,529	1,634	-	52,163
Equity	5	1,979	5,538	7,522
Derivatives	203	22,791	-	22,993
Available-for-sale financial assets				
Investment securities - debt	1,940,230	112,810	440	2,053,480
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	2,960	91,324	94,284
Investment securities - listed equity	1,580	-	-	1,580
Assets pledged as collateral	132,258	954	-	133,212
Financial liabilities at fair value through profit or loss				
Derivatives	181	9,223	-	9,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.7.1 Financial instruments measured at fair value continued

COMPANY	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,427	3,427
FVOCI Investments				
Investment securities - debt	7,078	-	-	7,078
31 December 2017				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	6,990	-	-	6,990
Investment securities - unlisted equity	-	2,852	-	2,852

(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 fair value through other comprehensive income.

(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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7.1 Financial instruments measured at fair value continued

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 2017	59,128
Acquisitions	2,118
Total losses recognised through profit/loss	(94)
Total gains recognised through OCI	33,648
Transfer into Level 3 due to change in observability of market data	2,502
At 31 December 2017	97,302
Acquisitions	58,648
Matured/redeemed	(879)
Total gains recognised through profit/loss	988
Total gains recognised through OCI	12,577
Transfer into Level 3 due to change in observability of market data	2,852
At 31 December 2018	171,488

During the year ended 31 December 2018, there were no transfers between level 1 and 2 fair value measurements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7.1 Fair value of financial assets and liabilities continued

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

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples and/or EBITDA of the comparative companies as at 31 December 2018 is as shown in the below table:

Description	Valuation technique	Assumption	Fair values
AIRTEL NIGERIA	EV/EBITDA	Base	41,353
		Sensitivity of +2.5%	42,772
		Sensitivity of -2.5%	39,932
NIBSS PLC	P/E multiples	Base	2,156
		Sensitivity of +2.5%	2,207
		Sensitivity of -2.5%	2,101
AFREXIM BANK LTD	P/B multiples	Base	428
		Sensitivity of +2.5%	439
		Sensitivity of -2.5%	415
AFRICA FINANCE CORPORATION	P/E multiples	Base	53,067
		Sensitivity of +2.5%	54,394
		Sensitivity of -2.5%	51,740
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	Net Asset Valuation	Base	3,427
		Sensitivity of +2.5%	3,513
		Sensitivity of -2.5%	3,339
UNIFIED PAYMENT SYSTEMS		Base	903
		Sensitivity of +2.5%	925
		Sensitivity of -2.5%	880
ANCHORAGE LEISURES (RADISSON BLU)	EV/EBITDA	Base	1,291
		Sensitivity of +2.5%	1,323
		Sensitivity of -2.5%	1,258
RESOURCERY PLC (Ordinary shares)	Market Approach	Base	374
		Sensitivity of +2.5%	383
		Sensitivity of -2.5%	364
CAPE II & CAPE III	EV/EBITDA, DCF	Base	2,561
		Sensitivity of +2.5%	2,625
		Sensitivity of -2.5%	2,495
AVERY ROW CAPITAL GP	Net Asset Valuation	Base	1,802
		Sensitivity of +2.5%	1,847
		Sensitivity of -2.5%	1,756
ECHO VC PAN AFRICA	Net Asset Valuation	Base	1,231
		Sensitivity of +2.5%	1,262
		Sensitivity of -2.5%	1,199
ARCFIN LP	Net Asset Valuation	Base	18,049
		Sensitivity of +2.5%	18,500
		Sensitivity of -2.5%	17,586
FIRST REAL ESTATE DEVELOPMENT FUND	Net Asset Valuation	Base	3,213
		Sensitivity of +2.5%	3,293
		Sensitivity of -2.5%	3,131
IDF FUND	Net Asset Valuation	Base	6,187
		Sensitivity of +2.5%	6,342
		Sensitivity of -2.5%	6,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7.1 Fair value of financial assets and liabilities continued

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

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

A sensitivity of +/-2.5% results in changes in fair value of unlisted equities and this will impact on other comprehensive income.

A sensitivity of +/-2.5% results in a fair value gain/(loss) of ₦3.6bn and ₦3.6bn respectively which will impact on other comprehensive income.

3.7.2 Group's valuation process

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

3.7.3 Financial instruments not measured at fair value

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

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Cash and balances with Central Banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to customers: Retail Portfolio				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Loans and advances to customers: Corporate portfolio				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	867,283	867,283
- Project finance	-	-	471,077	471,077
- Advances under finance lease	-	-	417	417
Amortised cost investments	779,638	654	6,108	786,400
Asset pledged as collateral	67,790	-	-	67,790
Other assets	-	-	36,270	36,270

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3.7.3 Financial instruments not measured at fair value continued

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial liabilities				
Deposit from customers	-	-	3,490,423	3,490,423
Deposit from bank	-	-	749,315	749,315
Borrowing	165,906	-	172,308	338,214
Other liabilities	-	-	346,627	346,627
Investment contracts	-	-	19,766	19,766
31 December 2017				
Financial assets				
Cash and balances with Central Banks	-		641,381	641,881
Loans and advances to banks	-		742,929	742,929
Loans and advances to customers:	-	-	-	
- Overdrafts	-	-	296,135	296,135
- Term loans	-	-	1,670,334	1,670,334
- Staff loans	-	-	7,947	7,947
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Held-to-maturity investments	58,879	49,404	-	108,283
Asset pledged as collateral	69,311	5,100	-	74,411
Other assets	-	-	63,462	63,462
Financial liabilities				
Deposit from customers	-	-	3,143,338	3,143,338
Deposit from bank	-	-	665,366	665,366
Borrowing	254,623	-	166,296	420,919
Other liabilities	-	-	226,410	226,410
Investment contracts	-	-	13,399	13,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7.3 Financial instruments not measured at fair value continued

COMPANY	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to customers:				
- Staff loans	-	-	110	110
Held-to-maturity investments				-
Other assets	-	-	87	87
Financial liabilities				
Other liabilities	-	-	8,034	8,0354
31 December 2017				
Financial assets				
Loans and advances to banks	-	-	7,585	7,585
Loans and advances to Customers:				
- Staff loans	-	-	108	108
Investment securities:				
Held-to-maturity investments	-	-	-	-
Other assets	-		8,832	8,832
Financial liabilities				
Other liabilities	-		7,553	7,553

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3.7.3 Financial instruments not measured at fair value continued

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

GROUP	At 31st December 2018		At 31st December 2017	
	Carrying value ₦'million	Fair value ₦'million	Carrying value ₦'million	Fair value ₦'million
Financial assets				
Loans and advances to customers	-	-		
Fixed rate loans	**42,530**	**42,530**	46,668	44,833
Variable rate loans	**1,701,644**	**1,701,644**	1,954,555	2,018,818
Investment securities (Amortised cost/held-to-maturity)	**789,750**	**786,399**	108,284	96,875
Asset pledged as collateral	**114,399**	**88,890**	74,411	53,036
Loan commitments	**42,902**	**42,902**	8,262	8,262
Financial liability				
Borrowings	**338,214**	**332,698**	420,919	418,062

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 hierarchy while other borrowings are fair valued using valuation techniques and are within level 3 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for both the Company and Group approximate their fair values:

Cash and balances with Central Banks
Loans and advances to banks
Other assets (excluding prepayments)
Deposits from banks
Deposits from customers
Liability on investment contracts
Other liabilities (excluding provisions and accruals)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Capital management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria, Securities and Exchange Commission, National Insurance Commission etc), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current regulatory capital requirement of FBN Holdings Plc and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of subsidiaries
First Bank of Nigeria Limited	Central Bank of Nigeria	₦100billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	₦15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: ₦150million; Trustee: ₦300million; Broker-Dealer: ₦300million; Underwriter: ₦200million; and Fund Manager: ₦150million
FBN Insurance Limited	National Insurance Commission	Life Business: ₦2billion; General Business: ₦3billion
FBN Insurance Brokers Limited	National Insurance Commission	₦5million 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.

During 2018, 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 2018 and 2017 are as follows:

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4. Capital management continued

i. FBN Holdings Plc	Proportion of shares held (%)	31 December 2018 ₦'million	31 December 2017 ₦'million
Subsidiary Paid-up Capital (FBNHoldings' proportion)			
First Bank of Nigeria Limited	100	205,557	205,557
FBNQuest Merchant Bank Limited	100	8,206	8,206
FBNQuest 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	251,340
Excess of FBNHoldings capital over aggregated capital of Subcos		23,528	23,528

ii. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited

The Banks' capital is divided into two tiers:

- Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, share premium and general reserve. Non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, unpublished losses and under provisions are deducted in arriving at qualifying Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available-for-sale. Under the Basel II requirements as implemented in Nigeria, Tier 2 capital is restricted to 33 1/3% of Tier 1 capital.

The Central Bank of Nigeria prescribed the minimum limit of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of Tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The table below summarises the Basel II capital adequacy ratio for 2018 and 2017. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. Capital management continued

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted impact	Full impact	
	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2018 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million
Tier 1 capital					
Share capital	**4,302**	4,302	**16,316**	**16,316**	16,316
Share premium	**3,905**	3,905	**189,241**	**189,241**	189,241
Statutory reserve	**7,483**	7,174	**86,327**	**86,327**	77,786
SMEEIS reserves	**-**	-	**6,076**	**6,076**	6,076
Retained earnings	**9,516**	9,570	**33,986**	**33,986**	173,487
IFRS 9 transitional adjustment	**-**	-	**89,599**	**-**	-
RRR applied for IFRS 9 Impact			**-**	**(40,830)**	
Less: Goodwill/Deferred Tax	**(10,797)**	(12,431)	**(9,270)**	**(9,270)**	(7,207)
Less: Investment in subsidiaries	**(1,382)**	(1,737)	**(53,227)**	**(53,227)**	(35,954)
Total qualifying for tier 1 capital	**13,027**	10,782	**359,048**	**228,619**	419,746
Tier 2 capital					
Fair value reserve	**(2,086)**	(421)	**77,978**	**77,978**	76,107
Other borrowings	**-**	-	**64,582**	**64,582**	129,152
Total tier 2 capital	**(2,086)**	(421)	**142,560**	**142,560**	205,259
Tier 2 Capital Restriction	**(2,086)**	(421)	**137,425**	**93,949**	151,900
Less: Investment in subsidiaries	**-**	-	**(53,227)**	**(53,227)**	(35,954)
Total qualifying for tier 2 capital	**(2,086)**	(421)	**84,198**	**40,722**	115,946
Total regulatory capital	**10,940**	10,361	**443,246**	**269,341**	535,692
Risk-weighted assets					
Credit risk	**69,603**	54,708	**1,898,330**	**1,857,500**	2,135,064
Operational risk	**17,563**	11,725	**655,770**	**655,770**	651,154
Market risk	**2,648**	10,496	**43,938**	**43,938**	233,662
Total risk-weighted assets	**89,814**	76,929	**2,568,038**	**2,527,720**	3,019,880
Risk-weighted Capital Adequacy Ratio (CAR)	**12.18%**	13.47%	**17.26%**	**10.66%**	17.74%
Tier 1 CAR	**14.50%**	14.02%	**13.98%**	**9.05%**	13.90%

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

Period	**Provisions to be written back**
Year 0 (January 1, 2018)	4/5 of Adjusted Day One Impact
Year 1 (December 31, 2018)	3/5 of Adjusted Day One Impact
Year 2 (December 31, 2019)	2/5 of Adjusted Day One Impact
Year 3 (December 31, 2020)	1/5 of Adjusted Day One Impact
Year 4 9December 31, 2021)	NIL

iii. Other Regulated Subsidiaries

	Regulatory Requirement ₦'million	31 December 2018 ₦'million	Excess/ (Shortfall) ₦'million	31 December 2017 ₦'million	Excess/ (Shortfall) ₦'million
FBNQuest Capital Limited	1,100	**16,216**	15,116	16,802	15,702
FBN Insurance Limited:					
Life business	2,000	**11,957**	9,957	10,556	8,556
General business	3,000	**5,163**	2,163	4,109	1,109
FBN Insurance Brokers Limited	5	**247**	242	356	351

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5 Significant accounting judgements, estimates and assumptions

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a Impairment of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Methodology used to determine 12 month and lifetime probability of default;
- Estimation of loss given default;
- Determining definition of default; and
- Incorporation of forward-looking information.

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.

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 for additional sensitivity information for financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5 Significant accounting judgements, estimates and assumptions continued

c Retirement benefit obligation

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

The measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See Note 41, "Retirement benefits obligation," for a description of the defined benefit pension plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the Group.

d Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See Note 33 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2017: Nil).

f Valuation of insurance contract liabilities

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

The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate allowance is made for expected mortality improvements.

The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group and Company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by ₦50.8 million or decrease by ₦49.2million (2017: ₦32.1million and ₦31.9million respectively). For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 14%. If the average future investment returns differed by -/+ 1% from Management's estimates, the contract liability would increase by ₦53.5million or decrease by ₦46.9million (2017: ₦34.7million and ₦29.8million respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6 Segment information

Following the Management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Executive Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assessing its performance.

The Group is divided into the following business units:

Commercial Banking Business Group

This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Merchant Banking and Asset Management Business Group (MBAM)

This is the investment-banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance Business Group

This includes the Group's legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South African based Sanlam Group.

Others

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

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring events.

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

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Committee.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Segment information continued

Segment result of operations

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2018 is as follows:

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Other ₦'million	Total ₦'million
At 31 December 2018					
Total segment revenue	**514,793**	**45,259**	**22,663**	**13,651**	**596,366**
Inter-segment revenue	**(258)**	**(109)**	**(765)**	**(11,757)**	**(12,889)**
Revenue from external customers	**514,535**	**45,150**	**21,898**	**1,894**	**583,477**
Interest income	**402,379**	**22,436**	**8,312**	**1,283**	**434,410**
Interest expense	**(134,488)**	**(15,754)**	**-**	**-**	**(150,242)**
Profit/(loss) before tax	**44,475**	**17,197**	**6,140**	**(2,524)**	**65,288**
Income tax expense	**201**	**(4,819)**	**(828)**	**(98)**	**(5,544)**
Profit/(loss) for the year from continuing operations	**44,677**	**12,378**	**5,312**	**(2,622)**	**59,744**
Impairment charge for losses	**(87,871)**	**1,099**	**(138)**	**-**	**(86,911)**
Loss for the year from discontinued operations	**-**	**-**	**-**	**(77)**	**(77)**
Depreciation	**(10,880)**	**(674)**	**(332)**	**(397)**	**(12,282)**
At 31 December 2018					
Total assets	**5,242,372**	**198,145**	**76,425**	**51,374**	**5,568,316**
Other measures of assets:					
Loans and advances to customers	**1,647,858**	**35,557**	**287**	**110**	**1,683,813**
Expenditure on non-current assets	**86,311**	**1,951**	**2,520**	**733**	**91,515**
Investment securities	**1,571,723**	**63,591**	**21,428**	**7,078**	**1,663,821**
Total liabilities	**4,805,064**	**159,034**	**63,160**	**10,411**	**5,037,669**
At 31 December 2017					
Total segment revenue	541,597	39,028	18,728	13,716	613,069
Inter-segment revenue	(5,043)	(172)	(560)	(11,851)	(17,625)
Revenue from external customers	536,554	38,857	18,168	1,866	595,445
Interest income	436,392	25,260	6,090	1,843	469,586
Interest expense	(121,454)	(15,828)	(782)	-	(138,064)
Profit/(loss) before tax	41,820	10,923	4,441	(2,662)	54,522
Income tax expense	(5,633)	(2,347)	(953)	(107)	(9,040)
Profit/(loss) for the year from continuing operations	36,187	8,576	3,488	(2,769)	45,482
Impairment charge on credit losses	(148,579)	88	-	-	(148,491)
Impairment charge on doubtful receivables	(1,104)	(686)	(142)	-	(1,932)
Loss for the year from discontinued operations	(1,521)	-	-	(6,254)	(7,775)
Depreciation	(10,422)	(537)	(242)	(398)	(11,600)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6 Segment information continued

Segment result of operations continued

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Other ₦'million	Total ₦'million
At 31 December 2017					
Total assets	4,949,985	183,933	50,692	51,927	5,236,537
Other measures of assets:					
Loans and advances to customers	1,961,776	39,243	96	108	2,001,223
Expenditure on non-current assets	82,794	2,258	2,180	1,031	88,263
Investment securities	1,153,363	80,713	4,690	9,842	1,248,608
Total liabilities	4,360,008	153,096	40,054	9,660	4,562,818

Geographical information

Revenues	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Nigeria	**496,658**	508,195
Outside Nigeria	**86,819**	87,250
Total	**583,477**	595,445

Non-current asset	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Nigeria	**82,627**	79,710
Outside Nigeria	**8,888**	8,553
Total	**91,515**	88,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7 Interest income

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Investment securities at FVOCI/Available-for-sale	**121,948**	152,894	**909**	1,598
Investment securities at amortised cost/Held-to-maturity	**28,884**	20,394	**-**	-
Loans and advances to banks	**21,153**	7,708	**1,236**	607
Loans and advances to customer	**262,425**	288,590	**18**	10
	434,410	469,586	**2,163**	2,215

8 Interest expense

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Deposit from customers	**109,112**	101,441
Deposit from banks	**12,631**	12,179
Borrowings	**28,499**	24,444
	150,242	138,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9 Impairment charge for credit losses

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Loans and advances to banks (refer Note 23)		
12- month ECL	425	-
	425	-
Investment securities (refer to Note 25)		
Stage 1 - 12- month ECL	(16)	-
	(16)	-
Loans and advances to customers (refer to Note 23)		
Stage 1 - 12- month ECL	828	-
Stage 2 - Lifetime ECL	(10,901)	-
Stage 3 - Lifetime ECL	95,943	-
Increase in collective impairment	-	13,526
Increase in specific impairment	-	141,581
	85,870	155,107
Net recoveries on loans previously written-off	(9,137)	(6,615)
Other assets (refer to Note 27)		
Other assets ECL	7,524	-
Increase in impairment	-	1,932
	7,524	1,932
Off balance sheet		
Increase in impairment	2,245	-
Net impairment charge	86,911	150,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10 Insurance premium revenue

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Gross premium written	**29,957**	22,751
Unearned premium	**(228)**	(351)
	29,729	22,400
Change in insurance contract liabilities	**(11,694)**	(9,427)
	18,035	12,973

11 Fee and commission income

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Credit related fees	**2,393**	7,356
Letters of credit commissions and fees	**4,284**	6,029
Electronic banking fees	**34,029**	24,989
Money transfer commission	**2,370**	3,601
Commission on bonds and guarantees	**880**	773
Funds transfer and intermediation fees	**6,974**	6,697
Account maintenance	**12,329**	6,686
Brokerage and intermediations	**11,901**	1,554
Custodian fees	**6,410**	5,960
Financial advisory fees	**3,210**	5,180
Fund management fees	**2,955**	1,952
Trust fee income	**1,119**	1,075
Other fees and commissions	**3,870**	2,601
	92,724	74,453
Timing of revenue recognition		
At a point in time	**79,513**	60,618
Over time	**13,211**	13,835

11b Fee and commission income

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
	17,330	12,117

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12 Net gains on foreign exchange

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Revaluation gain (unrealised) on foreign currency balances	19,115	13,515	52	8
Foreign exchange trading income (realised)	13,521	7,547	-	-
	32,636	21,062	52	8

13 Net gains/(losses) on investment securities

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Gain on sale of investment securities	5,733	2,610	(21)	16
	5,733	2,610	(21)	16

14 Net (losses)/gains from financial instruments at FVTPL

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Fair value (loss)/gain on derivatives	(6,482)	7,997	-	-
Trading income on debt securities	3,432	3,152	-	-
Fair value gain on equities	1,400	-	575	-
Fair value loss on debt securities	(1,485)	(32)	-	-
	(3,135)	11,117	575	-

15 Dividend income

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
FBNQuest Capital Limited	-	-	8,380	1,486
FBNQuest Merchant Bank Limited	-	-	707	8,700
FBN Insurance Limited	-	-	1,908	1,412
FBN Insurance Brokers Limited	-	-	100	91
Entities outside the Group	2,312	2,053	-	-
Withholding tax on dividend	-	-	(255)	(252)
	2,312	2,053	10,840	11,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16 Other operating income

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
WHT recovered	619	340	-	-
Net gain/(loss) from fair value adjustment on investment properties (refer Note 28)	20	(2)	-	-
Profit on sale of property, plant and equipment	23	84	1	-
Other income	2,571	3,479	39	38
	3,233	3,901	40	38

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

17 Personnel expenses

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Wages and salaries	81,875	74,072	888	966
Pension costs:				
- Defined contribution plans	4,545	3,603	16	16
- Defined benefit cost (refer Note 41)	155	200	-	-
Termination benefits	6,820	7,803	-	-
	93,395	85,678	904	982

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17 Personnel expenses continued

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

	GROUP		COMPANY	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Executive Director	1	1	1	1
Management	484	408	6	5
Non-management	8,674	8,337	29	26
	9,159	8,746	36	32
The number of employees of the Group, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:				
Below ₦2,000,000	379	404	2	5
₦2,000,001 - ₦2,800,000	1,072	714	-	1
₦2,800,001 - ₦3,500,000	609	214	2	4
₦3,500,001 - ₦4,000,000	60	171	-	-
₦4,000,001 - ₦5,500,000	895	2,757	3	3
₦5,500,001 - ₦6,500,000	2,033	607	4	2
₦6,500,001 - ₦7,800,000	930	1,577	3	-
₦7,800,001 - ₦9,000,000	828	659	-	3
₦9,000,001 and above	2,352	1,642	21	13
	9,158	8,745	35	31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

18 Operating expenses

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'millions	31 Dec 2017 ₦'million
Auditors' remuneration*	910	856	25	25
Directors' emoluments	4,077	5,081	1,017	989
Loss on sale of property, plant and equipment	-	-	-	2
Regulatory cost	35,103	33,801	-	-
Maintenance	23,134	21,776	143	163
Insurance premium	1,688	1,164	59	72
Rent and rates	5,260	4,522	81	82
Advert and corporate promotions	7,770	6,431	181	250
Legal and other professional fees	8,921	7,015	541	541
Donations and subscriptions	831	1,261	12	10
Stationery and printing	1,590	1,654	40	45
Communication, light and power	7,576	7,925	12	9
Cash handling charges	2,247	2,476	-	-
Operational and other losses	6,910	7,425	-	-
Passages and travels	7,559	6,217	463	399
Outsourced cost	18,871	16,529	25	30
Statutory fees	510	222	39	18
Underwriting expenses	4,433	3,841	-	-
WHT on retained dividend	255	252	-	-
Fines and penalties	33	17	4	2
Other operating expenses	10,299	6,334	266	315
	147,976	134,799	2,908	2,952

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

The regulatory cost for 2017 has been restated due to retrospective application of the requirement that contingent assets should be included in the basis for calculation of AMCON charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
a Income tax expense				
Corporate tax	10,644	10,154	101	104
Education tax	442	262	-	-
Technology tax	774	692	-	-
Capital gains tax	-	-	-	-
Over/under provision in prior years	(79)	198	(3)	3
Current income tax - current period	11,781	11,306	98	107
Origination and reversal of temporary deferred tax differences	(6,237)	(2,266)	-	-
Income tax expense	5,544	9,040	98	107

GROUP	2018		2017	
Profit before income tax	65,288		54,522	
Tax calculated using the domestic corporation tax rate of 30% (2017: 30%)	19,587	30%	16,357	30%
Effect of tax rates in foreign jurisdictions	(3,251)	-5%	114	0%
Non-deductible expenses	21,789	33%	30,895	54%
Effect of education tax levy	367	1%	261	0%
Effect of information technology	864	1%	628	1%
Effect of minimum tax	3,315	5%	4,919	7%
Effect of excess dividend tax	1,266	2%	2,181	4%
Effect of National fiscal levy	-	0%	348	1%
Tax exempt income	(44,756)	(69%)	(47,212)	-83%
Origination and reversal of temporary deferred tax differences	(6,237)	(10%)	-	0%
Tax incentives	2,527	4%	83	0%
Tax loss effect	10,152	16%	269	0%
Under provision in prior years	(79)	0%	198	0%
Total income tax expense in income statement	5,544	8%	9,040	16%
	5,544	8%	9,040	16%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19 Taxation - Income tax expense and liability continued

COMPANY	2018		2017	
Profit before income tax	9,440		9,382	
Tax calculated using the domestic corporation tax rate of 30% (2017: 30%)	2,832	30%	2,815	30%
Non-deductible expenses	152	2%	184	2%
Effect of minimum tax	102	1%	104	1%
Tax exempt income	(3,532)	(37%)	(3,917)	(42%)
(Over)/Under provided in prior years	(3)	0%	3	0%
Tax loss effect	547	6%	918	10%
Total income tax expense in income statement	98	1%	107	1%
Income tax expense	98	1%	107	1%

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
b Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of the period	10,194	8,897	104	84
Tax paid	(6,026)	(6,761)	(63)	(87)
Withholding tax credit utilised	(303)	(2,032)	(37)	-
Prior period under provision	-	198	-	-
Income tax charge	11,781	11,306	98	107
Effect of changes in exchange rate	10	(1,414)	-	-
At 31 December	15,656	10,194	102	104
Current	15,656	10,194	102	104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20 Cash and balances with Central Banks

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Cash	110,706	169,033
Balances with Central Banks excluding mandatory reserve deposits	17,738	15,192
	128,444	184,225
Mandatory reserve deposits with Central Banks	524,891	457,656
	653,335	641,881

Restricted deposits with Central Banks are not available-for-use in Group's day-to-day operations. FBN Limited and FBNQuest Merchant Bank Limited had restricted balances of ₦515.49billion and ₦3.88billion respectively with Central Bank of Nigeria (CBN) as at 31 December 2018 (December 2017: ₦449.99billion and ₦2.173billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2017: 22.5%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBNBank Ghana and FBNBank Guinea had restricted balances of ₦2.45billion and ₦1.75billion (December 2017: ₦2.278billion and ₦1.96billion) respectively with their respective Central Banks.

21 Cash and cash equivalents

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

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Cash (Note 20)	110,706	169,033	-	-
Balances with Central Banks other than mandatory reserve deposits (Note 20)	17,738	15,192	-	-
Loans and advances to banks excluding long-term placements (Note 22)	753,471	701,504	16,639	7,585
Treasury bills included in financial assets at FVTPL (Note 24)	13,025	8,491	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Notes 25.1&25.2)	524,950	272,227	-	-
	1,419,889	1,166,447	16,639	7,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

22 Loans and advances to banks

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Current balances with banks within Nigeria	357,628	214,240	82	1,636
Current balances with banks outside Nigeria	266,920	380,675	-	-
Placements with banks and discount houses (short-term)	128,922	106,589	16,557	5,949
	753,471	701,503	16,639	7,585
Long-term placement/Cash collateral balance	110,950	41,425	-	-
Stage 1:12 month ECL on placements	(985)	-	-	-
Carrying amount	863,435	742,929	16,639	7,585

Included in loans to banks are long term placement/cash collateral balance of ₦110.95billion balance for Group (31 December 2017: ₦41.43billion) which does not qualify as cash and cash equivalent. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
At start of period	-	-	-	-
Transition adjustment	(560)	-	-	-
Increase in impairment	(425)	-	-	-
At end of period	(985)	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23 Loans and advances to customers

GROUP	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 lifetime ECL ₦'million	Stage 3 lifetime ECL ₦'million	Total impairment ₦'million	Carrying amount ₦'million
Corporate						
31 December 2018						
Overdrafts	251,969	(236)	(83)	(74,965)	(75,284)	176,685
Term loans	1,137,567	(3,423)	(2,779)	(264,082)	(270,284)	867,283
Project finance	476,525	(498)	(2,290)	(2,659)	(5,447)	471,078
	1,866,061	(4,157)	(5,152)	(341,706)	(351,015)	1,515,046
Advances under finance lease	737	-	-	(320)	(320)	417
	1,866,798	(4,157)	(5,152)	(342,026)	(351,335)	1,515,463
Retail						
31 December 2018						
Overdrafts	21,855	(238)	(5)	(7,837)	(8,080)	13,775
Term loans	123,406	(1,137)	(26)	(23,833)	(24,996)	98,410
Credit cards	2,003	(5)	-	(82)	(87)	1,916
Mortgage	55,224	(70)	(2)	(903)	(975)	54,249
	202,488	(1,450)	(33)	(32,655)	(34,138)	168,350
Total Loans and advances to customers	2,069,286	(5,607)	(5,185)	(374,681)	(385,473)	1,683,813

GROUP	Gross amount ₦'million	Specific impairment ₦'million	Collective impairment ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2017					
Overdrafts	345,628	(44,205)	(5,288)	(49,493)	296,135
Term loans	1,898,675	(185,326)	(43,015)	(228,341)	1,670,334
Staff loans	8,243	(4)	(292)	(296)	7,947
Project finance	26,775	-	(479)	(479)	26,296
	2,279,322	(229,535)	(49,074)	(278,609)	2,000,712
Advances under finance lease	1,072	(533)	(28)	(561)	511
	2,280,395	(230,068)	(49,102)	(279,170)	2,001,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Loans and advances to customers continued

COMPANY	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 lifetime ECL ₦'million	Stage 3 lifetime ECL ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2018						
Term loans	110	-	-	-	-	110
	110	-	-	-	-	110

COMPANY	Gross amount ₦'million	Specific impairment ₦'million	Collective impairment ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2017					
Term loans	108	-	-	-	108
	108	-	-	-	108

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Current	854,068	957,930	14	14
Non-current	829,745	1,043,293	96	94
	1,683,813	2,001,223	110	108

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

- Migration of some assets from Stage 1 and 2 to Stage 3 within the financial year 2018 contributed to increase in total ECL. A total of ₦20.7billion migrated from Stage 1 and 2 to 3 with corresponding increase in ECL by a total of ₦7.2billion.
- Write-off of significant loans with a total gross carrying amount of ₦149.5billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
- Movement in exchange rate on major foreign currency denominated facility in Stage 3 contributed to an increase in ECL on Stage 3 loans. A total of ₦14.2billion increase was caused by foregin exchange impact with corresponding increase of ₦14.1billion in ECL.
- Newly created facilities totaling ₦55.4billion with a corresponding ₦0.5billion increase in loss allowance measured on a 12-month basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Loans and advances to customers continued

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate ₦'million	Retail ₦'million	Total ₦'million
At 31 December 2017 per IAS 39			
Specific impairment	221,617	8,451	230,068
Collective impairment	37,243	11,859	49,102
	258,860	20,310	279,170
IFRS 9 adjustment	195,210	8,691	203,901
	454,070	29,001	483,071
At 1 January 2018 per IFRS 9			
12 months ECL- Stage 1	2,103	1,773	3,875
Life time ECL not credit impaired - Stage 2	18,840	37	18,877
Life time ECL credit impaired - Stage 3	433,127	27,191	460,318
	454,070	29,001	483,071
Additional allowance			
12 months ECL- Stage 1	1,165	(338)	827
Life time ECL not credit impaired - Stage 2	(10,900)	(1)	(10,901)
Life time ECL credit impaired - Stage 3	89,498	6,445	95,943
	79,763	6,106	85,869
Exchange difference			
12 months ECL- Stage 1	889	15	904
Life time ECL not credit impaired - Stage 2	(2,788)	(3)	(2,791)
Life time ECL credit impaired - Stage 3	4,478	387	4,865
Loan write-off			
Life time ECL credit impaired - Stage 3	(185,077)	(1,368)	(186,445)
At 31 December 2018	351,335	34,138	385,473
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,026	32,655	374,681
At 31 December 2018	351,335	34,138	385,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23 Loans and advances to customers continued

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 2017					
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
	111,183	187,941	535	11,225	310,884
Additional provision:					
Specific impairment	10,742	132,155	36	(1,352)	141,581
Collective impairment	(936)	14,117	(10)	355	13,526
Loan write-off:					
Specific impairment	(71,043)	(128,046)	-	(15)	(199,104)
Collective impairment	(148)	(93)	-	-	(241)
Exchange difference:					
Specific impairment	(1,817)	24,460	-	(9,468)	13,175
Collective impairment	1,512	(2,193)	-	30	(651)
	49,493	228,341	561	775	279,170
Specific impairment	44,205	185,326	533	4	230,068
Collective impairment	5,288	43,015	28	771	49,102
At 31 December 2017	49,493	228,341	561	775	279,170

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

GROUP

	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Gross investment in finance lease, receivable		
- No later than 1 year	**474**	-
- Later than 1 year and no later than 5 years	**263**	1,072
	737	1,072
Unearned future finance income on finance leases	**(35)**	-
Impairment allowance on leases	**(320)**	(561)
Net investment in finance lease, receivable	**382**	511
Net investment in finance lease, receivable is analysed as follows:		
- No later than 1 year	**226**	-
- Later than 1 year and no later than 5 years	**156**	511
	382	511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Loans and advances to customers continued

Nature of security in respect of loans and advances:

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Legal mortgage/debenture on business premises, factory assets or real estates	**1,231,073**	1,069,361		
Guarantees/receivables of investment grade banks and State Govt.	**285,828**	647,616	**-**	-
Domiciliation of receivables	**358,707**	407,244	**-**	-
Clean/negative pledge	**136,394**	91,908	**-**	-
Marketable securities/shares	**608**	29,393	**-**	-
Otherwise secured	**32,709**	15,739	**110**	108
Cash/government securities	**17,834**	19,132	**-**	-
Unsecured	**6,133**	-	**-**	-
	2,069,286	2,280,393	**110**	108

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

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

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Treasury bills with maturity of less than 90 days	13,025	8,491	-	-
Treasury bills with maturity over 90 days	9,398	20,837	-	-
Bonds	32,618	22,836	-	-
Total debt securities	55,042	52,164	-	-
Listed equity securities	271	755	-	-
Unlisted equity securities	36,063	7,801	3,427	-
Total equity securities	36,334	8,556	3,427	-
Derivative assets (refer Note 24a)	17,786	22,993	-	-
Total assets at fair value through profit or loss	109,162	83,713	3,427	-
Current	55,042	67,462	-	-
Non-current	54,120	16,251	3,427	-
	109,162	83,713	3,427	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

a Derivatives

	GROUP 31 Dec 2018		
		Fair values	
	Notional contract amount ₦'million	Asset ₦'million	Liability ₦'million
Foreign exchange derivatives			
Forward FX contract	351,767	2,777	(2,537)
FX futures	99,178	271	(272)
Currency swap	18,905	296	(14)
Put options	430,971	14,442	(12,967)
	900,822	17,786	(15,791)
Current	844,997	14,452	(12,671)
Non-current	55,825	3,334	(3,120)
	900,822	17,786	(15,791)

	GROUP 31 Dec 2017		
		Fair values	
	Notional contract amount ₦'million	Asset ₦'million	Liability ₦'million
Foreign exchange derivatives			
Forward FX contract	205,319	5,040	(798)
FX accumulator contract		-	-
Currency swap	55,049	7,680	(19)
Put options	279,638	10,273	(8,587)
	540,006	22,993	(9,404)
Current	411,195	15,299	(3,184)
Non-current	128,811	7,694	(6,220)
	540,006	22,993	(9,404)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

25 Investment securities

25.1 Investment securities at FVOCI

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	38,247	-	-	-
– Treasury bills with maturity of more than 90 days	566,001	-	6,080	-
– Government bonds	118,188	-	999	-
– Other bonds	43,335	-	-	-
Equity securities – at fair value:				
– Listed	1,217	-	-	-
– Unlisted	107,131	-	-	-
Total securities classified as FVOCI	874,119	-	7,079	-
Available-for-sale investment securities				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	-	256,886	-	-
– Treasury bills with maturity of more than 90 days	-	449,950	-	6,297
– Government bonds	-	319,903	-	693
Equity securities – at fair value:				
– Listed	-	1,734	-	-
– Unlisted	-	94,284	-	2,852
Total available-for-sale investment securities	-	1,122,757	-	9,842
Current	649,984	737,999	6,080	6,297
Non-current	224,135	384,758	999	3,545
	874,119	1,122,757	7,079	9,842

Reconciliation of impairment on investment seurities at FVOCI

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Transition adjustment	414	-
Increase in impairment	760	-
At end of year	1,174	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

25.2 Investment securities at amortised cost

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	486,703	-	-	-
– Treasury bills with maturity of more than 90 days	59,051	-	-	-
– Bonds	230,714	-	-	-
– Unlisted debt	14,069	-	-	-
Impairment on Amortised Cost securities		-	-	-
- Stage 1: 12- month ECL	(835)	-	-	-
Total securities at amortised cost	789,702	-	-	-
Held-to-maturity investment securities				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	-	15,341	-	-
– Treasury bills with maturity of more then 90 days	-	32,948	-	-
– Bonds	-	59,994	-	-
Total held-to-maturity securities	-	108,283	-	-
Current	556,351	62,150	-	-
Non-current	233,351	46,133	-	-
	789,702	108,283	-	-
Loans and receivables				
Investment in commercial papers	-	13,365	-	-
Investment in promissory notes	-	4,203	-	-
	-	17,568	-	-
Current	-	7,252	-	-
Non-current	-	10,316	-	-
	-	17,568	-	-
Total investment securities	1,663,821	1,248,608	7,079	9,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25.2 Investment securities at amortised cost continued

Reconciliation of impairment on investment securities

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
At start of period	**3,230**	967	**-**	-
Transition adjustment	**1,184**	-	**-**	-
(Writeback)/increase in impairment	**(776)**	2,263	**-**	-
Amount written-off	**(1,111)**	-	**-**	-
Reclassification	**(1,692)**	-	**-**	-
At end of period	**835**	3,230	**-**	-

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 2018 ₦'million	31 Dec 2017 ₦'million
Debt securities at FVOCI (Note 26.1)	**215,753**	-
Available-for-sale debt securities (Note 26.1)	**-**	134,513
Debt securities at amortised cost (Note 26.2)	**93,298**	-
Held-to-maturity debt securities (Note 26.2)	**-**	74,412
	309,051	208,925

26.1 Debt securities at FVOCI

- Treasury bills	**149,829**	-
- Bonds	**65,924**	-
Available-for-sale debt securities		
- Treasury bills	**-**	80,542
- Bonds	**-**	53,972
	215,753	134,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26.2 Debt securities at amortized cost

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
– Treasury bills	**14,032**	-
– Bonds	**79,266**	-
	93,298	-
Held-to-maturity debt securities		
– Treasury bills	**-**	5,100
– Bonds	**-**	69,312
	-	74,412
The related liability for assets held-as-collateral include:		
Bank of Industry	**29,532**	35,863
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	**27,049**	22,277
Due to other banks	**116,189**	50,046
Borrowings from Deustche Bank	**-**	4,011

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 ₦33.3bn for the Group in December 2018 (2017: ₦33.8bn) for which there is no related liability.

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Current	**175,756**	77,517
Non-current	**133,295**	131,408
	309,051	208,925

All assets pledged as collateral are Stage 1 assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

27 Other assets

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Financial assets:				
Premium debtors	87	43	-	-
Accounts receivable	52,428	70,740	87	8,832
Reinsurance assets	2,703	1,652	-	-
	55,218	72,435	87	8,832
Impairment on other assets - Simplified approach				
- Stage 1: 12- month ECL	(18,948)	(8,136)	-	-
	36,270	64,299	87	8,832
Non financial assets:				
Stock of consumables	2,038	2,021	-	-
Inventory- repossessed collateral	60,104	54,904	-	-
Prepayments	12,545	10,979	139	179
WHT receivable	1,879	1,212	66	-
Deferred acquisition costs	223	153	-	-
Impairment on non financial other assets	(697)	(837)	-	-
	76,092	68,431	205	179
Net other assets balance	112,362	132,730	292	9,011

Inventory (repossessed collateral) of ₦60.10bn (2017: ₦54.9bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

31 December 2018

GROUP		Reinsurance share of:				
	Claims recoverable ₦'million	IBNR claims ₦'million	Unearned premium reserve ₦'million	Outstanding claims ₦'million	Prepaid Reinsurance ₦'million	Total ₦'million
At 1 January 2018	60	642	147	392	411	1,652
Addition	-	-	-	-	2,731	2,731
Receipt from reinsurers	(719)	-	-	-	-	(719)
Amortisation for the year	-	-	-	-	(2,495)	(2,495)
Changes during the year	933	(234)	(85)	920	-	1,534
At 31 December 2018	274	408	62	1,312	647	2,703
31 December 2017						
At 1 January 2017	62	21	13	381	413	890
Addition	616	-	-	-	2,952	3,568
Receipt from reinsurers	(618)	-	-	-	-	(618)
Amortisation for the year	-	-	-	-	(2,954)	(2,954)
Changes during the year	-	621	134	11	-	766
At 31 December 2017	60	642	147	392	411	1,652

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27 Other assets continued

Deferred insurance acquisition costs

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
At start of year	**153**	132
Addition	**3,311**	3,732
Amortisation for the year	**(3,241)**	(3,711)
At end of year	**223**	153

Reconciliation of impairment account

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
At start of period	**8,973**	7,910	**-**	-
Transition impact	**6,021**	-	**-**	-
Write-off	**(2,873)**	(869)	**-**	-
Increase in impairment	**7,524**	1,932	**-**	-
At end of period	**19,645**	8,973	**-**	-

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

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28 Investment properties

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
At start of period	**1,993**	3,003
Derecognition	**(1,498)**	-
Net gain/(loss) from fair value adjustment	**20**	(2)
Reclassification	**-**	(1,008)
	515	1,993

Included in investment properties are mainly land acquired by the Group for capital appreciation. At 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 (2017: Nil) arose from the investment properties during the year. Fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties are as follows:

Entity:	FBN Insurance Limited	FBNQuest Capital Limited
Location:	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

29 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. The investment has been fully impaired.

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

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 ₦144.63 (Cost: ₦100).

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FOR THE YEAR ENDED 31 DECEMBER 2018

29 Investment in associates (equity method) continued

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
FBN Heritage Fund		
Balance at beginning of year	1,357	1,114
Share of profit	23	430
Share of other comprehensive income	(5)	(65)
Dividend received	-	(122)
Disposal of investment	(750)	-
At end of year	625	1,357

30 Investment in subsidiaries

30.1 Principal subsidiary undertakings

	COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 30 (i))	205,557	205,557
FBNQuest Capital Limited (Note 30 (ii))	4,300	4,300
FBN Insurance Limited (Note 30 (iii))	4,724	4,724
FBN Insurance Brokers Limited (Note 30 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 30 (v))	-	-
FBNQuest Merchant Bank Limited (Note 30 (vi))	17,206	17,206
	231,812	231,812
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
FBNQuest Trustees Limited (Note 30 (vii))	6,033	6,033
FBNQuest Funds Limited (Note 30 (viii))	4,550	4,550
	10,583	10,583
	242,395	242,395

As at 31 December 2018, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: ₦5billion; Total Impairment: ₦5billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30.1 Principal subsidiary undertakings continued

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the Group owned the total issued shares in all its subsidiary undertakings except FBN Insurance Limited and New Villa Limited (Rainbow Town Development Limited) in which it owned 65% and 55% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest as at the end of the year ₦12.418billion (2017: ₦(5.494) billion).

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

ii. 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.

iii FBNQuest Capital Limited

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

iii FBN Insurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc. (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30.1 Principal subsidiary undertakings continued

iiv FBN Insurance Brokers Limited

The Company was incorporated under the Companies and Allied Matters Act, as a limited liability company on 31 March 1994 with the name 'Trust Link Insurance Brokers Limited'. The Company prepared financial statements up to 31 March 1998 after which it became dormant. The Company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the Company is insurance brokerage business.

v New Villa Limited (Rainbow Town Development Limited)

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

vi FBNQuest Merchant Bank Limited

FBNQuest Merchant Bank Limited (formerly FBN Merchant Bank Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 originally known as Kakawa Discount House Limited.

The Company was granted a licensed to carry on the business of a discount house and commenced operations on 16 November 1995. FBN Holdings Plc acquired the shares of the Company and converted the business to a merchant bank having obtained the Central Bank of Nigeria for merchant banking operations in May 2015.

vii FBNQuest Trustees Limited

FBNQuest Trustees Limited (formerly FBN Trustees Limited) was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The Company was established to engage in the business of trusteeship as well as portfolio management, and financial/investment advisory services.

viii FBNQuest Funds Limited

FBNQuest Funds Limited (formerly FBN Funds Limited) was incorporated on 14 November 2002. It commenced operations on 1 April 2003. Its principal activities are to carry on venture capital and private equity business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30.2 Condensed results of consolidated entities from continuing operations

31 December 2018	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised Income Statement										
Operating income	13,651	363,680	15,555	13,100	21,311	485	-	427,781	(11,899)	415,881
Operating expenses	(4,210)	(231,361)	(3,227)	(10,183)	(14,444)	(426)	-	(263,851)	145	(263,706)
Impairment charge for losses	-	(92,242)	1,215	(116)	(119)	(19)	-	(91,281)	4,370	(86,911)
Operating profit	9,441	40,077	13,542	2,801	6,749	40	-	72,649	(7,385)	65,264
Associate	-	-	23	-	-	-	-	23	-	23
Profit before tax	9,441	40,077	13,566	2,801	6,749	40	-	72,672	(7,385)	65,288
Tax	(98)	201	(4,336)	(483)	(807)	(21)	-	(5,544)	-	(5,544)
Profit/(Loss) for the year from continuing operations	9,343	40,278	9,230	2,318	5,941	19	-	67,129	(7,385)	59,744
Loss for the year from discontinued operations		-					(330)	(330)	254	(77)
Other comprehensive income	(144)	1,398	(583)	(1,664)	(502)	(28)	-	(1,521)	-	(1,521)
Total comprehensive income	9,199	41,677	8,647	654	5,439	(9)	(330)	65,277	(7,131)	58,146
Profit for the year allocated to non-controlling interest	-	(1,264)	-	-	2,081	-	(149)	668	-	668
Total comprehensive income allocated to non controlling interest	-	(1,264)	-	-	1,906	-	(149)	492	-	492
Dividends paid to non controlling interest	-	-	-	-	1,027	-	-	1,027	-	1,027
Summarised Financial Position										
Assets										
Cash and balances with Central Banks	-	648,181	-	4,653	500	-	-	653,335	-	653,335
Loans and advances to banks	16,639	842,494	18,582	17,338	1,125	350	-	896,528	(33,092)	863,435
Loans and advances to customers	110	1,708,220	144	35,414	286	1	-	1,744,174	(60,362)	1,683,813
Financial assets at fair value through profit or loss	3,427	24,674	32,368	2,096	46,596	-	-	109,162	-	109,162
Investment securities	7,078	1,571,723	28,251	35,394	21,301	127	-	1,663,874	(53)	1,663,821
Assets pledged as collateral	-	287,791	161	21,100	-	-	-	309,051	-	309,051
Other assets	291	103,835	1,348	5,529	3,243	55	-	114,301	(1,939)	112,362
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	415	-	100	-	-	515	-	515
Investment in associates accounted for using the equity method	-	-	769	-	-	-	-	769	(144)	625
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	383	86,311	192	1,759	2,468	52	-	91,166	349	91,515
Intangible assets	-	13,590	308	1,900	334	1	-	16,134	-	16,134
Deferred tax assets	-	15,706	506	9,322	-	24	-	25,558	-	25,558
Assets held-for-sale	-	208	1,021	-	-	-	45,681	46,910	(7,920)	38,990
	270,325	5,302,733	84,064	134,505	75,953	611	45,681	5,913,872	(345,556)	5,568,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2018	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by										
Deposits from banks	-	741,311	-	8,004	-	-	-	749,315	-	749,315
Deposits from customers	-	3,392,577	36,402	90,858	-	-	-	3,519,837	(33,146)	3,486,691
Financial liabilities at fair value through profit or loss	-	15,557	-	220	14	-	-	15,791	-	15,791
Current income tax liability	102	7,844	4,895	716	2,024	75	-	15,656	-	15,656
Other liabilities	8,035	327,120	22,953	10,074	6,661	290	-	375,132	(1,787)	373,345
Liability on investment contracts	-	-	-	-	19,766	-	-	19,766	-	19,766
Liability on insurance contracts	-	-	-	-	34,192	-	-	34,192	-	34,192
Borrowings	-	338,214	-	-	-	-	-	338,214	-	338,214
Retirement benefit obligations	-	1,941	-	-	-	(1)	-	1,940	-	1,940
Deferred tax liabilities	-	-	53	-	213	-	-	266	-	266
Liabilities held-for-sale	-	-	372	-	-	-	66,768	67,140	(64,646)	2,493
	8,137	4,824,563	64,675	109,872	62,870	363	66,768	5,137,249	(99,580)	5,037,669
Equity and reserves	262,188	478,171	19,389	24,633	13,082	247	(21,087)	776,624	(245,977)	530,647
Accumulated non-controlling interest	-	17,109	187	-	4,611	-	(9,489)	12,418	-	12,418
Summarised Cash Flows										
Operating activities										
Interest received	2,410	405,472	4,673	16,630	8,159	48	-	437,392	-	437,392
Interest paid	-	(110,062)	(4,138)	(12,272)	-	-	-	(126,472)	-	(126,472)
Income tax paid	(63)	(2,903)	(597)	(2,184)	(244)	(35)	-	(6,026)	-	(6,026)
Cash flow (used in)/generated from operations	(3,590)	198,083	(1,200)	19,847	24,102	57	(53)	237,246	(3,684)	233,563
Net cash (used in)/generated from operating activities	(1,243)	490,590	(1,261)	22,021	32,016	71	(53)	542,142	(3,684)	538,458
Net cash generated from/(used in) investing activities	19,219	(174,922)	1,993	(531)	(24,310)	(2)	-	(178,554)	(19,823)	(198,377)
Net cash (used in) financing activities	(8,974)	(116,581)	(8,381)	(9,407)	(2,657)	(130)	-	(146,129)	15,536	(130,594)
Increase/(decrease) in cash and cash equivalents	9,002	199,087	(7,649)	12,082	5,049	(61)	(53)	217,459	7,971	209,487
Cash and cash equivalents at start of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,808	(26,360)	1,166,447
Effect of exchange rate fluctuations on cash held	52	43,074	165	668	-	(5)	-	43,955	-	43,955
Cash and cash equivalents at end of year	16,639	1,371,464	19,535	33,211	12,760	327	285	1,454,221	(34,332)	1,419,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2017	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised Income Statement										
Operating income	13,714	407,863	8,314	13,868	17,353	593	-	461,706	(16,871)	444,835
Operating expenses	(4,332)	(211,783)	(4,344)	(7,130)	(12,641)	(465)	-	(240,695)	376	(240,319)
Impairment charge for credit losses	-	(141,275)	(53)	(545)	(127)	(15)	-	(142,014)	(8,410)	(150,424)
Operating profit	9,382	54,805	3,918	6,194	4,585	114	-	78,997	(24,905)	54,092
Associate	-	-	430	-	-	-	-	430	-	430
Profit before tax	9,382	54,805	4,348	6,194	4,585	114	-	79,428	(24,905)	54,522
Tax	(107)	(5,633)	(1,063)	(1,283)	(913)	(40)	-	(9,040)	-	(9,040)
Profit/(Loss) for the year from continuing operations	9,275	49,172	3,285	4,910	3,672	73	-	70,387	(24,905)	45,482
Loss for the year from discontinued operations		(1,520)					(11,060)	(12,580)	4,806	(7,774)
Other comprehensive income	163	60,306	612	2,002	1,030	43	-	64,156	-	64,156
Total comprehensive income	9,438	107,958	3,897	6,912	4,702	116	(11,060)	121,963	(20,100)	101,864
Total comprehensive income allocated to non controlling interest	-	(40)	112	-	1,646	-	(4,977)	(3,259)	-	(3,259)
Dividends paid to non controlling interest	-	-	-	-	760	-	-	760	-	760
Summarised Financial Position										
Assets										
Cash and balances with Central Banks	-	638,308	-	3,073	500	-	-	641,881	-	641,881
Loans and advances to banks	7,585	729,603	26,066	14,953	1,567	414	-	780,188	(37,259)	742,929
Loans and advances to customers	108	2,026,038	79	39,164	94	2	-	2,065,484	(64,262)	2,001,223
Financial assets at fair value through profit or loss	-	33,011	7,644	4,385	38,673	-	-	83,712	-	83,713
Investment securities	9,842	1,153,365	27,783	52,930	4,536	155	-	1,248,610	(2)	1,248,608
Assets pledged as collateral	-	194,951	7,150	6,823	-	-	-	208,925	-	208,925
Other assets	9,008	123,961	1,600	5,142	2,355	88	-	142,154	(9,423)	132,731
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	1,893	-	100	-	-	1,993	-	1,993
Investment in associates accounted for using the equity method	-	-	1,501	-	-	-	-	1,501	(144)	1,357
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	682	82,793	383	1,876	2,108	72	-	87,913	349	88,263
Intangible assets	-	12,107	563	3,121	418	1	-	16,211	-	16,211
Deferred tax assets	-	8,768	535	9,234	-	17	-	18,554	-	18,554
Assets held-for-sale	-	11,343	1,021	-	-	-	45,678	58,042	(7,893)	50,149
	269,620	5,014,248	76,219	140,701	50,350	750	45,678	5,597,562	(361,025)	5,236,537

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30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2017	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by										
Deposits from banks	-	655,042	-	10,324	-	-	-	665,366	-	665,366
Deposits from customers	-	3,065,732	26,888	87,952	-	-	-	3,180,572	(37,234)	3,143,338
Financial liabilities at fair value through profit or loss	-	9,352	-	33	20	-	-	9,404	-	9,404
Current income tax liability	104	5,088	1,362	2,249	1,309	81	-	10,194	-	10,194
Other liabilities	7,553	229,380	22,369	12,890	2,944	332	-	275,468	(9,271)	266,198
Liability on investment contracts	-	-	-	-	13,399	-	-	13,399	-	13,399
Liability on insurance contracts	-	-	-	-	21,734	-	-	21,734	-	21,734
Borrowings	-	416,908	4,011	-	-	-	-	420,919	-	420,919
Retirement benefit obligations	-	2,220	3	-	-	(20)	-	2,203	-	2,203
Deferred tax liabilities	-	-	159	82	365	-	-	606	-	606
Liabilities held-for-sale	-	7,409	198	-	-	-	66,434	74,040	(64,583)	9,457
	7,657	4,391,131	54,989	113,530	39,771	393	66,434	4,673,904	(111,088)	4,562,816
Equity and reserves	261,963	627,589	21,230	27,172	10,579	356	(20,756)	928,133	(249,941)	678,192
Summarised Cash Flows										
Operating activities										
Interest received	2,110	424,580	4,741	21,963	5,947	59	-	459,401	-	459,401
Interest paid	-	(123,001)	(3,866)	(12,072)	-	-	-	(138,939)	-	(138,939)
Income tax paid	(87)	(4,236)	(1,694)	(364)	(323)	(58)	-	(6,761)	-	(6,761)
Cash flow (used in)/generated from operations	(3,609)	57,499	21,333	25,666	13,366	128	(111)	114,271	2,030	116,302
Net cash (used in)/generated from operating activities	(1,587)	354,842	20,514	35,193	18,991	129	(111)	427,971	2,030	430,003
Net cash generated from/(used in) investing activities	15,697	(119,489)	(5,270)	(23,949)	(11,307)	(2)	-	(144,319)	(13,625)	(157,945)
Net cash (used in)/generated from financing activities	(7,179)	70,733	2,524	(1,048)	(3,334)	-	-	61,696	(18,458)	43,238
Increase/(decrease) in cash and cash equivalents	6,932	306,086	17,769	10,197	4,349	127	(111)	345,349	(30,053)	315,296
Cash and cash equivalents at start of year	645	719,168	8,579	10,077	3,363	259	449	742,540	3,691	746,231
Effect of exchange rate fluctuations on cash held	8	104,048	671	187	-	6	-	104,920	-	104,920
Cash and cash equivalents at end of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,807	(26,361)	1,166,447

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30.3 Non-controlling interests

During the year, FBNBank UK (a subsidiary of First Bank of Nigeria Limited) and an indirect subsidiary of FBNHoldings issued additional shares which resulted in a reduction in the Group's holding from 100% to 91%. The Group recognised non-controlling interests of ₦18.4bn and a decrease in equity attributable to owners of the parent of 9%. The effect on the equity attributable to the owners of FBN Holdings Plc during the year is summarised as follows:

	31 December 2018 ₦'million
Consideration paid by non-controlling interests	18,373
Share of loss	(1,264)
	17,109

The summarised financial information for subsidiaries with material Non-controlling interest is shown in Note 30.2.

31 Asset held-for-sale

(a) Discontinued operations:

The assets classified as held-for-sale in 2018 included Rainbow Town Development Limited and Twin Peaks Nigeria Limited.

(i) New Villa Limited (Rainbow Town Development Limited)

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

(ii) FBN Mortgages Limited

The assets and liabilities of FBN Mortgages Limited were classified as held-for-sale in 2016 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 amount has been presented in Note 6 as part of the Commercial Banking Group. The Group completed the sale of FBN Mortgages Limited in February 2018 and the results of the subsidiary were deconsolidated with effect from that date.

(iii) Twin Peaks Nigeria Limited

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

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

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

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31 Asset held-for-sale continued

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

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Assets classified as held-for-sale		
Cash and balances with Central Banks	-	203
Loans and advances to banks	-	102
Loans and advances to customers	-	2,176
Investment securities	-	140
Other assets	1,427	2,007
Inventory	36,337	44,047
Investment property	1,008	1,008
Deferred tax assets	-	256
Property, plant and equipment	5	44
Intangible assets	5	6
	38,782	49,989
Liabilities classified as held-for-sale		
Deposit from customers	-	6,988
Company income tax liability	6	6
Other liabilities	2,487	2,458
Borrowings	-	5
	2,493	9,457
Net asset	36,288	40,532

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31 Asset held-for-sale continued

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Interest income	-	941
Interest expense	-	(7,435)
Net interest income	-	(6,494)
Impairment charge	-	(247)
Net interest income after impairment charge	-	(6,741)
Net fee and commission income	-	94
Other income	-	38
Operating expense	(77)	(960)
Loss before tax	(77)	(7,569)
Taxation	-	(205)
Loss after tax	(77)	(7,774)
Loss from discontinued operations is attributable to:		
Owners of the parent	(42)	(4,960)
Non-controlling interests	(34)	(2,814)
	(77)	(7,774)
The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	(54)	(5,001)
Net cash flow from financing activities	-	215
Net cash flow from investing activities	-	3,241
Net cash outflow	(54)	(1,545)

(b) Non-current asset held-for-sale

FBNBank Senegal, a subsidiary of First Bank of Nigeria Limited, has classified a building from its Property, Plant and Equipment as Asset held-for-sale, following Management's decision to dispose the asset within 12 months in line with IFRS 5.

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Property, plant and equipment	208	160
Total assets classified as held-for-sale	38,990	50,149

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32 Property and equipment

GROUP	Improvement and buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Machinery ₦'million	Work in progress* ₦'million	Total ₦'million
Cost									
At 1 January 2017	47,395	21,131	12,380	44,817	15,025	10,448	189	5,046	156,430
Additions	842	59	2,099	2,291	1,892	427	37	5,169	12,816
Reclassifications	922	-	14	630	264	(577)	-	(1,253)	-
Disposals	(1)	(11)	(1,714)	(533)	(52)	(134)	-	-	(2,445)
Discontinued Operations	(12)	-	-	-	-	-	-	-	(12)
Exchange difference	(683)	3	(133)	(255)	(331)	(7)	17	(55)	(1,444)
At 31 December 2017	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	165,346
Accumulated depreciation									
At 1 January 2017	9,179	-	7,764	31,928	12,021	7,094	128	-	68,114
Charge for the year	1,569		2,109	4,788	1,873	1,234	27	-	11,600
Reclassifications	239	-	-	77	12	(328)	-	-	-
Disposals	(1)	-	(1,254)	(512)	(50)	(132)	-	-	(1,948)
Discontinued Operations	-	-	-	-	-	-	-	-	-
Exchange differences	(123)		(118)	(171)	(276)	(8)	12	-	(684)
At 31 December 2017	10,863	-	8,502	36,110	13,580	7,860	167	(0)	77,083
Net book amount at 31 December 2017	37,600	21,182	4,145	10,840	3,217	2,297	76	8,907	88,263
Cost									
At 1 January 2018	**48,463**	**21,182**	**12,646**	**46,950**	**16,797**	**10,157**	**243**	**8,907**	**165,346**
Additions	**890**	**113**	**1,696**	**2,777**	**2,157**	**556**	**41**	**7,385**	**15,615**
Disposals	**(29)**	**-**	**(1,778)**	**(90)**	**(100)**	**(42)**	**(29)**	**-**	**(2,068)**
Write-offs	**-**	**-**	**-**	**(627)**	**-**	**-**	**-**	**-**	**(627)**
Transfers	**287**	**-**	**404**	**1,598**	**6,880**	**63**	**-**	**(9,284)**	**(52)**
Exchange difference	**347**	**(1)**	**70**	**122**	**150**	**44**	**(2)**	**15**	**744**
At 31 December 2018	**49,958**	**21,294**	**13,038**	**50,731**	**25,884**	**10,778**	**253**	**7,023**	**178,958**
Accumulated depreciation									
At 1 January 2018	**10,863**	**-**	**8,502**	**36,110**	**13,580**	**7,860**	**167**	**-**	**77,083**
Charge for the year	**1,388**	**-**	**2,135**	**4,606**	**3,138**	**969**	**46**	**-**	**12,282**
Disposals	**(30)**	**-**	**(1,404)**	**(87)**	**(99)**	**(40)**	**(30)**	**-**	**(1,690)**
Write-offs	**-**	**-**	**-**	**(625)**	**-**	**-**	**-**	**-**	**(625)**
Exchange differences	**109**	**-**	**54**	**71**	**128**	**32**	**(1)**	**-**	**393**
At 31 December 2018	**12,330**	**-**	**9,286**	**40,075**	**16,748**	**8,821**	**182**	**-**	**87,443**
Net book amount at 31 December 2018	**37,628**	**21,294**	**3,752**	**10,657**	**9,136**	**1,958**	**71**	**7,023**	**91,515**

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

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

Exchange difference on property and equipment

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

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32 Property and equipment continued

COMPANY	Improvement and buildings ₦'million	Motor vehicles ₦'million	Machinery ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Total ₦'million
Cost							
At 1 January 2017	615	303	42	447	8	418	1,832
Additions	-	228	-	2	4	1	235
Disposal	-	(55)	-	-	-	-	(56)
At 31 December 2017	615	475	42	448	12	419	2,011
Accumulated depreciation							
At 1 January 2017	307	173	26	227	4	247	983
Charge for the year	123	96	8	89	3	80	399
Disposal	-	(51)	-	-	-	-	(51)
At 31 December 2017	430	218	34	316	6	327	1,330
Net book amount at 31 December 2017	185	257	8	132	5	92	680
Cost							
At 1 January 2018	615	475	42	448	12	419	2,011
Additions	-	97		2	6	-	105
Disposal	-	(39)		-	-	-	(39)
At 31 December 2018	615	533	42	450	18	419	2,077
Accumulated depreciation							
At 1 January 2018	430	218	34	316	6	327	1,330
Charge for the year	123	108	5	87	4	70	397
Disposal	-	(32)	-	-	-	-	(32)
At 31 December 2018	553	294	39	403	10	397	1,695
Net book amount at 31 December 2018	62	239	3	47	8	22	382

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33 Intangible assets

GROUP	Goodwill ₦'million	Customer relationship ₦'million	Brand ₦'million	Core deposits ₦'million	Computer software ₦'million	Total ₦'million
Cost						
At 1 January 2017	6,502	52	326	905	18,820	26,605
Additions	-	-	-	-	6,114	6,114
Reclassification	-	-	-	-	(1,087)	(1,087)
Disposals						-
Exchange difference	146	-	-	49	389	584
At 31 December 2017	6,648	52	326	954	24,236	32,216
Additions	-	-	-	-	5,542	5,542
Reclassification	-	-	-	-	(321)	(321)
Write-off	-	(52)	(326)	-	(159)	(537)
Other changes	-	-	-	-	(100)	(100)
Exchange difference	(15)	-	-	14	161	160
At 31 December 2018	6,633	-	-	969	29,359	36,960
Amortisation and impairment						
At 1 January 2017	1,925	52	326	573	8,401	11,277
Amortisation charge	-	-	-	177	4,024	4,201
Exchange difference	-	-	-	31	496	527
At 31 December 2017	1,925	52	326	781	12,921	16,005
Amortisation charge	-	-	-	176	5,160	5,336
Write-off	-	(52)	(326)	-	(159)	(537)
Other changes	-	-	-	-	(100)	(100)
Exchange difference	-	-	-	11	111	122
At 31 December 2018	1,925	-	-	968	17,933	20,826
Net book value						
At 31 December 2018	4,708	-	-	-	11,426	16,134
At 31 December 2017	4,723	-	-	173	11,314	16,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

33 Intangible assets continued

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

Customer deposits acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight line method over 5 years.

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored at the level of the individual cash generating unit. The entity to which the goodwill relates is recognized 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 frequently 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 2018.

The recoverable amount of each CGU has been based on value in use and the weighted average cost of capital (WACC). These calculations use pre-tax cash flow projection covering five years. The cash flow projections for each CGU are based on forecasts approved by Senior Management. The nominal growth rate reflects GDP and inflation for the countries within which the CGU operates or derives revenue from. The rates are based on IMF forecast growth rates as they represent an objective estimate of likely future trends.

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

Impairment testing on cash generating units containing goodwill

	31 Dec 2018 ₦'millions	31 Dec 2017 ₦'millions
Analysis of goodwill balances		
FBNBank Ghana	**3,325**	3,349
FBNBank DRC	**552**	552
FBNBank Sierra-Leone	**351**	200
FBN General Insurance	**262**	262
FBNBank Guinea	**218**	359
	4,708	4,722

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33 Intangible assets continued

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

	2018		2017	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Terminal growth rate: %	**4.68%**	**5%**	4%	5%
Discount rate: %	**28%**	**27%**	29%	32%
Deposit growth rate: %	**6%**	**12%**	12%	7%
Recoverable amount of the CGU: (₦'million)	**14,268**	**40,063**	13,384	12,303

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

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

Management determined deposits to be the key value driver in each of the entities. Deposits are considered by Management as the most important source of funds for the Banks' subsidiaries to finance their assets. Projected deposits growth is based on past performance of the CGUs as well as Management's plan to expand the businesses and deepen customer base.

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

For the two material CGUs, FBNBank Ghana and FBNBank Congo, if the weighted average cost of capital (WACC) rate had been higher by 0.5%, the recoverable amount (VIU) would have been higher than the carrying amount by ₦2.38bn and ₦2.67bn respectively, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by ₦4.63bn and ₦3.24bn respectively.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by ₦4.09bn and ₦3.08bn respectively, while if lower by 0.5% the recoverable amount would have been higher by ₦2.89bn and ₦2.83bn rexpectively.

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

Goodwill sensitivity analysis

	% Change	Recoverable amount	Excess of recoverable amount over carrying amount
FBNBank DRC			
Terminal growth rate:	+0.5%	14,398	3,080
	-0.5%	14,144	2,825
WACC	+0.5%	13,992	2,673
	-0.5%	14,557	3,238
FBNBank Ghana			
Terminal growth rate:	+0.5%	40,680	4,099
	-0.5%	39,473	2,892
WACC	+0.5%	38,962	2,381
	-0.5%	41,219	4,638

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33 Intangible assets continued

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

	2018		2017	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (₦'million)	552	3,325	552	3,349
Net Asset (₦'million)	10,766	33,256	3,256	8,437
Total carrying amount (₦'million)	11,318	36,581	3,808	11,762
Excess of recoverable amount over carrying amount	2,950	3,482	2,011	517

34 Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2017: 30%).

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(79)	(4,564)
Allowance for loan losses	5,902	7,398
Tax losses carried forward	24,305	16,272
Other assets	525	568
Other liabilities	115	70
Defined benefit obligation	488	2,476
Effect of changes in exchange rate	(5,698)	(3,666)
	25,558	18,554
Deferred tax liabilities		
Property and equipment	227	459
Other assets	39	147
	266	606
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	25,324	18,470
- Deferred tax asset to be recovered within 12 months	234	84
	25,558	18,554
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(88)	606
- Deferred tax liability to be recovered within 12 months	354	-
	266	606

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34 Deferred tax assets and liabilities continued

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

GROUP	1 Jan 2017 ₦'million	Recognised in profit and loss ₦'million	Assets classified as held-for-sale ₦'million	31 Dec 2017 ₦'million
Movements in deferred tax assets during the year:				
Property and equipment	(7,512)	2,948	-	(4,564)
Allowance for loan losses	9,063	(1,667)	-	7,398
Tax losses carried forward	17,429	(1,157)	-	16,272
Other assets	1,497	(929)	-	568
Other liabilities	(7,494)	7,564	-	70
Defined benefit obligation	3,251	9	(784)	2,476
Prior year adjustment	987	(987)	-	-
Effect of changes in exchange rate	17	(3,683)	-	(3,666)
Borrowings	40	(40)	-	-
	17,278	2,058	(784)	18,554

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34 Deferred tax assets and liabilities continued

GROUP	1 Jan 2018 ₦'million	Recognised in profit and loss ₦'million	31 Dec 2018 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	459	(232)	227
Other assets	147	(108)	39
	606	(340)	266

GROUP	1 Jan 2017 ₦'million	Recognised in profit and loss ₦'million	31 Dec 2017 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	(13)	472	459
Tax losses carried forward	(7)	7	-
Other assets	197	(50)	147
Other liabilities	22	(22)	-
Excess dividend tax	614	(614)	-
	813	(207)	606

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group and Company did not recognise deferred income tax assets of ₦52.1billion (2017: ₦36.7billion).

Temporary difference relating to the Group's investment in subsidiaries is ₦91.1billion (2017: ₦70.3billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

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

35 Deposits from banks

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Due to banks within Nigeria	620,294	573,402
Due to banks outside Nigeria	129,021	91,964
	749,315	665,366
Current	676,921	665,366
Non-current	72,394	-
	749,315	665,366

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

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36 Deposits from customers

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Current	**915,299**	751,250
Savings	**1,175,321**	1,014,433
Term	**801,419**	881,196
Domiciliary	**583,549**	483,996
Electronic purse	**11,104**	12,463
	3,486,691	3,143,338
Current	**3,171,084**	2,924,964
Non-current	**315,607**	218,374
	3,486,691	3,143,338

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

37 Other liabilities

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Financial liabilities:				
Customer deposits for letters of credit	**196,595**	81,083	**-**	-
Accounts payable	**77,018**	97,446	**-**	-
Creditors	**18,839**	6,769	**119**	206
Bank cheques	**14,975**	22,827	**-**	-
Collection on behalf of third parties	**26,465**	11,156	**-**	-
Unclaimed dividend	**7,056**	6,342	**7,056**	6,342
Accruals	**5,679**	5,260	**859**	1,005
	346,627	230,883	**8,034**	7,553
Non financial liabilities:				
Allowance for credit losses on off-balance sheet items	**3,084**	688	**-**	-
Provisions for litigations	**410**	409	**-**	-
Other credit balances	**23,225**	34,218	**-**	-
	26,719	35,315	**-**	-
Other liabilities balance	**373,345**	266,198	**8,034**	7,553
Other credit balances include transactional taxes and unearned income				
Current	**352,892**	266,117	**8,034**	7,553
Non-current	**20,453**	81	**-**	-
	373,345	266,198	**8,034**	7,553

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37 Other liabilities continued

The provision for litigations is recognised in income statement within 'other operating expenses'. In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2018. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Provisions		
Opening balance at 1 January	409	409
Additional provisions	1	-
Closing balance at 31 December	410	409
Analysis of total provisions:		
Current	410	409
Non-current	-	-
	410	409

38 Liability on investment contracts

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

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Balance at beginning of period	13,399	9,440
Additions during the period	13,781	9,709
Withdrawals during the period	(8,280)	(6,533)
Guaranteed interest	867	782
Balance at end of period	19,766	13,399
Current		
Non-current	19,766	13,399
	19,766	13,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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39 Liability on insurance contracts

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Outstanding claims	**2,063**	1,288
Unearned premium	**1,470**	1,242
Short-term insurance contract - Claims incurred but not reported (IBNR)	**1,729**	1,970
Liability on annuity fund	**13,486**	7,432
Liability on long-term insurance contract - Life fund	**15,443**	9,802
	34,192	21,735
Current	**5,263**	4,499
Non-current	**28,929**	17,235
	34,192	21,734

Reconciliation of changes in liability on insurance contracts

	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short-term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2018	**1,288**	**1,242**	**1,970**	**7,432**	**9,802**	**21,735**
Claims incurred	**6,576**	**-**	**-**	**-**	**-**	**6,576**
Claims paid	**(5,801)**	**-**	**-**	**-**	**-**	**(5,801)**
Change in the year	**-**	**228**	**(241)**	**6,054**	**5,641**	**11,682**
As at 31 December 2018	**2,063**	**1,470**	**1,729**	**13,486**	**15,443**	**34,192**
At 1 January 2017	975	891	614	1,519	6,288	10,287
Claims incurred	4,112	-	-	-	-	4,112
Claims paid	(3,799)	-	-	-	-	(3,799)
Change in the year	-	351	1,356	5,913	3,514	11,134
As at 31 December 2017	1,288	1,242	1,970	7,432	9,802	21,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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40 Borrowings

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Long-term borrowing comprise:		
FBN EuroBond (i)	165,907	254,623
Deutsche Bank	-	4,011
Proparco (ii)	19,875	21,681
Due to Africa Development Bank (iii)	72,948	67,368
On-lending facilities from financial institutions (iv)	61,993	58,324
Borrowing from correspondence banks (v)	17,491	14,912
	338,214	420,919
Current	41,116	52,448
Non-current	297,098	368,471
	338,214	420,919
At start of the year	420,919	316,792
Proceeds of new borrowings	41,706	92,800
Finance cost	28,499	24,444
Foreign exchange losses	27,765	27,895
Repayment of borrowings	(148,749)	(17,596)
Interest paid	(31,926)	(23,416)
At end of year	338,214	420,919

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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40 Borrowings continued

(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.

Note I was redeemed on 7 August 2018.

(ii) Due to Proparco:

Facility represents the outstanding balance of the credit facility of USD65million 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.

(iii) Due to Africa Development Bank:

Facility represents the outstanding balance of the credit facility of USD200million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum and will mature December 2020. This borrowing facility is for USD300million however, USD100million was undrawn as at end of December 2018.

(iv) On-lending Facilities:

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

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of ₦200billion 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 disbursement (2017: Nil) to First Bank of Nigeria Limited. The fund disbursed is for a period of fifteen years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, additional disbursement to First Bank Nigeria Limited was ₦19.6billion (2017: ₦12.9 billion). Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

(v) Borrowings from correspondence banks:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

41 Retirement benefit obligations

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Defined contribution plan	-	3
Defined benefits plan		
Gratuity scheme (i)	(1)	(20)
Defined benefits - Pension (ii)	997	1,457
Gratuity scheme (iii)	944	763
	1,940	2,203

Plan liabilities are based upon independent actuarial valuation performed by Ernst & Young using the projected unit credit basis. This valuation was carried out as at 31 December 2018 and 31 December 2017.

Gratuity scheme (i)

This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. The 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 2018, the plan assets exceeded the defined benefit obligation by ₦18million resulting in a net defined benefit asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

41 Retirement benefit obligations continued

The movement in the defined benefit pension (ii) 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 2017			
Transfer from gratuity scheme (1)	9,011	(7,077)	1,934
Interest expense/(income)			
Service cost	1,303	(1,153)	150
Remeasurement:	19	-	19
- Return on plan asset not included in net interest cost on pension scheme			
Net actuarial gain or loss	-	(882)	(882)
Contributions:	236	-	236
- Employer	-	-	-
Payments:			
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	9,065	(7,608)	1,457
Interest expense/(income)	1,168	(1,068)	100
Service cost	(5)	-	(5)
Curtailment losses	-	-	-
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(264)	(264)
Net actuarial gain or loss	(292)	-	(292)
Contributions:			
- Employer	-	-	-
Payments:			
- Benefit payment	(1,365)	1,365	-
Defined benefit pension obligations at 31 December 2018	8,571	(7,575)	997

The actual return on plan assets was ₦1.33billion (2017: ₦2.04billion).

Composition of plan assets

	GROUP					
	2018			2017		
	₦'million Quoted	₦'million Unquoted	₦'million Total	₦'million Quoted	₦'million Unquoted	₦'million Total
Equity instruments			844			1,014
Banking	668	-		779	-	
Real estate	7	-		9	-	
Manufacturing	169	-		226	-	
Debt instruments			6,543			6.538
Government	5,134	-		-	-	
Corporate bond	790	22		4,936	-	
Money market investments	-	597		979	623	
Money call	-	187	187	-	56	56
Total	6,768	806	7,574	6,929	679	7,608

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

41 Retirement benefit obligations continued

Gratuity scheme (iii)

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

FBNBank 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. FBNBank Guinea and FBNBank 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 movement in the defined benefit Gratuity Scheme (iii) 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 2017	775	(21)	754
Interest expense/(income)	78		78
Service cost	114		114
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme		(3)	(3)
Net actuarial gain or loss	(180)	2	(178)
Contributions:			
- Employer	-	(1)	(1)
Payments:			
- Benefit payment	(3)	3	-
Defined benefit pension obligations at 31 December 2017	784	(20)	764
Foreign exchange difference	60	-	60
Interest expense/(income)	88	-	88
Service cost	113	-	113
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(4)	(4)
Net actuarial gain or loss	(5)	(10)	(15)
Contributions:			
- Employer	-	(61)	(61)
Payments:			
- Benefit payment	(67)	67	-
Defined benefit pension obligations at 31 December 2018	973	(28)	944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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41 Retirement benefit obligations continued

Arising from the defined benefit pension plan, the Group is exposed to a number of risks, 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 6 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation. There is no regulatory framework guiding the operation of the plan assets.

	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
The principal actuarial assumptions were as follows:		
Discount rate on gratuity scheme	**16%**	14%
Discount rate on pension plan	**16%**	14%
Inflation rate	**12%**	12%
Life expectancy	**19yrs**	19yrs
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%	8,374	0.0%
	17%	8,001	(4.5%)
	15%	8,784	4.9%
Inflation rate	12%	8,374	
	13%	8,374	
	11%	8,374	
Mortality experience	Base	8,374	0.0%
	Improved by 1 year	8,257	(1.4%)
	Decreased by 1 year	8,487	1.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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41 Retirement benefit obligations continued

The above sensitivity analyses is for First Bank of Nigeria Limited and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The below table shows the maturity profile of the defined obligation.

Maturity profile of Defined Benefit Obligation

Years	Amount ₦'000
2018	1,453,929
2019	1,415,649
2020	1,380,984
2021	1,346,990
2022	1,312,383
2023 - 2027	6,000,319

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Defined benefit cost, charged to income statement (refer Note 17)		
Gratuity Scheme (i)	61	31
Defined Benefits - Pension (ii)	94	169
	155	200
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	-	(10)
Defined Benefits - Pension (ii)	(556)	(646)
Gratuity Scheme (iii)	(41)	(88)
	(597)	(744)

The information of the professional engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm/entity:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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42 Share capital

	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Authorised		
50 billion ordinary shares of 50k each (2017: 50billion)	**25,000**	25,000
Issued and fully paid		
Movements during the period:	**Number of shares In millions**	**Ordinary shares ₦'millions**
At 31 December 2017	**35,895**	17,948
At 31 December 2018	**35,895**	17,948

43 Share premium and reserves

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

Share premium: Premiums (i.e. excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Bank and Other Financial Institutions Act of 1991(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: Reserve arising from business restructuring

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

Small scale investment reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with Section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Profit before tax from continuing operations	65,265	54,092	9,440	9,382
Profit before tax from discontinued operations	(77)	(7,569)	-	-
Profit before tax including discontinued operations	65,188	48,523	9,440	9,382
Adjustments for:				
– Depreciation and amortisation	17,618	15,801	397	398
– (Profit)/loss from disposal of property and equipment	(23)	(84)	(2)	2
– Foreign exchange gains	(19,114)	(13,256)	(52)	-
– Profit from disposal of associate	-	-		-
– (Profit)/loss from investment securities	(5,505)	(2,610)	21	(16)
– Net losses/(gains) from financial assets at fair value through profit or loss	5,713	(11,117)	(575)	-
– Fair value gain/(loss) on investment properties	(20)	2	-	-
– Impairment on loans and advances	85,870	148,492	-	-
– Change in provision in other assets	11,681	1,932	-	-
– Change in provision for impairment of investments	(1,096)	-	-	-
– Change in retirement benefit obligations	157	483	-	-
– Share of profit from associates	23	430	-	-
– Dividend income	(2,312)	(2,054)	(10,840)	(11,437)
– Interest income	(434,410)	(469,585)	(2,163)	(2,215)
– Interest expense	150,242	138,065	-	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Banks (restricted cash)	(67,236)	84,856	-	-
– Loans and advances to banks	(56,919)	30,117	-	-
– Loans and advances to customers	126,159	77,592	8	(42)
– Financial assets at fair value through profit or loss	(14,074)	(34,243)	-	-
– Other assets	10,007	(22,827)	(306)	43
– Pledged assets	(78,600)	(4,025)	-	-
– Assets held-for-sale	(24)	183	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	64,585	171,743	-	-
– Deposits from customers	278,973	(50,634)	-	-
– Financial liabilities	-	(10,040)	-	-
– Liability on investment contracts	6,368	3,958	-	-
– Liability on insurance contracts	12,457	11,447	-	-
– Liability held-for-sale	(96)	(3,058)	-	-
– Other liabilities	77,952	8,213	482	276
Cash flow generated from/(used in) operations	233,563	116,302	(3,590)	(3,609)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

45 Commitments and contingencies

45.1 Capital commitments

At the balance sheet date, the Company had nil capital commitments (2017: Nil) in respect of authorised and contracted capital projects.

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Authorised and contracted		
Property and equipment	621	1,122
Intangible assets	6,068	-
	6,689	1,122

45.2 Operating lease rentals

At 31 December 2018, the Group was committed to making the following future payments in respect of operating leases for land and buildings.

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Within one year	695	667
Between two and five years	2,724	3,063
More than five years	4,725	6,102
	8,144	9,832

45.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations.

The Directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

45.4 Other contingent commitments

In the normal course of business, the Group is a party to financial instruments which carry off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Performance bonds and guarantees	355,435	312,722
Letters of credit	486,755	218,247
	842,189	530,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

45.5 Loan commitments

	GROUP	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Undrawn irrevocable loan commitments	42,902	8,263

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees do 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.

45.6 Compliance with covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited, 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 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

46 Offsetting financial assets and financial liabilities

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

	Gross amount before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amounts after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure (f) = (c)-(d)-(e)
				Financial instruments (d)	Cash collaterals received (e)	
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2018						
Assets						
Financial assets at fair value through profit or loss	24,261	-	24,261	-	11,492	12,769
Reinsurance receivables	2,703	-	2,703	167	-	2,536
Total assets subject to offsetting, master netting and similar arrangements	26,964	-	26,964	167	11,492	15,305
Liabilities						
Financial derivatives	(15,275)	-	(15,275)	-	(1,873)	(13,402)
Trade payables	(167)	-	(167)	(167)	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	(15,442)	-	(15,442)	(167)	(1,873)	(13,402)

	Gross amount before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amounts after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure (f) = (c)-(d)-(e)
				Financial instruments (d)	Cash collaterals received (e)	
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2017						
Assets						
Financial assets at fair value through profit or loss	24,852	-	18,768	-	2,452	22,400
Reinsurance receivables	1,652	-	1,652	399	-	1,253
Total assets subject to offsetting, master netting and similar arrangements	26,504	-	20,420	399	2,452	23,653
Liabilities						
Financial derivatives	(9,342)	-	(9,342)	-	(8,067)	(1,275)
Trade payables	(399)	-	(399)	(399)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(9,741)	-	(9,741)	(399)	(8,067)	(1,275)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

46 Offsetting financial assets and financial liabilities continued

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or liabilities with the margin deposit in case of default.

In the Insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

47 Related party transactions

The Group is controlled by FBN Holdings Plc which is the parent company, whose shares are widely held. FBN Holdings Plc, is a non-operating financial holding company licensed by the Central Bank of Nigeria. (See Note 30 for the list of all subsidiaries of the Group).

A number of transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

47.1 Transactions with related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2018 ₦'million	31 December 2017 ₦'million
First Bank of Nigeria Limited	Subsidiary	Placement	**11,489**	328
First Bank of Nigeria Limited	Subsidiary	Current account balance	**74**	1,636
First Bank of Nigeria Limited	Subsidiary	Bank charges	**4**	6
First Bank of Nigeria Limited	Subsidiary	Interest income	**145**	47
FBNQuest Merchant Bank Limited	Subsidiary	Placement	**3,041**	2,677
FBNQuest Merchant Bank Limited	Subsidiary	Interest income	**735**	324
FBN Insurance Limited	Subsidiary	Premium	**59**	45

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 2.5% to 12.75%. Current account balances are balances in transactional operating accounts with related parties as at December 31 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

47.2 Key management compensation

Key management includes Executive Directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Salaries and other short-term employee benefits	**1,613**	1,541	**376**	376
Post-employment benefits	**8**	317	**8**	7
	1,621	1,858	**384**	383

47.3 Insider related credits

In compliance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits, the Company had no insider related credits during the year.

Insider related credits relating to the banking subsidiaries have been appropriately disclosed in the component financial statements.

48 Directors' emoluments

Remuneration paid to the Directors was:

	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Fees	**464**	468
Sitting allowances	**18**	18
Executive compensation	**121**	118
Other Directors' costs and expenses	**415**	385
	1,017	989
Included in the fees above are amounts paid to:		
Chairman	**64**	64
Highest paid Director	**121**	118

The number of Directors who received fees and other emoluments in the following ranges was:

	Number	
	31 Dec 2018	31 Dec 2017
₦3,000,001 and above	10	10
	10	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

49 Compliance with regulations

During the year, the entities within the Group were penalised by their respective regulators as follows:

(a) FBN Holdings Plc

- ₦1.65million to the Securities and Exchange Commission for late submission of 2017 Annual Accounts.
- ₦2million to the Nigeria Stock Exchange for late submission of 2017 Annual Accounts.

(b) First Bank of Nigeria Limited

- ₦8 million to CBN for failure to implement full reversal of excess charges on customer accounts.
- ₦2 million to CBN for exceeding regulatory single obligor limit as contained in the June 2017 RBS report.
- ₦2 million to CBN for delay in payment of fine in respect of excess over single obligor limit exception as contained in the June 2017 RBS report.
- ₦4 million to CBN for the non-restructuring of credits to Bank customer in line with CBN's mandate.
- ₦2 million to CBN for failure to provide KYC documents of customers involved in Fraud Case (TradeFair Branch and Awka Branch).
- ₦2 million was imposed on the bank by CBN for failure to implement external auditor's recommendation as per December 2016 Management Letter.

(c) FBNQuest Merchant Bank Limited

- ₦2,000,000 to CBN for late submission of FINA returns
- ₦2,000,000 to CBN for late submission of PEP returns to CBN and NFIU.

(d) FBN Insurance Limited

₦5,000,000 to Financial Reporting Council (FRC) for contraventions of certain Sections of FRC Act.

50 Events after statement of financial position date

The Group has no events after the financial position date that will materially affect the financial position shown in these financial statements.

51 Dividends per share

A cash dividend of ₦8.97billion at ₦0.25 per share (2017: ₦7.18billion) that relates to the period to 31 December 2017 was paid in May 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

52 Earnings per share

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

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

	GROUP		COMPANY	
	31 Dec 2018 ₦'million	31 Dec 2017 ₦'millions	31 Dec 2018 ₦'million	31 Dec 2017 ₦'million
Profit from continuing operations attributable to owners of the parent (₦'million)	**59,076**	49,102	**9,342**	9,275
Loss from discontinued operations attributable to owners of the parent (₦'million)	**(77)**	(7,774)	**-**	-
Weighted average number of ordinary shares in issue (in million)	**35,895**	35,895	**35,895**	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	**1.65**	1.37	**0.26**	0.26
- from discontinued operations	**(0.00)**	(0.22)	**-**	-
	1.65	1.15	**0.26**	0.26

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

53 Classification and measurement of financial instruments

The adoption of IFRS 9 resulted in changes in our accounting policies for recognition, classifications and measurement of financials assets and financial liabilties.

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(a) The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

GROUP	IAS 39		IFRS 9	
	Measurement catergory	Carrying amount	Measurement catergory	Carrying amount
Financial assets				
Cash and balances with Central Banks	Amortised cost (Loans and receivables)	641,881	Amortised cost	641,881
Loans and advances to banks	Amortised cost (Loans and receivables)	742,929	Amortised cost	742,369
Loans and advances to customers	Amortised cost (Loans and receivables)	2,001,223	Amortised cost	1,797,322
Financial assets at fair value through profit or loss	FVPL (Held-for-trading)	83,713	FVPL	86,565
Investment securities:	FVOCI (Available-for-sale)	1,122,757	FVOCI	691,922
	Amortised cost (Held-to-maturity)	108,283	Amortised cost	552,818
	Amortised cost (Loans and receivables)	17,568		
Asset pledged as collateral:	FVOCI (Available-for-sale)	134,513	FVOCI	134,513
	Amortised cost (Held-to-maturity)	74,412	Amortised cost	74,412
	Amortised cost (Loans and receivables)	64,299	Amortised cost	58,278
Other assets				
COMPANY				
Financial assets				
Loans and advances to banks	Amortised cost (Loans and receivables)	7,585	Amortised cost	7,585
Loans and advances to customers	Amortised cost (Loans and receivables)	108	Amortised cost	108
Financial assets at fair value through profit or loss	FVPL (Held-for-trading)	-	FVPL	2,852
Investment securities:				
	FVOCI (Available-for-sale)	9,842	FVOCI	6,990
Other assets	Amortised cost (Loans and receivables)	8,832	Amortised cost	8,832

There were no changes to the classification and measurement of financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

53 Impact of adoption of IFRS 9 continued

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9.

The Group performed a detailed analysis of its business models for managing financial assets and analysis of the cash flow characteristics.

Please refer to Note 2.9 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

GROUP		IAS 39 Carrying amount	Reclassifications	Remeasurements	IFRS 9 Carrying amount
		31 Dec 2017			1 Jan 2018
Amortised cost					
Cash and balances with Central Banks					
Opening balance under IAS 39		641,881			
Remeasurement: ECL allowance			-		
Closing balance under IFRS 9				-	**641,881**
Loans and advances to banks					
Opening balance under IAS 39		742,929			
Remeasurement: ECL allowance				(560)	
Closing balance under IFRS 9					**742,369**
Loans and advances to customers					
Opening balance under IAS 39		2,001,223			
Remeasurement: ECL allowance				(203,901)	
Closing balance under IFRS 9					**1,797,322**
Investment securities	(ii)				
Opening balance under IAS 39		125,851			
Reclassification			428,565		
Remeasurement: ECL allowance				(1,598)	
Closing balance under IFRS 9					**552,818**
Asset pledged as collateral	(ii)				
Opening balance under IAS 39		208,725			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					**208,925**
Other assets					
Opening balance under IAS 39		64,299			
Remeasurement: ECL allowance				(6,021)	
Closing balance under IFRS 9					**58,278**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

53 Impact of adoption of IFRS 9 continued

GROUP		IAS 39 Carrying amount	Reclassifications	Remeasurements	IFRS 9 Carrying amount
		31 Dec 2017			1 Jan 2018
Fair value through profit or loss	(ii)				
Financial assets at FVPL					
Opening balance under IAS 39		83,713			
Reclassification			2,852		
Remeasurement: fair value				-	
Closing balance under IFRS 9					**86,565**
Fair value through other comprehensive income					
Investment securities- Debt	(ii)				
Opening balance under IAS 39		1,026,739			
Reclassification			(427,984)		
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					**598,755**
Investment securities- Equity instruments	(i)				
Opening balance under IAS 39		96,019			
Reclassification			(2,852)		
Closing balance under IFRS 9					**93,167**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

53 Impact of adoption of IFRS 9 continued

COMPANY		IAS 39 Carrying amount	Reclassifications	Remeasurements	IFRS 9 Carrying amount
		31 Dec 2017			31 Dec 2018
Amortised cost					
Loans and advances to banks					
Opening balance under IAS 39		7,585			
Remeasurement: ECL allowance			-	-	
Closing balance under IFRS 9					**7,585**
Loans and advances to customers					
Opening balance under IAS 39		108			
Remeasurement: ECL allowance			-	-	
Closing balance under IFRS 9					**108**
Other assets					
Opening balance under IAS 39		8,832			
Remeasurement: ECL allowance			-	-	
Closing balance under IFRS 9					**8,832**
Fair value through profit or loss	(i)				
Financial assets at FVPL					
Opening balance under IAS 39		-			
Reclassification			2,852	-	
Closing balance under IFRS 9					**2,852**
Fair value through other comprehensive income					
Investment securities - Debt	(i)				
Opening balance under IAS 39		6,990			
Remeasurement: ECL allowance			-	-	
Closing balance under IFRS 9					**6,990**
Investment securities - Equity instruments	(i)				
Opening balance under IAS 39		2,852			
Reclassification			(2,852)		
Closing balance under IFRS 9					**-**

(i) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available-for-sale are now classified as measured at FVOCI; and

(ii) Those previously classified as 'held-to-maturity' and ""Loans and receivables"" are now classified as measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

53 Impact of adoption of IFRS 9 continued

(c) IFRS 9 Impact on Changes in Equity and Allowances for Financial Instruments on Initial Application of IFRS 9 on January 1 2018.

The following table provides information on IFRS 9 impact on changes in Equity, i.e. retained earnings, and reconciles the closing impairment allowance as at 31 December 2017 for both the financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

GROUP	Loan loss allowance under IAS 39 /IAS 37	Reclassifications from AFS reserve	Reclassification into retained earnings	Remeasurements	Loan loss allowance under IFRS 9
Loans and receivables (IAS 39)/financial assets at amortised cost (IFRS 9)					
Loans and advances to banks	-	-	-	560	560
Other assets	8,973	-	-	6,021	14,994
Loans and advances to customers	279,170	-	-	210,901	483,071
Total	284,177	-	-	210,482	491,279
Held-to-maturity (IAS 39)/Financial assets measured at amortised cost (IFRS 9)					
Investment securities	3,230	(581)	-	1,598	4,230
Total	3,230	(581)	-	1,598	4,230
Available-for-sale (IAS 39)/Financial assets measured at FVOCI (IFRS 9)					
Investment securities	-	377	(377)	-	-
Total	-	377	(377)	-	-
Loan commitments and financial guarantee contracts					
Provisions (Loan commitments)	-	-	-	76	76
Provisions (Financial guarantees)	-	-	-	759	759
Total	-	-	-	835	835
	287,407	(204)	(377)	212,915	496,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

54 Restatement

During the year, the Central Bank of Nigeria (CBN) advised First Bank of Nigeria Limited ("Bank") of shortfall in the Bank's contribution to the Banking sector resolution cost sinking fund for the years 2016 and 2017. The shortfall arose as a result of the erroneous application of the Resolution Cost Trust Deed's definition of "Total Assets". The definition of "Total Assets" was amended in 2015 to include off balance sheet items. However, the contributions made by the bank for these two years (2016 and 2017) were based on the Bank's total assets excluding off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN. The full shortfall of ₦4.47billion (2017:₦2.30billion, 2016:₦2.17billion) which is material to the Group has been adjusted for in these financial statements.

(i) Impact of restatement on statement of financial position.

	As at 31 December 2017	Restatement adjustment	As at 31 December 2017
	Previously reported ₦'million	₦'million	Restated ₦'million
(a) liabilities			
Other Liabilities	261,725	4,472	266,198
Equity			
Retained earnings	170,775	(4,472)	166,303

	As at 31 December 2016	Restatement adjustment	As at 31 December 2016
	Previously reported		Restated
(b) Liabilities			
Other liabilities	235,388	2,169	237,557
Equity			
Retained earnings	161,631	(2,169)	159,462

	As at 31 December 2017	Restatement adjustment	As at 31 December 2017
	Previously reported ₦'million	₦'million	Restated ₦'million
(ii) Impact of restatement on income statement			
Other operating expenses	145,673	2,303	147,976
(iii) Impact of restatement on statement of changes in equity			
Retained Earnings as at 1 January 2017	161,631	2,169	159,462
Profit for the year	47,785	2,303	45,482

OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED - GROUP

	31 December 2018 ₦'million	%	31 December 2017 ₦'million	%
Gross income	583,477		595,445	
Interest and fee expense	(167,572)		(150,182)	
	415,905		445,263	
Administrative overheads	(152,693)		(136,533)	
Value added	263,213	100	308,730	100
Distribution				
Employees				
- Salaries and benefits	93,395	35	85,678	28
Government				
- Taxation	5,544	2	9,040	3
The future				
- Asset replacement (depreciation)	12,282	5	11,600	4
- Asset replacement (amortisation)	5,336	2	4,201	1
- Asset replacement (provision for losses)	86,911	33	150,424	49
- Expansion (transfers to reserves)	59,744	23	47,787	15
	263,213	100	308,730	100

OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED - COMPANY

	31 December 2018 ₦'million	%	31 December 2017 ₦'million	%
Gross income	13,649		13,715	
Interest and fee expense	-		-	
	13,649		13,715	
Administrative overheads	(2,908)		(2,952)	
Value added	10,741	100	10,763	100
Distribution				
Employees				
- Salaries and benefits	904	8	982	9
Government				
- Company income tax	98	1	107	1
The future				
- Asset replacement (depreciation)	397	4	398	4
- Expansion (transfers to reserves)	9,342	87	9,276	86
	10,741	100	10,763	100

OTHER NATIONAL DISCLOSURES
FIVE-YEAR FINANCIAL SUMMARY – GROUP
Statement of financial position

	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million	31 December 2014 ₦'million
Assets:					
Cash and balances with Central Banks	**653,335**	641,881	690,165	715,871	698,104
Loans and advances to banks	**863,435**	742,929	444,871	385,769	460,911
Loans and advances to customers	**1,683,813**	2,001,223	2,083,894	1,817,271	2,178,986
Financial assets at fair value through profit or loss	**109,162**	83,713	46,711	26,426	27,601
Investment securities	**1,663,821**	1,248,608	1,050,588	913,779	711,639
Assets pledged as collateral	**309,051**	208,925	197,420	105,646	68,483
Other assets	**112,362**	132,731	47,786	35,483	40,640
Inventory	**-**	-	-	49,649	37,805
Investment in associates	**625**	1,357	1,114	-	-
Investment properties	**515**	1,993	3,003	3,025	2,826
Property, plant and equipment	**91,515**	88,263	88,315	88,398	88,557
Intangible assets	**16,134**	16,211	15,328	9,687	8,569
Deferred tax	**25,558**	18,554	17,278	14,615	11,285
Assets held-for-sale	**38,990**	50,149	50,332	570	8,331
	5,568,316	5,236,537	4,736,805	4,166,189	4,343,737
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	16,316
Share premium	**233,392**	233,392	233,392	252,892	254,524
Reserves	**266,889**	427,874	331,783	304,284	249,190
Non-controlling interest	**12,418**	(5,494)	(548)	3,675	4,033
Deposits from banks	**749,315**	665,366	416,078	144,652	171,151
Deposits from customers	**3,486,691**	3,143,338	3,104,221	2,970,922	3,050,853
Financial liabilities at fair value through profit or loss	**15,791**	9,404	37,137	12,488	10,917
Liabilities on investment contracts	**19,766**	13,399	9,440	10,157	60,617
Liabilities on insurance contracts	**34,192**	21,734	10,287	11,837	8,260
Borrowings	**338,214**	420,919	316,792	256,116	369,707
Retirement benefit obligations	**1,940**	2,203	2,662	3,764	2,029
Current income tax	**15,656**	10,194	8,897	8,773	11,829
Other liabilities	**373,345**	266,198	235,388	168,441	132,633
Deferred income tax liabilities	**266**	606	813	239	87
Liabilities held-for-sale	**2,493**	9,457	12,515	-	1,592
	5,568,316	5,236,537	4,736,805	4,166,189	4,343,737

OTHER NATIONAL DISCLOSURES
FIVE-YEAR FINANCIAL SUMMARY - GROUP
Income statement

	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million	12 months ended 31 December 2014 ₦'million
Gross earnings	**583,477**	595,445	581,831	502,691	481,774
Net operating income	**415,881**	444,835	469,926	361,537	356,243
(Loss)/Gain from disposal of subsidiary	**-**	-	(8)	1,572	-
Insurance claims	**(4,717)**	(4,041)	(2,190)	(3,306)	(1,043)
Operating expenses	**(258,989)**	(236,278)	(218,744)	(219,429)	(235,801)
Group's share of associate's results	**23**	430	-	-	599
Impairment charge for losses	**(86,911)**	(150,424)	(226,037)	(118,794)	(25,942)
Profit before taxation	**65,288**	54,522	22,948	21,581	94,056
Taxation	**(5,544)**	(9,040)	(5,807)	(6,042)	(10,045)
Profit from continuing operations	**59,744**	45,482	17,141	15,539	84,011
Loss from discontinuing operations	**(77)**	(7,774)	(4,898)	(391)	-
Profit for the year	**59,667**	37,708	12,243	15,148	84,011
Profit attributable to:					
Owners of the parent	**58,999**	41,328	14,122	15,406	84,231
Non-controlling interest	**668**	(3,620)	(1,879)	(258)	(220)
	59,667	37,708	12,243	15,148	84,011
Earnings per share in kobo (basic/diluted)	**165**	115	39	43	235

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
Statement of financial position

	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million	31 December 2014 ₦'million
Assets:					
Loans and advances to banks	**16,639**	7,585	4792	3,261	1,477
Loans and advances to customers	**110**	108	63	80	72
Financial assets at fair value through profit or loss	**3,427**	-	-	-	-
Investment securities	**7,079**	9,842	7019	4,272	9,847
Investment in associates	**-**	-	1500	1,500	9,281
Investment in subsidiaries	**242,395**	242,395	263,595	260,777	246,777
Other assets	**292**	9,011	4,670	14,361	43,285
Property, plant and equipment	**382**	680	1,192	1,519	1,072
Assets held-for-sale	**-**	-	-	2,000	-
	270,324	269,621	282,831	287,770	311,811
Financed by:					
Share capital	**17,948**	17,948	17,948	16,316	16,316
Share premium	**233,392**	233,392	252,892	254,524	254,524
Reserves	**10,847**	10,624	6,242	7,340	37,261
Current income tax	**102**	104	-	-	-
Other liabilities	**8,034**	7,553	5,751	9,590	3,710
	270,324	269,621	282,831	287,770	311,811

Income statement

	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million	12 months ended 31 December 2014 ₦'million
Gross Earnings	**13,649**	13,715	12,715	6,794	16,969
Net operating income	**13,649**	13,715	12,571	5,195	7,800
Gain from disposal of subsidiary/associate	**-**	-	144	1,600	-
Operating expenses	**(4,209)**	(4,333)	(5,104)	(4,615)	(2,117)
Profit before taxation	**9,440**	9,382	7,611	2,180	5,683
Taxation	**(98)**	(107)	(104)	-	-
Profit after taxation	**9,342**	9,275	7,507	2,180	5,683
Earnings per share in kobo (basic)	**26**	26	21	6	16

SHAREHOLDER INFORMATION

Resources for shareholders include a shareholder data update form, a glossary of ratios, a summary of abbreviations and Group contact details.

SHAREHOLDER RESOURCES

DIVIDEND HISTORY AS AT 31 DECEMBER 2018

FIRST BANK OF NIGERIA PLC

Payment No.	Year End	Dividend Type	Date Payable	Total Net DIV. Amount (₦)	Dividend Per Share	Net DIV. Amount Unclaimed As At 31 December 2018	% Net DIV. Amount Unclaimed
49	31-Mar-06	FINAL	28-Aug-06	4,714,802,449.20	1.00	78,359,288.75	1.66
50	31-Mar-07	FINAL	03-Sep-07	10,477,338,776.00	1.00	279,477,845.08	2.67
51	31-Mar-08	FINAL	25-Aug-08	21,481,234,960.68	1.20	245,680,813.17	1.14
52	31-Mar-09	FINAL	24-Aug-09	30,207,986,658.90	1.35	243,691,514.28	0.81
53	31-Dec-09	FINAL	31-May-10	2,610,566,748.54	0.10	272,180,842.04	10.43
54	31-Dec-10	FINAL	06-Jun-11	17,621,325,552.24	0.60	643,547,787.99	3.65
55	31-Dec-11	FINAL	04-Jun-12	23,495,100,736.32	0.80	635,867,839.24	2.71
TOTAL				**110,608,355,881.88**		**2,398,805,930.55**	**2.17**

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 2018	
1	31-Dec-12	INTERIM	03-Jun-13	29,434,858,173.90	1.00	1,218,102,373.65	4.14
2	27-May-13	FINAL	26-May-14	32,408,788,807.89	1.10	1,670,621,287.50	5.15
3	31-Dec-14	FINAL	25-May-15	2,963,937,941.77	0.10	304,061,453.24	10.26
4	31-Dec-15	FINAL	30-May-16	4,889,733,076.23	0.15	582,144,689.42	11.91
5	31-Dec-16	FINAL	22-May-17	6,512,770,910.98	0.20	780,003,388.03	11.98
6	31-Dec-17	FINAL	16-May-18	8,141,810,416.31	0.25	2,511,830,806.94	30.85
TOTAL				**84,351,899,327.08**		**7,066,763,998.78**	**8.38**

CREDIT RATINGS SUMMARY*

	Rated Entity	Report Date	National		International		Outlook
			Short-term	Long-term	Long-term	Short-term	
Standard & Poor's	FBNHoldings	December 2018	ngBBB	NgA-3	B-	B	Stable
	FirstBank	December 2018	ngBBB	NgA-2	B-	B	Stable
Fitch	FBNHoldings	November 2018	BBB(nga)	F2(nga)	B-	B	Positive
	FirstBank	November 2018	BBB(nga)	F2(nga)	B-	B	Positive
Global Credit Rating	FirstBank	November 2018	A1-(NG)	A-(NG)	-	-	-

*Credit ratings summary as at 31 December 2018.

SHAREHOLDER RESOURCES

FBNHOLDINGS AND EQUITY MARKET STATISTICS AS AT 31 DECEMBER 2018

	2018	2017
FBNH Share Price		
High for the year (₦)	14.75	9.29
Low for the year (₦)	6.80	2.96
Closing (₦)	7.95	8.80
FBNH Share Statistics		
Total volume of shares traded (million)	5,536.19	6,515.42
Total value of shares traded (₦'million)	14,047.81	37,380.84
Market capitalisation (million)	285,367.57	315,878.57
Market Indicators		
NSE all share index	31,430.50	38,243.19
Total equities volume traded (billion)	101.42	100.52
Total equities value traded (₦'billion)	1,202.22	1,272.16
Equities market cap (₦'trillion)	11.73	13.61

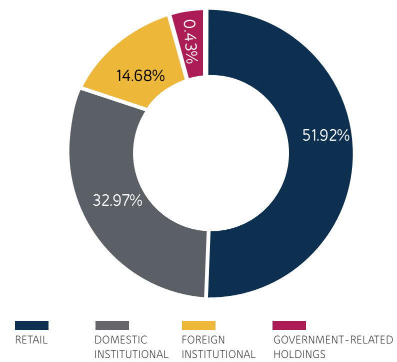
2018 FBNHOLDINGS FINANCIAL REPORTING CALENDAR*

DATE	EVENT
Friday, April 26, 2019	FY 2018 & Q1 2019 Results Conference Call
Friday, May 3, 2019	FBNHoldings Annual General Meeting
Tuesday, July 30, 2019	H1 2019 Results Conference Call
Friday, October 25, 2019	9M 2019 Results Conference Call

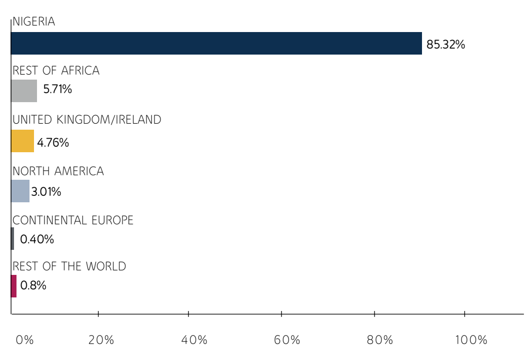
These dates are subject to change. For information, please refer to the FBNHoldings Investor Relations website for updates.

SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2018

BREAKDOWN OF SHAREHOLDER BY TYPE



GEOGRAPHICAL BREAKDOWN OF SHAREHOLDERS



FBN HOLDINGS PLC - RANGE ANALYSIS AS AT 31 DECEMBER 2018

RANGE			No. of Holders	% Holders	Units	% Units
1	-	1000	290,486	24.06	212,330,313	0.59
1001	-	5000	493,961	40.91	1,188,571,073	3.31
5001	-	10000	171,852	14.23	1,181,566,058	3.29
10001	-	50000	208,129	17.24	4,229,261,089	11.78
50001	-	100000	21,349	1.77	1,486,200,326	4.14
100001	-	500000	17,486	1.45	3,464,795,921	9.65
500001	-	1000000	2,058	0.17	1,444,799,335	4.03
1000001	-	5000000	1,668	0.14	3,154,847,892	8.79
5000001	-	10000000	199	0.02	1,392,579,662	3.88
10000001	-	50000000	168	0.01	3,478,532,596	9.69
50000001	-	100000000	28	0.00	1,991,286,018	5.55
100000001	-	35895292791	39	0.00	12,670,522,508	35.30
			1,207,423	**100.00**	**35,895,292,791**	**100.00**

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 FBNQuest Merchant Bank
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 FBNQuest 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)

FBNHoldings
RC 916455

NOTICE OF 7TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Grand Ball Room, Oriental Hotel, 3 Lekki - Epe Expressway, Victoria Island, Lagos on Friday, 3 May 2019 at 10a.m. or so soon thereafter to transact the following:

Ordinary Business:

1. To receive the Audited Accounts for the financial year ended 31 December 2018 together with the reports of the Directors, Auditors, Board Appraisers and Audit Committee thereon.

2. To declare a dividend.

3. To re-elect retiring Directors:

a. Dr Oba Otudeko, CFR as Director

Pursuant to Section 256 of the Companies and Allied Matters Act, special notice is hereby given that Dr Oba Otudeko, CFR who is eligible for re-election is over 70 years.

b. Chidi Anya as Director

c. Dr Hamza Wuro Bokki as Director

4. To authorise the Directors to fix the remuneration of the Auditors.

5. To appoint 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 attached to the Annual Report. 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 Registrars, 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

If the proposed dividend recommended by the Directors is approved by members at the AGM, the Dividend will be payable on Monday, 6 May 2019 to members whose names appear in the Register of Members at the close of business on 23 April 2019. Shareholders who have completed the e-Dividend Mandate forms will receive a direct credit of the dividend into their bank accounts.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 89 of Companies and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from 24-29 April 2019 (both dates inclusive) to enable the Registrars update records in preparation for the payment of dividend.

4. E-DIVIDEND MANDATE

Shareholders are kindly requested to update their records and advise First Registrars & Investor Services Limited of their updated records and relevant bank accounts for payment of their dividends. Detachable forms in respect of mandate for e-dividend payment and shareholder data update are attached to the Annual Report for convenience. The forms can also be downloaded from the Company's website at www.fbnholdings.com or from First Registrars & Investor Services Limited's website at www.firstregistrarsnigeria.com.

NOTICE OF 7TH ANNUAL GENERAL MEETING

The duly completed form should be delivered to First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos.

5. UNCLAIMED DIVIDEND WARRANTS

Shareholders are hereby informed that some dividend warrants have been returned to the Registrars as unclaimed. Some dividend warrants have neither been presented for payment nor to the Registrars for revalidation.

Affected members are by this Notice advised to contact the Registrars; First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos for resolution.

6. STATUTORY AUDIT COMMITTEE

In accordance with Section 359 (5) of 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) indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

In view of the above, we therefore request that nominations 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.

7. RETIREMENT/RE-ELECTION OF DIRECTORS

Dr Oba Otudeko, CFR, Chidi Anya and Dr Hamza Wuro Bokki are retiring by rotation at the current meeting in line with Section 259 of CAMA. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are available 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 Secretariat not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
35 Marina, Lagos

Dated 13th March 2019

FBNHoldings

PROXY FORM
FBN Holdings Plc. (RC 916455)

7th Annual General Meeting to be held at the Grand Ball Room, Oriental Hotel, 3 Lekki-Epe Expressway, Victoria Island, Lagos on Friday, 3 May 2019 at 10 a.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 3 May 2019 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...................................2019

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 the Company Secretary at 11th Floor, 35 Marina, Lagos or the Office of the Registrars, First Registrars & Investor Services Limited, 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of 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 favor 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 re-elect Dr Oba Otudeko, CFR as Director		
3b) To re-elect Chidi Anya as Director		
3c) To re-elect Dr Hamza Wuro Bokki as Director		
4) To fix the remuneration and expenses of the Company's auditor		
5) To appoint 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 Grand Ball Room, Oriental Hotel, Victoria Island, Lagos on Friday, 3 May 2019 at 10 a.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/her.

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, except for the Chairman of the Company, who will attend the meeting and vote on your behalf.

FirstRegistrars & INVESTOR SERVICES

1. Complete, sign and date the form
2. Fill out all compulsory(*) fields
3. Fill out in CAPITAL LETTERS

E-PRODUCTS ACTIVATION FORM

You need not worry about the safety of your shares anymore. Simply stay aboard with our e-products and services.

E-share Notifier SMS alert on transactions that occur on your share account (AGM and EGM, dividend payments, bonuses, debits/credits etc.)

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

FirstRegistrars & INVESTOR SERVICES

FBNHoldings

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

FirstRegistrars & INVESTOR SERVICES

FBNHoldings

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

INSTRUCTION
Please complete all sections of this form to make it eligible for processing and return to the address below:

Affix Current Passport Here

(To be stamped by Bankers)

Write your name at the back of your passport photograph

THE REGISTRARS,
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

FirstRegistrars & INVESTOR SERVICES

E-BONUS FORM

INSTRUCTION

Please complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRARS,
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

Clearinghouse 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: ebusiness@firstregistrarsnigeria.com

FBNHoldings

FBN HOLDINGS PLC SHAREHOLDERS DATA UPDATE FORM

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

Clearinghouse number (CHN)

Bank verification number (BVN)

Preferred stockbroker

Date of birth

Name of Bank

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:
www.fbnholdings.com

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
BRMC	Board Risk Management 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
FMAP	FirstBank Management Associate Programme
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 Networth 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
IMTOs	International Money Transfer Organisations
IOD	Institute of Directors
IOCs	International Oil Companies
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 and Professionalism
LGD	Loss Given Default
M&A	Mergers and 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
MOOCs	Massive Open Online Course
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRPC	Market Risk Policy Committee
MSMEs	Micro, Small and Medium-size Enterprises
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
PCS	People Connect System
PD	Probability of Default
P/E	Price Earnings
PE	Private Equity
PFA	Pension Fund Administrator
PFP	Pay for Performance
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 and Middle Capitalisation Companies Association
SME	Small and Medium Enterprise
SMDP	Senior Management Development Programme
SMS	Short Message Service
SRF	Strategic Resource Function
TAT	Turnaround Time
TOM	Target Operating Model
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

APPENDIX - COMPLAINTS MANAGEMENT POLICY

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. 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 damage to the Group's reputation.

Based on this, it becomes necessary to establish a policy for managing stakeholder's complaint. Complaint for this policy is defined as "an expression of dissatisfaction made to an organisation, relating 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. 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) - Complaint Management Requirements for all Listed Companies.

Where necessary, the principles contained in this policy shall guide the Group's subsidiaries 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 complaints 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, 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:

- Customers/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 groups;
- 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 etc.

All complaints to relevant entities in the Group shall be sent to the address contained on page 343 of this policy, while

APPENDIX - COMPLAINTS MANAGEMENT POLICY

complaints relating to the Group office (FBN Holdings Plc) shall be sent to the address/media contained on page 342 of this report.

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:

Principle	Application
Visibility	The Complaints Management Policy is well publicized 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 they deserves. • Complainants will be treated courteously and kept informed of the progress of their complaints throughout the complaint-handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner through the complaints-management process.
Charges	Access to the Group's complaints management process is free of any charge to the complainant.
Confidentiality	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 accepts responsibility for effective complaints handling, and units responsible for complaints management will ensure that, where appropriate, issues raised because 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.

Table 1- Guiding Principles of Complaints Handling

APPENDIX - COMPLAINTS MANAGEMENT POLICY

5. Board and Management Commitment to the Policy

The Board and Management are highly committed to promoting 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 complainants to lodge their complaints, so as to help the Group improve its products and services. Also, the Group encourages staff to respect customers/clients and endeavour to anticipate customer/clients' needs and expectations.

The Group is committed to ensuring the following:

a. Informing stakeholders of the Group's complaint management process;

b. That 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 considering 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 an extract 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. 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. The Compliance function of both the Group office (FBN Holdings Plc) and affected entities shall monitor compliance with such regulatory reporting requirements, and 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) shall be required to maintain an electronic complaint 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

APPENDIX – 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
Phone: +234(1)9052222 and +234(1)9052223
or
investor.relations@fbnholdings.com
Phone: +234(1)9052720 and +234(1)9051086

Dr Oba Otudeko, *CFR*
Group Chairman
FBN Holdings Plc

Oluseye Kosoko
Company Secretary
FBN Holdings Plc

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Commercial Banking		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos, Nigeria	0700 FIRSTCONTACT, +234 1 448 5500
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 82 000 0107
FBNBank Ghana Limited	Boakye Mattress Building, Liberation Road near the Golden Tulip Hotel, Accra Ghana	+233 302 23 6133, +233 302 23 5611
FBNBank Gambia Limited	GIEPA House, 48, Kairaba Avenue, Serrekunda, KSMD, P.O. Box 1600, Banjul, The Gambia	+220 799 3502, +220 437 7889, +220 914 7426
FBNBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 664 53 53 53
FBNBank Sierra Leone Limited	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 99305600
FBNBank Senegal Limited	Immeuble NIANGADO, Rond-Point Ngor Almadies à côté de la Station Shell. Dakar, Senegal	+221 33 869 7935, +221 77 657 8736
First Pension Custodian Nigeria Limited	6 Maduike Street, Off Raymond Njoku Street, S.W. Ikoyi, Lagos, Nigeria.	+234 1 2777800-1
FirstBank Representative Office		
Beijing Rep. Office	Unit 1431, Tower B COFCO Plaza, No 8 Jianguomennei, Street, Dong Cheng District, Beijing, China	+861 3911 187318, +861 3343 267635
Merchant Banking and Asset Management		
FBNQuest Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria.	+234 1-2702290; +234 1-2702291; +234 1-2702292; +234 1-2702293; +234 1 2702294; +234 1 2798300
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 84 802 745
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Capital Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+ 234 1 2798300; +234 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+243 84 802 745
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Assets Management Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+ 234 1 2798300; +234 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 7 033 230 533
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300; +234 708 065 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
FBNQuest Funds Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 279 8300
FBNQuest Securities Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 2798300; +234 708 065 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 4622185

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