FBN Holdings

RICH HERITAGE
BRIGHT FUTURE

FBN Holdings Plc

Annual Report and Accounts 2015

AT FBNHOLDINGS WE HAVE A CLEAR VISION FOR A BRIGHT FUTURE

*Our **diverse range of products and services** gives us a unique and powerful standing in a vast marketplace, creating opportunities that will provide sustainable value over the long term. And our **rich heritage** helps us to weather tough market conditions and deliver **consistent value** for the Group and its shareholders.*

IN THIS REPORT

GROUP OVERVIEW

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SHAREHOLDER INFORMATION

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

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Merchant Banking and Asset Management[1], Insurance and Other Financial Services[2].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgage Limited. FirstBank (Nigeria) is the lead entity of the Commercial Banking business.
- Merchant Banking and Asset Management business consists of FBN Merchant Bank and FBN Capital Limited. Subsidiaries of FBN Capital include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business includes the Group's non-operating holdings company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

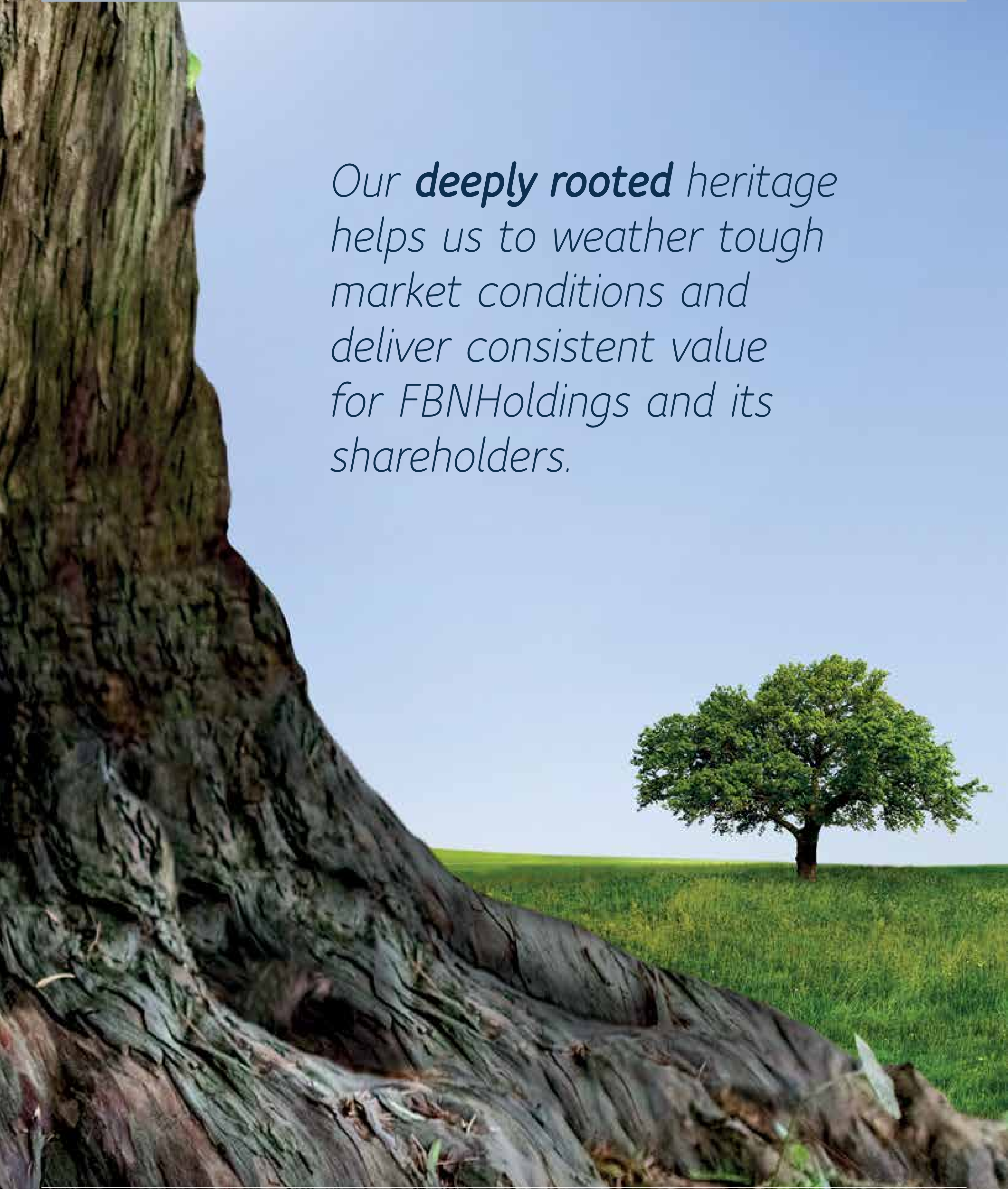
This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the balance sheet comparison relates to the corresponding position at 31 December 2014. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

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

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

*Our **deeply rooted** heritage helps us to weather tough market conditions and deliver consistent value for FBNHoldings and its shareholders.*



*Our diverse range of products and services gives us a unique and powerful standing in a vast marketplace, **creating opportunities** that will provide sustainable value over the long term.*

We have a clear vision for a bright future and are innovating with technology to develop more customer friendly solutions and ***stimulate*** *revenue* ***growth****.*

GROUP OVERVIEW

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

At 31 December 2015, the Group closed with gross earnings of ₦505.2 billion, total assets of ₦4.2 trillion and ₦578.8 billion in total equity.

CORPORATE PROFILE

FBN Holdings Plc is the non-operating holding company of one of the largest banking and financial services organisations in Africa. A truly diversified financial services group that offers a broad range of products and services, including commercial banking, merchant banking, asset management and insurance, to millions of customers, with the bulk of the business in Nigeria. FBNHoldings oversees four business groups that collaborate to deliver innovative financial solutions. These are commercial banking, merchant banking and asset management[1], insurance and other financial services[2].

- FBNHoldings is the non-operating holding company of First Bank of Nigeria Ltd (FirstBank), a commercial bank with operations in 12 countries.
- The Merchant Banking and Asset Management business of FBNHoldings, which comprises FBN Merchant Bank Limited, FBN Capital Limited, FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited. The business group offers life and general insurance services as well as brokerage services.
- Other Financial Services includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group’s interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.
- The bank and the non-bank subsidiaries of the holding company operate in Nigeria, as well as through overseas branches, subsidiaries and representative offices.

THE STRATEGIC VISION (2014–2016)

for the Group to become the leading financial services group in Sub-Saharan Africa, providing value to our stakeholders.

OUR GOAL

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

OUR CORE VALUES

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

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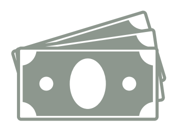
* Commercial Banking Group
** As at 31 December 2015

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

- ✓ the biggest bank in Nigeria by total deposits and gross earnings;
- ✓ a leading life and general insurance underwriter;
- ✓ a rich history on the Nigerian Stock Exchange from 1971 and specifically as FBNHoldings since November 2012;
- ✓ 9,327 employees across the Group;
- ✓ over 10.9 million active customer accounts;
- ✓ 859 business locations; and
- ✓ 2,749 ATMs.

2,749
ATMs



₦505.2bn
GROSS EARNINGS

₦4.2tn
TOTAL ASSETS

10.9mn*
ACTIVE CUSTOMER ACCOUNTS

859
BUSINESS LOCATIONS

9,327**
EMPLOYEES

OUR GEOGRAPHIC REACH

NIGERIA

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

GHANA

Name	FBNBank Ghana
Type	Licensed Bank
Est.	1996
Products/Services	Commercial Banking

GUINEA

Name	FBNBank Guinea
Type	Licensed Bank
Est.	1996
Products/Services	Commercial Banking

UK

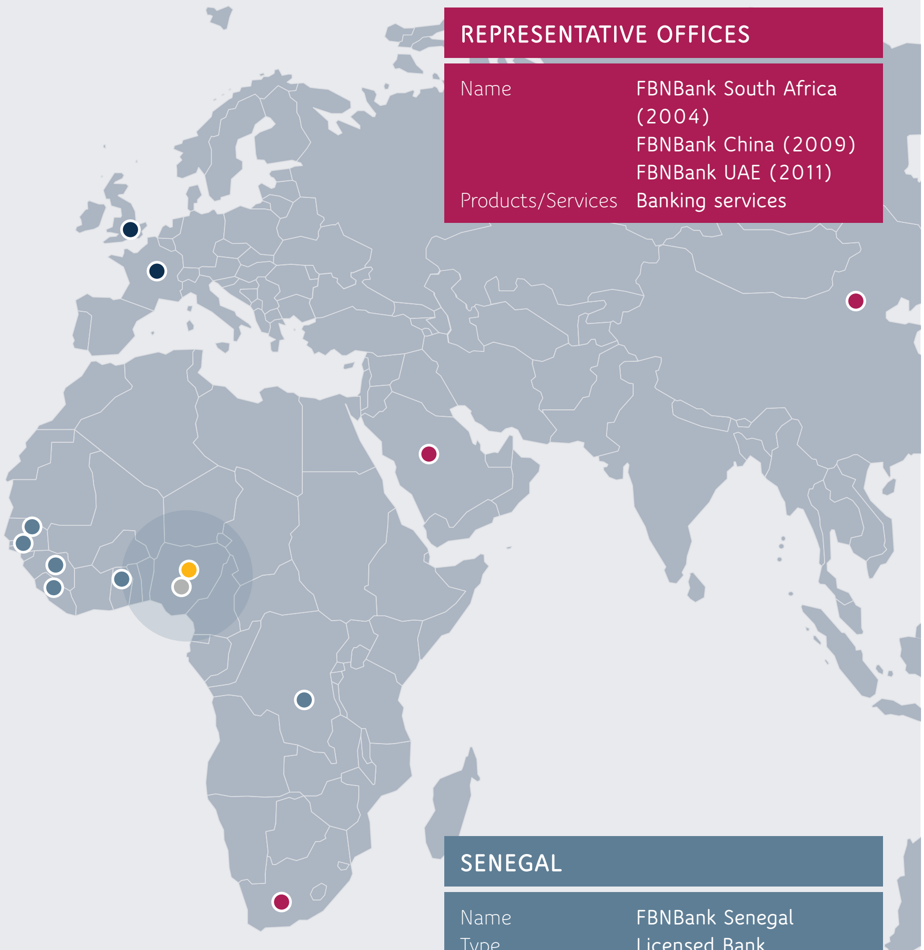
Name	FBNBank UK Ltd
Type	Licensed Bank
Established	2002
Products/Services	International Banking and Trade Services

FRANCE

Name	FBNBank UK Ltd
Type	Bank branch
Est.	2008
Products/Services	Commercial Banking, International Banking

REPRESENTATIVE OFFICES

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



SENEGAL

Name	FBNBank Senegal
Type	Licensed Bank
Est.	2014
Products/Services	Commercial Banking

THE GAMBIA

Name	FBNBank The Gambia
Type	Licensed Bank
Est.	2004
Products/Services	Commercial Banking

SIERRA LEONE

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

HOW WE ARE STRUCTURED

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

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

FBN HOLDINGS PLC (FBNHOLDINGS)

COMMERCIAL BANKING

- **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
  - First Pension Custodian Nigeria Ltd
  - FBN Mortgages Ltd

MERCHANT BANKING AND ASSET MANAGEMENT[1]

- **FBN Merchant Bank Ltd**
- **FBN Capital Ltd**
  - FBN Trustees Ltd
  - FBN Capital Asset Management Ltd
  - FBN Funds Ltd
  - FBN Securities Ltd

INSURANCE

- **FBN Insurance Ltd**
  - FBN General Insurance Ltd
- **FBN Insurance Brokers Ltd**

OTHER FINANCIAL SERVICES[2]

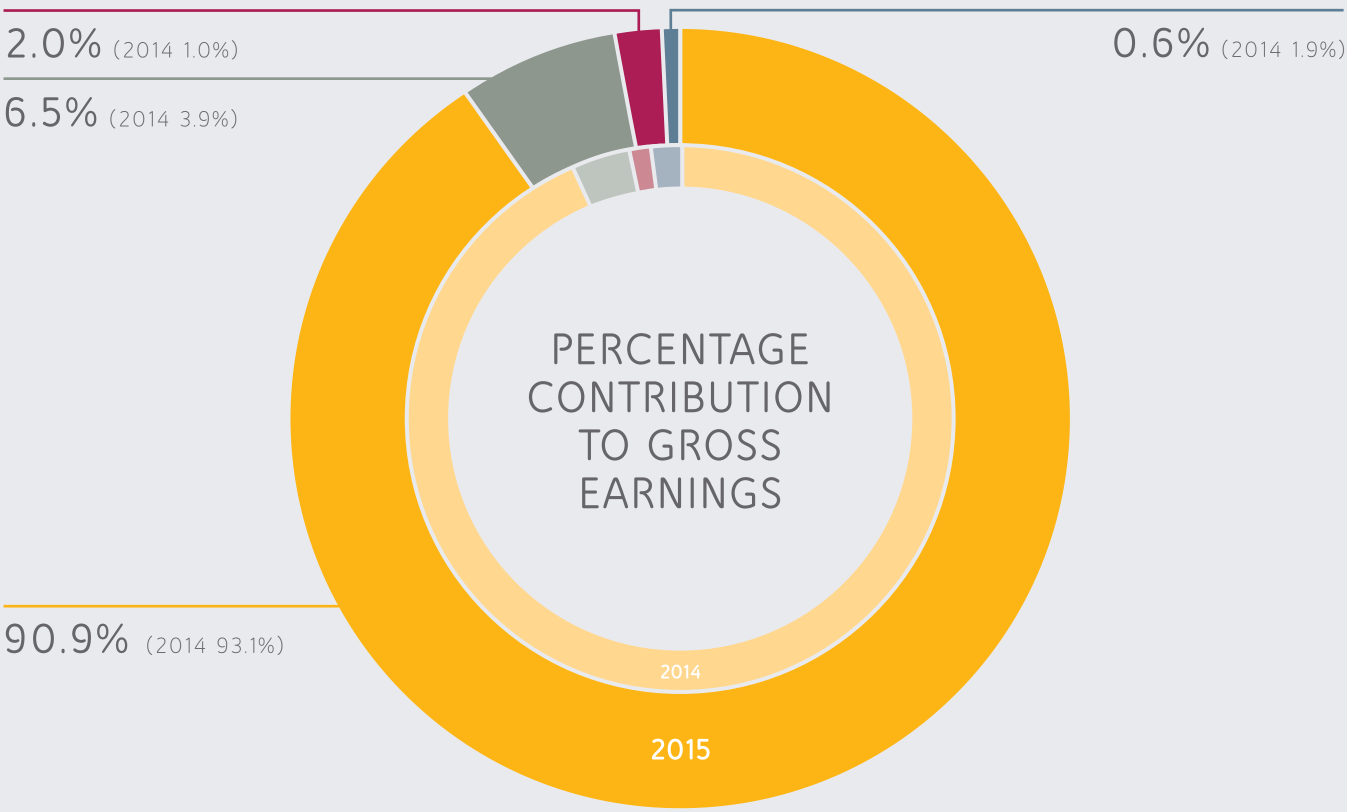
- **FBN Microfinance Bank Ltd**

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

WHAT WE DO

FBNHoldings is a non-operating financial holding company. Our products and services are designed and distributed to meet our customers' needs. We offer a diverse range of financial service solutions across commercial banking, merchant banking and asset management, insurance and other financial services.



90.9%

COMMERCIAL BANKING

The group's core business, providing financial services to individual and corporate customers with financial intermediation services. This business segment includes the group's local, international and representative offices offering commercial banking services and serving over 10.9 million active customer accounts in 12 countries.

6.5%

MERCHANT BANKING AND ASSET MANAGEMENT

The group creates value by advising, financing, trading, investing and securing finance for customers.

2.0%

INSURANCE

This group offers both life and general insurance services as well as insurance brokerage services.

0.6%

OTHER FINANCIAL SERVICES

This includes the Group's non-operating holding company and other non-banking financial services business, primarily FBN Microfinance Bank, which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

GROUP CHAIRMAN'S STATEMENT

"With a solid foundation firmly in place, we are now in execution mode to extract optimum benefits for our customers and our people in the wake of an increasingly fierce operating environment."

DISTINGUISHED SHAREHOLDERS,

It is my pleasure to welcome you to this year's Annual General Meeting (AGM).

2015 was a challenging year for the Nigerian economy, with implications for FBN Holdings Plc. Like many large corporations, we were faced with an uncertain and volatile economic, political and market environment, alongside continued regulatory reforms. In spite of these challenges, however, we made significant progress in the execution of our ambitious but attainable three-year strategic plan. If you recall, in 2012 and 2013 we laid the foundation for our new holding company structure, putting in place the corporate governance framework and group operating model needed to run a world-class, diversified financial holding company and maximise extraction of synergy among members of the Group. With a solid foundation firmly in place, we are now in execution mode to extract optimum benefits for our customers and our stakeholders in the wake of an increasingly fierce operating environment.

Our operating environment

The economy only recorded a GDP growth of about 2.8% in 2015, compared to the 6.2% recorded in 2014. The evolving global oil dynamics, evidenced by the decline in oil prices, continues to present growth risks to oil-dependent economies like Nigeria. Oil exports account for about 85% of government revenues in Nigeria; thus, the sustained drop in the crude oil price has put an enormous strain on economic growth.

Even in the arduous environment that 2015 presented, our management team and employees worked under intense pressure to deal with a number of complex business issues. As part of the steps to reorganise, refresh and further energise the organisation, and in line with our vision to be No.1 in every market we serve, we made some major leadership changes within our institution, with the appointment of new CEOs at both the Holding Company and the Commercial Banking group. Also, we obtained our merchant banking licence and commenced operations in the last quarter of the year. In addition to this, we finalised the divestment from our microfinance subsidiary in line with our strategic goal of efficient capital allocation.

Operationalising our Group strategy

The deployment of our resilient holding company structure, with its sharp focus on efficiency, and strong collaboration across all our operating entities continue to play a significant role in sustaining our growth momentum while addressing tomorrow's challenges and ensuring long-term success for the Group. The key pillar of our Group strategy lies in the enhancement of the contribution of our non-banking businesses by exploiting natural synergies across our various operating companies to drive accelerated growth. In addition to this revenue synergy derivable from our extensively diversified Group structure, the holding company structure also presents significant cost benefits through economies of scale. Our business model is currently being reviewed with the full implementation of shared services across the group to improve operational efficiency.

As a Group, however, we acknowledge our peculiar challenges in addition to the general macroeconomic difficulties, particularly as they relate to the significant drop in the international oil price and its effect on Nigeria's macroeconomic indices. We recorded a huge loan loss provision from our commercial banking business. This in turn had a negative impact on the Group financial performance for the full year 2015 results, requiring the need to improve our risk management practices, particularly as it relates to credit risk management. I have the commitments of the Board and of management not only to weather the storm, but to emerge stronger, more resilient and better equipped for the next phase of our growth story. Specifically, we will be demonstrating, through our financial numbers in the short to medium term, our renewed focus on operational efficiency, improved risk management practices, innovation and synergy realisation across the Group.

Revenue synergies and intra-group collaboration

Despite the moderated global and domestic economic performance in 2015, the Group realised an additional ₦2.3 billion from revenue synergies through collaboration among the various strategic business units and cross-selling. Given the performance of all operating companies, we are confident that significant opportunities for improved synergistic benefits exist within the Group. The commencement of our merchant banking franchise and integration of general insurance business will accelerate cross-entity performance in 2016.

Portfolio optimisation

We are focused on diversifying our loan asset portfolio from a relative concentration in the institutional and corporate segments to a more balanced mix of higher-yield commercial and retail customers. This approach is supported by the Group's improved risk management framework, which ensures thorough appraisal of all risks coupled with reviews at intervals until repayment.

The expansion of our merchant banking and asset management business enables us to offer a broader set of products and services that will not only deepen existing relationships but also open up new opportunities for our customers, especially in terms of driving foreign exchange, fixed income trading and arranging long-term financing.

Also, we obtained the requisite approval for the divestment of our microfinance subsidiary. This was done to realign the focus of our Group on its core businesses and highlights our disciplined portfolio and capital management practices. The sale of FBN Microfinance Bank in spite of the prevailing low valuation in the equities markets generated value for shareholders through a 1.9x exit multiple.

Board developments and corporate governance

Throughout last year, our corporate governance practices stayed ahead of the most exacting statutory requirements with a strong adherence to our values. From the last AGM to date, there have been three retirements from, and five appointments to, the Board. Abdullahi Mahmoud, one of the pioneer Non-Executive Directors, Bisi Onasanya, and Bello Maccido retired from the Board effective 31 December 2015. The pioneer Group Chief Executive Officer of FBNHoldings, Bello Maccido, retired the Board to become the first Chairman of the newly licensed FBN Merchant Bank Ltd. On behalf of the Board, I sincerely appreciate their respective commitments and contributions to the Group from inception till date.

UK Eke (MFR), a former Executive Director at First Bank of Nigeria Ltd, succeeded Bello Maccido as Group Managing Director. He is a highly experienced business administrator with deep financial services industry experience spanning diverse areas, including business assurance, business development, risk management and capital market operations. He has contributed significantly to the growth of various strategic business units of the commercial banking group. We have no doubt that he is poised to navigate our company through the current stormy economic waters.

Muhammad K. Ahmad, a seasoned business administrator, was appointed Non-Executive Director on the Board and he brings with him several years of diverse experience acquired in both the public and the private sectors. Furthermore, Dr Adesola Adeduntan, the Managing Director of First Bank of Nigeria Limited and its Subsidiaries, has been appointed as a Non-Executive Director subject to the approval of the Central Bank of Nigeria (CBN) and your approval at this Annual General Meeting.

Following these appointments, the Board is now composed of nine directors, made up of two Independent Executive Directors, six Non-Executive Directors and one Executive Director, who is also the Group Managing Director (GMD). This composition remains true to our adherence with international best practice, which encourages a higher ratio of Non-Executive Directors to Executives. The composition of the Board continues to have a good representation of independent directors to ensure that the interests of shareholders are guarded and protected.

I am also glad to report that during the course of the year, your company, FBN Holdings Plc, was listed on the Premium Board of the Nigerian Stock Exchange. This attainment reflects the ongoing commitment of your company to the highest standards of excellence in corporate governance and high level of compliance with globally accepted corporate governance practices.

Looking into the future

The year 2016 is expected to be shaped by the major themes that typified last year; the continued slowdown in China's growth, a fragile euro area and low prices of crude oil as well as commodities. Mixed economic forecasts across most emerging markets suggest a near-term outlook of moderated demand amid stiffer, more intense competition in financial services. We are confident, however, that the sound governance structures and resilient business model of our Group, and the continued growth momentum we see in our strategic businesses, will continue to guarantee profitable growth in 2016 and beyond.

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

In 2016, we will not lose sight of our priority to be a strong and financially sustainable Group that offers a one-stop financial supermarket and puts the customer at the heart of everything we do. It is this integrated approach of providing diverse financial services – commercial banking, insurance, merchant banking and asset management – within one Group, in a manner that delights our customers, that differentiates us from the competition. Notwithstanding the current economic climate, the Board remains extremely confident that the strong fundamentals of our organisation are more than adequate to ride us through the current market challenges.

We will continue to focus on effective execution of our strategy and on delivering value to shareholders.

Thank you and God bless you all.

Dr Oba Otudeko, CFR
May 2016

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2015	₦505.2bn
2014	₦481.8bn

The 4.9% growth was driven by increased interest income on loans to customers and short-term investments.

NET INTEREST INCOME

2015	₦265.0bn
2014	₦243.9bn

Net interest income increased by 8.7% mainly due to optimal pricing strategy resulting in improved yields on assets.

PROFIT BEFORE TAX

2015	₦21.5bn
2014	₦94.1bn

Profit before tax declined by 77.1% as a result of the high impairment charges taken in the 2015 financial year.

NON-INTEREST INCOME

2015	₦99.4bn
2014	₦112.9bn

Non-interest income declined by 12.1%, essentially due to the decrease in earnings from foreign exchange transactions in view of a relatively steady exchange rate environment as well as the decline in commission on turnover (COT) following the implementation of a lower rate as guided by the Central Bank of Nigeria.

OPERATING EXPENSES

2015	₦223.6bn
2014	₦236.8bn

Operating expenses declined by 5.6% in a 9.6% inflation environment. This achievement highlights our resolve to ensure sustainable operational efficiency across our business.

CUSTOMER DEPOSITS

2015	₦2,970.9bn
2014	₦3,050.9bn

Customer deposits declined by 2.6% impacted by withdrawals of FGN deposits with deposit money banks (DMB) in compliance with the treasury single account (TSA) by ministries, departments and agencies in addition to our deliberate strategy of giving up expensive term deposits.

In 2015, final accounting for the acquisition of Kakawa Discount House Limited (now FBN Merchant Bank Limited) was concluded resulting in changes between the fair values of the identifiable assets and liabilities at acquisition date compared to those values adopted for provisional accounting in 2014. The impact of the changes have been retrospectively adjusted against 2014 numbers in line with IFRS 3.

Financial highlights

CUSTOMER LOANS AND ADVANCES

2015	₦1,817.3bn
2014	₦2,179.0bn

Customer loans and advances declined by 16.6% as a result of the challenging macroeconomic environment impacting business performance of obligors.

RETURN ON AVERAGE ASSETS*

2015	0.4%
2014	2.0%

Return on average asset declined to 0.4% driven by a decrease in profitability as average total assets grew by 3.6% year on year.

EARNINGS PER SHARE (EPS)*

2015	₦0.43
2014	₦2.35

The soft performance was driven by the high impairment charges resulting from the adverse macroeconomic and regulatory environment.

RETURN ON AVERAGE EQUITY*

2015	2.7%
2014	16.9%

Return on average equity declined as a result of a decrease in profitability as average total equity increased by 10.7% year on year.

* Post-tax returns.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (RETIRED DECEMBER 2015)

> *"Guided by our long-term vision... we were able to navigate our company through a challenging environment."*

Distinguished fellow shareholders, it gives me great pleasure to present to you the financial results of FBN Holdings Plc for the year ended 31 December 2015.

Over the last seven years, the world has gone through significant turbulence as a result of the global financial crisis and since then, our company has been dealing with extraordinary challenges as a result. We have endured unprecedented economic, political and regulatory storms, the impact of which will continue to be felt for years to come. What is most remarkable, in spite of all the turmoil, is that your company, FBNHoldings, has continued to strengthen its structure to become more resilient and reinvent itself for phenomenal growth. Our footprints have increased across the West African region and our breadth of offerings has significantly increased, ensuring that we never stopped supporting customers, communities and the growth of economies in West Africa.

Guided by our long term vision to become the foremost financial services institution in Sub-Saharan Africa, a set of shared values, a clear strategy and ambitious targets for the medium to long term, we were able to navigate our company through a challenging, volatile global and local environment.

2015 in retrospect

In spite of the divergent economic prospects of the developed economies and developing markets wherein advanced economies appear to be brightening as the developing world struggles, one conclusion has resonated across the board – that 2015 was an ultra-challenging year, both on a global and local scale. The combined impact of the slowdown in China, dwindling commodity prices which have significantly decimated the earnings capacity of a number of oil producing countries, and the worsening credit worthiness of some emerging market economies have resulted in a challenging business environment in 2015. The global economy slowed to 2.4% in 2015 from a growth rate of 3.4% recorded in 2014. Several big developing economies including Brazil and China significantly fuelled the slowdown. The troubles from these economies have had a disproportionate impact on their smaller trading partners, which have also been worsened by depressed commodity prices. Developing countries as a block grew at a six-year low of 4.3%, driven largely by China's growth of 6.9%, representing its slowest pace since 1990 and a reflection of the ongoing rebalancing from a manufacturing economy to a more service oriented economy.

Sub-Saharan Africa growth slowed to an estimated 3.4% in 2015, the lowest rate since 2009, due to low commodity prices and infrastructure constraints. The two largest economies – Nigeria and South Africa – continue to grapple with lingering unemployment, social tension and infrastructure challenges, amid weakening commodity prices. It is, however, noteworthy that the successful transition following the 2015 general election has improved the political risk profile of Nigeria.

Group Chief Executive Officer's review (retired December 2015)

Industry review

The Nigerian financial services industry came under severe regulatory pressure in 2015, in addition to economic uncertainties which were exacerbated by the dwindling oil price and the general election. On the back of deteriorating economic data, including a marked slowdown in GDP growth rate, the Central Bank of Nigeria (CBN) rolled out a number of monetary measures and deployed administrative tools to manage the huge imbalance between demand and supply for foreign currency to fund the ever-growing importation portfolio. The combined effect of these macroeconomic challenges significantly decimated the spending capacity of the Government with a large number of states on the fringe and requiring bailout to meet recurrent obligations. The significant decline in the foreign exchange earning capacity of the country owing to the unrelenting slide in crude oil prices resulted in significant depreciation of the naira which hit an all-time low in the parallel market. The naira depreciation pressures have increased inflation and financial stability risks over the period.

The administrative measures deployed by the CBN have hampered private sector activities and resulted in portfolio investment flight. Recent policy of the CBN to relax some of its foreign currency controls by lifting its ban on foreign currency cash deposits in commercial banks and discontinuation of sale of foreign exchange of Bureaux de Change operators are prima facie evidence of the deteriorating state of the foreign exchange market. Also, decisions by the Monetary Policy Committee (MPC) to reduce Monetary Policy Ratio (MPR) from 13% to 11% and Cash Reserve Ratio (CRR) from 25% to 20% in an attempt to drive economic growth have received positive reviews from the market. The Nigerian economy has since been struck by slow growth in the face of high unemployment and rising cost of living. Output growth rate has declined sharply, with the economic growth rate slowing to 2.4% in half year 2015, with a marginal increase to 2.84% in the third quarter 2015 compared to nearly 4.0% in the first quarter 2015, and 6.2% in full year 2014.

Business review

Consistent with our vision of becoming a diversified financial institution powerhouse in Sub-Saharan Africa, FBNHoldings continues to pursue its strategy of diversifying its earnings base across geographies and markets. Pursuant to this aspiration, the Group secured the approval of the CBN to kick off its Merchant Banking operations during the year, via the recent acquisition of Kakawa Discount House Limited, which has now been renamed FBN Merchant Bank Limited. The Merchant Banking platform offers the Group access to complementary products and services to the already robust bouquet of products of the Commercial Banking business. In addition, we commenced full general insurance business during the year after the acquisition of Oasis Insurance Limited, which has now morphed into FBN General Insurance Limited. Overall, we believe these additions and expanded business scope will enhance our earnings diversification strategy, which will invariably increase contributions of the non-banking subsidiaries of the Group, while optimising our commercial banking subsidiaries through efficient management of our assets and extracting value from our West African operations.

On the Commercial Banking front, we have made significant progress in executing our strategy of integrating the West African operations within the larger Commercial Banking platform, revamping the internal processes for improved operational agility and designing a framework for managing operating cost. Today, a number of our West African operations run on the same IT platforms of the Commercial Banking group, and the framework for collaboration to improve share of customers' wallets across borders has been deployed for the entire Group. It is important to highlight the changes to the management of First Bank of Nigeria Limited. Effective 1 January 2016, Dr Sola Adeduntan assumed office as the Managing Director of the Bank, succeeding Bisi Onasanya who served as the Group Managing Director for seven years. Also, Gbenga Shobo was appointed as the Deputy Managing Director during the year.

During the 2014 financial year, as part of our routine review of the Group's business portfolio, we took a detailed look at the non-banking businesses for the purpose of analysing contributions to the Group as well as strategic fit to our strategy. On the basis of this review, the Board decided to divest from the microfinance business of the Group. In 2015, FBNHoldings executed a Share Purchase Agreement, transferring its interest in FBN Microfinance Bank Limited to Letshego Holdings Limited, a microfinance holding company listed on the Botswana Stock Exchange.

At the Holding Company, efforts have been intensified to significantly improve the process for extracting synergy inherent in our Group as a result of our diversified product offerings, extended geographical reach and our robust customer base. The Group Executive Committee (GEC), the apex management organ of FBNHoldings, has been tasked with the responsibility of driving the Synergy Realisation Project across all operating companies. Frameworks have been finalised, performance management systems have been remodelled to ensure the success of this project, and appraisal points have been allocated to senior management who are responsible for delivering the synergy targets across operating companies. In addition, a shared services framework is currently being developed to address our cost structure as a Group, in line with our strategy of enhancing operating efficiency. These robust frameworks are targeted at delivering our two-pronged approach of maximising our earnings potential as a Group through diversifications across geographies and markets, while reining in our operating cost base.

It is important to bring to your notice changes to management at the Holding Company. Effective 1 January 2016, my successor, UK Eke, assumed the position of the Group Managing Director of FBNHoldings. UK has been an integral part of the FirstBank Group since 2011 when he was appointed as Executive Director, Public Sector South. He is a seasoned banker and a respected business administrator with deep knowledge of the financial services sector where he has worked over the last two decades. I am confident that UK will bring his wealth of experience to bear in providing leadership for the Holding Company.

Group Chief Executive Officer's review (retired December 2015)

Performance review

Notwithstanding the numerous challenges that confronted the Group in 2015, we posted a 4.9% year on year increase in our gross earnings in 2015, closing at an all-time high of ₦505.2 billion. This decent earnings growth reinforces the inherent strength and resilience of the FBNHoldings Group. Revenue from the Merchant Banking and Asset Management business grew by 41.3%, closing the year at ₦33.3 billion from revenue of ₦23.6 billion in 2014. Similarly, the Insurance business posted revenue of ₦10.5 billion in 2015 from ₦6.5 billion in 2014, representing an impressive growth of 60.6%. However, In spite of the healthy growth in our gross earnings, profit before tax declined by 77.1% when it dropped from ₦94.1 billion in 2014 to ₦21.5 billion in 2015, largely as a result of the impairment charge of ₦119 billion.

Our Tier 1 capital position for FirstBank for the 2015 financial year remained stable at 13.3%, with total capital adequacy ratio (CAR) over the same period at 17.1%. For FirstBank and its Subsidiaries, which make up the Commercial Banking business of FBNHoldings, total CAR closed at 19.0% for full year 2015. Cost to income dropped from 66.5% to 61.4% at 2015 year end.

Cost of funds closed at 3.7% at year end from 3.5% reflecting the trend in the interest rate environment. Overall, the blended average yield on interest earning assets improved to 12.1% from 11.3% as at December 2014. Given the higher proportionate increase in average yields on interest earning assets over average cost of funds, the net interest margins improved to 8.1% at year end 2015, from 7.6% as at December 2014.

In conclusion, I would like to sincerely thank you for your support through my tenure as the pioneer Group Chief Executive Officer of FBNHoldings and to seek your support for the Group Managing Director as we strive to reposition the Group to create value for the stakeholders, especially our esteemed shareholders.

Thank you and God bless.

Bello Maccido
Group Chief Executive Officer
FBN Holdings Plc

GROUP MANAGING DIRECTOR'S REVIEW (W.E.F.* JANUARY 2016)

"We have taken a hard look at our operating model and have begun to take bold steps in changing the way we do business to meet the evolving reality."

DEAR ESTEEMED SHAREHOLDERS,

It gives me great pleasure to be appointed as the Group Managing Director of FBN Holdings Plc. I am very happy to have the opportunity to serve you all, and I am humbled by the responsibility to lead this iconic institution into the next phase of its growth. I would like to seize this opportunity to thank the outgoing Group Chief Executive Officer, Bello Maccido, for providing exemplary leadership in managing this institution since its incorporation in 2012. I look forward to your support as we work to build a sustainable value for all stakeholders.

In my letter to you dated 5 January 2016, I highlighted the areas of focus across all operating companies as we seek to reposition the Group and chart a new growth path through enhanced focus on risk management, disciplined cost containment, asset optimisation and synergy realisation. These initiatives are primarily focused on driving efficiency across the various businesses for the purpose of enhancing our return to you, our shareholders. I am pleased to present below the outlook for our business within the context of the larger macroeconomic environment, as well as updates on Group-wide initiatives to reposition the Group.

Macroeconomic outlook

Sub-Saharan Africa faces a challenging near-term outlook, driven largely by depressed commodity prices, pockets of security challenges and social tensions. The two largest economies, Nigeria and South Africa, have been projected to continue their below-capacity performance as a result of these challenges. However, in spite of these challenges, a more stable political environment and increased government spending on social welfare and infrastructure are expected to support growth in 2016. The normalisation of United States (US) monetary policy is expected to tighten global financial conditions.

In December 2015, President Muhammadu Buhari presented the 2016 Budget and the Medium Term Expenditure Framework to the National Assembly. Tagged 'the Budget of Change', the Budget is projected to be expansive and intends to allocate 30% to capital expenditure. This shift from historical trend may pave the way for significant improvement in the infrastructure base of the country, with a resultant impact in the non-oil sector's contribution to the GDP. Over the medium term, there is a plan to diversify the economy gradually through renewed focus on the non-oil sector of the economy, principally agriculture and mineral resources. Also, efforts are ongoing to improve the country's infrastructure base through accelerated investment in the power sector. This will strengthen the transmission and distribution of electricity as a catalyst to unlocking the manufacturing sector. More strategically, there is a bold initiative to significantly increase the contribution of non-oil tax revenue to GDP, from a low base of 4% to 10% in the medium term. Indications are that enforcement and compliance, rather than tax rate increases, will be pursued.

* w.e.f. – With effect from

Overall, even though the recently concluded general election has fundamentally improved the political risk rating of Nigeria, the economic climate remains challenging in the medium term. The price of crude oil will continue to influence the earning capacity of the economy and determine the strength of the currency, as earnings from the sale of crude oil represent a significant chunk of foreign currency to Nigeria. It is hoped that with disciplined execution and policy consistency, efforts to diversify the economy will begin to yield fruit in the medium to long term. The fight against corruption, which is one of the focal points of the new government, will yield momentary results at best unless the various national institutions are fundamentally strengthened. This is a time-consuming task that may transcend the tenure of the current government.

Strategic initiatives of the Group

As a Group, we acknowledge the growing market scepticism with respect to our ability to confront the challenges facing this iconic institution and this has been reflected in the valuation of the Group, evidenced by the share which recently dropped to an all-time low. The 2015 financial results on one hand reinforces the strength of the underlying business, generating gross earnings of ₦505.2 billion, but also highlight significant vulnerability in our business, especially around cost management and loan book efficiency. Consequently, we have taken a hard look at our operating model and have begun to take bold steps in changing the way we do business to meet the evolving reality, armed with valuable insights and lessons learnt from the challenges we have faced in the last couple of years. Efforts are being intensified to deepen relationships with our existing customers through improved data mining, sustaining healthy customer acquisition across all operating entities, expanding product channels including e-business, aggressive recovering of delinquent loans and driving down our funding cost. Some of these initiatives have begun to impact our financial results as seen in the 5.6% reduction in operating expenses year on year in spite of headline inflation at 9.6% in 2015. Our performance will reflect the impact of these initiatives in the next 6–12 months.

Fundamental to repositioning our business is the ongoing overhaul of our risk management framework. We have commenced the process of winding down our exposure to sectors that are highly vulnerable to commodity price shocks. We have also revised our internal obligor limits both from sector and company standpoints. In the same vein, the delegated approval limits have been revised downward across the board to increase oversight across all levels and change the risk culture and practice. The Board of FBNHoldings has ensured that the new risk culture is cascaded to all lending subsidiaries, including FBN Merchant Limited. At the Holding Company, we have enhanced our risk management capabilities, deepening risk monitoring and coordination across the Group. In addition, we have set up an internal audit unit at the Holding Company level to carry out periodic audits of the subsidiaries and provide an additional layer of safeguards for the assets of the Group.

To enhance business performance, we have taken major steps to begin to extract significant synergies, both in revenue and cost within business units in each operating company and across the entire Group, including our international subsidiaries. While the revenue synergy extraction is expected to enhance greater share of our customers' wallets through cross-selling, the cost synergy initiatives will boost our cost containment drive and improve efficiency. As part of the implementation process, the Group Executive Committee, the highest management organ at FBNHoldings, has been charged with the responsibility of driving the revenue synergy process. Scorecards have been revised for executives of the Group to underscore the achievements of the strategic initiatives. Similarly, FBNHoldings is working to develop a robust shared services framework which, among other things, will reduce duplication of functions across the Group and enhance the ability of the Group to harness economies of scale in areas such as information technology, human resources, procurement and facility management.

5.6%

REDUCTION IN OPERATING EXPENSES YEAR ON YEAR

Our capital position remains a key area of focus for the Group. As at the 2015 year end, the two main deposit money banks in the Group – FirstBank and FBN Merchant Bank Limited – are adequately capitalised. FirstBank capital adequacy ratio (CAR) stands at 17.1%, well above the regulatory CAR requirement for systemically important banks, which comes into effect in June 2016, and FBN Merchant Bank Limited has a CAR of 24.9%. To enhance our competitiveness in addition to meeting the minimum regulatory capital, the Group will vigorously sweat existing assets through improved risk management, portfolio rebalancing to high yielding segments of the market, and aggressive loan recovery while moderately growing the loan book. We believe that the realisation of our strategic initiatives especially in efficiently deploying our asset base and a paradigm shift to asset-light model will enhance reserved accretion, which will boost our objective of increasing earnings retention, our preferred route to capitalisation. Internally, we will continue to monitor our capital position and evaluate other funding options on an ongoing basis. It is important to emphasise that as a Group, we have no intention of raising fresh equity in the short term.

Outlook

As a Group, we remain optimistic about the long term prospects for the Nigerian economy, in spite of the numerous challenges experienced in the short run. As an import-dependent country, the continuing fundamental weakness of the naira may heighten inflationary pressure, which may impact our operating cost and, as such, negatively affect our cost containment objective. Despite these and other macroeconomic challenges, the expanding budget deficit of the Federal Government as a result of the continuing low oil price, will provide enormous fund-raising opportunities for our Merchant Banking business across the various tiers of government. Also, the huge infrastructure gap will open up new opportunities to provide project finance, debt capital raise (infrastructure bond) and financial advisory services by FBN Merchant Bank. This reinforces the decision taken to restructure through a holding company and retain our interests across the entire spectrum of the financial services industry.

Our insurance portfolio has continued on its growth trajectory, driven largely by our dedicated management team and our relationship with the Sanlam Group of South Africa. Our enhanced collaboration with Sanlam, particularly in the area of product development, will further strengthen our already impressive dossier in the life insurance business, where we have moved from an anonymous position in the industry to ranking second largest by gross written premium. In the same fashion, the general insurance business is positioned for monumental growth, leveraging the experience of Sanlam in the specialised insurance segment and the extensive size and reach of our commercial banking franchise to roll out insurance products once the bancassurance regulation, which currently awaits the approval of the National Insurance Commission, is released. We recently concluded the recruitment of a Chief Executive Officer for the general insurance business, who will deepen penetration and enhance contribution of the non-bank portfolio.

We consider our people as our most important asset, and remain supportive through investment in training and development. Our award-winning training facility, FirstAcademy, will continue to enjoy tremendous support from the Group, ensuring that we strengthen our knowledge base and equip our people to confront the challenges and stay ahead of the curve.

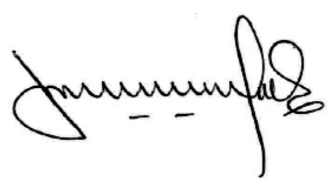
Consistent with our corporate ethos, we continue to provide support for the communities in which we operate, and forge mutually beneficial relationships with our stakeholders through our Citizenship Programme. Dating back to 1894, when we began business as the Bank of British West Africa, the FBN Group has always believed in setting the standards in corporate citizenship. Recently, we launched the FirstBank Sustainability Centre, one of our newest strategic initiatives. Run in conjunction with the Lagos Business School of the Pan-Atlantic University, the Centre is designed, among other things, to build the capacity of stakeholders such as small and medium enterprises (SMEs), and to conduct research on sustainability and related areas.

In conclusion, over the next financial year, we will:

- intensify our effort to drive the contribution of non-bank subsidiaries to the Group portfolio to 10% through enhanced coordination and synergy realisation;
- extract maximum value from our investments across West Africa through integration with FirstBank and FBN (UK) Limited to drive trade finance;
- overhaul our risk management process to improve our asset quality and drive down non-performing loans (NPL) and cost of risk in the medium term;
- continue to focus on driving efficiency through cost containment and shared services in an effort to further reduce our cost-to-income ratio; and
- intensify our portfolio review for the purpose of effectively deploying capital to enhance our return to shareholders.

Consequently, and on behalf of the Executive Management of the Group, I boldly pledge that our financial numbers will significantly improve across all metrics in the medium term and our leadership position will be restored with value created for our stakeholders.

Thank you and God bless.



UK Eke, MFR
Group Managing Director
April 2016

RECOGNITION OF OUR PERFORMANCE

BEST PRIVATE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank clinched the 2015 Best Private Bank in Nigeria Award in recognition of its 'Best in Class' private banking hubs and the value created for private banking clients.

PRIVATE BANK OF THE YEAR – NIGERIA 2015

***THE BANKER* MAGAZINE AND *PROFESSIONAL WEALTH MANAGEMENT* MAGAZINE**

FirstBank was named Private Bank of the Year – Nigeria 2015 by the globally recognised *The Banker* magazine and *Professional Wealth Management* magazine, both part of the Financial Times Group, for its giant strides and the provision of innovative financial services in the private banking business.

BEST PRIVATE BANK IN NIGERIA

***WORLD FINANCE* MAGAZINE**

FirstBank won the 2015 Best Private Bank in Nigeria Award in recognition of its attention to client services and its 'Best in Class' private banking hubs as well as the accelerated speed at growing its market share.

BEST BANK IN SUPPORT OF THE MANUFACTURING SECTOR

BUSINESSDAY

This award is in recognition of FirstBank's achievements in Nigeria's manufacturing sector in promoting the development of the banking sector in Africa's largest economy.

BEST RETAIL BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the Best Retail Bank in West Africa for the second year in a row. It was awarded by BusinessDay. This is in recognition of its continued drive to enhance retail banking business through e-banking interventions and various retail product and service initiatives.

BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

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

BEST SME BUSINESS & RETAIL BANK IN NIGERIA

BANKER AFRICA – WEST AFRICA AWARDS 2015

The Best Retail Bank in Nigeria was conferred on FirstBank by Banker Africa in recognition of its leadership in the growth and development of SMEs and the retail space for socioeconomic development.

GLOBAL REACH TRADE FINANCE AWARD

DEUTSCHE BANK

FirstBank was awarded the Silver Global Reach Trade Finance Award in 2015. This is in recognition of the diverse trade volumes routed by FirstBank through different locations of Deutsche Bank worldwide. The award reflects the wide range of FirstBank's global trade finance customers, presenting FirstBank as the trade finance bank of choice for most international trade customers in Nigeria.

Recognition of our performance

BEST IMPACT BY CORPORATE UNIVERSITY ON IMPLEMENTATION OF BUSINESS STRATEGIES 2015

GLOBAL COUNCIL OF CORPORATE UNIVERSITIES

This Silver Award is in recognition of the Bank's feat for Best Impact by Corporate University on Implementation of Business Strategies by the Global Council of Corporate Universities for premium performance at the highest level of value creation for people, business and society across the world.

MOST VALUABLE BANK BRAND IN NIGERIA

***THE BANKER* MAGAZINE**

FirstBank has been named The Best Bank Brand in Nigeria for five years in a row – 2011, 2012, 2013, 2014 and 2015 – by the globally recognised *The Banker* magazine of the Financial Times Group. The Bank has achieved this feat in recognition of its steady transformation and increased brand value through the years.

BEST COMPANY IN SME

SOCIAL ENTERPRISE REPORT AND AWARDS (SERAs)

The Bank was awarded the Best Company Supporting SMEs two years in succession in recognition of its role in promoting SME development in Nigeria. This has been achieved through capacity-building initiatives championed by the FirstBank Sustainability Centre.

2015 FINANCIAL INSTITUTION OF THE YEAR

PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA – PETAN

The Bank was awarded the 2015 Financial Institution of the Year award for its outstanding financial support for Nigeria oil services companies in its bid to ensure an efficient oil and gas sector.

BEST MOBILE TECHNOLOGY BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

This award is in acknowledgement of the Bank's successful implementation and sustenance of the growth of card and electronic payment solutions for seamless transactions in Nigeria.

BEST BANK IN NIGERIA

GLOBAL FINANCE AWARDS

FirstBank has been the winner of the 'Best Bank in Nigeria', awarded by Global Finance, for the past 12 years. It is in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

BEST PAYMENT BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

FirstBank won the award in recognition of its outstanding banking technology and innovation in alternative services delivery channels for payment transactions.

BEST BANK IN SUPPORT OF AGRICULTURE

BUSINESSDAY

FirstBank won the Best Bank in Support of Agriculture Awards, in the BusinessDay Banking Awards 2015. The award is in recognition of FirstBank's giant strides in the diversification of the economy by supporting the agriculture value chain.

BEST DIASPORA OFFERING

BANKER AFRICA – WEST AFRICA AWARDS 2015

FirstBank was recognised by Banker Africa for its role in the industry with delivery of quality service, best practice, efficient asset and portfolio allocation, financial performance, and value creation for its customers' investment demands.

AFRICA DEAL OF THE YEAR

2015 M&A ATLAS AWARDS

FBN Capital won the Africa Deal of the Year award for its lead role in the acquisition of Oasis Insurance by FBN Insurance. The awards were organised by the Global M&A Network.

BEST INVESTMENT BANK IN AFRICA

AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure within the last year, FBN Capital was awarded the prestigious Best Africa Investment Bank award for 2015 by the Africa Investor Group, a leading international investment and communications firm.

CORPORATE DEAL OF THE YEAR (AFRICA)

M&A ATLAS AWARDS 2015

FBN Capital was also awarded the Corporate Deal of the Year (Africa) award at the 2015 M&A Atlas Awards for its role in the acquisition of Oasis Insurance by FBN Insurance.

SUB-SAHARAN AFRICA FINANCING TRANSACTION OF THE YEAR 2014

INFRASTRUCTURE INVESTOR BANKING AWARDS FOR EXCELLENCE 2014

FBN Capital was awarded the Africa Deal of the Year at the Infrastructure Investor Banking Awards in June 2015 for its role in the Seplat secured medium-term loan and Accordion Facilities transaction.

AFRICA OIL AND GAS DEAL OF THE YEAR

IJGLOBAL EUROPE & AFRICA AWARDS 2014

FBN Capital was awarded the Africa Oil and Gas Deal of the Year Award for the Oando Energy Resources Conoco Phillips assets acquisition at the prestigious IJGlobal Europe & Africa Awards in February 2015.

BEST STRUCTURED FINANCE DEAL IN EMEA

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best Structured Finance Deal in EMEA for the Oando Energy Resources' ConocoPhillips Nigeria acquisition financing at the EMEA Finance Achievement Awards in June 2015.

BEST FOLLOW-ON FUNDING

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best follow-on funding for its role in the Diamond Bank Public Offering at the EMEA Finance Achievement Awards in June 2015.

BEST INVESTMENT BANK IN NIGERIA

GLOBAL FINANCE AWARDS 2015

FBN Capital won the *Global Finance* magazine award for Best Investment Bank in Nigeria for four consecutive years, as the magazine announced its 16th annual awards for world's best investment banks by country, region and sector in February 2015.

BEST INVESTMENT BANK IN NIGERIA 2015

INTERCONTINENTAL FINANCE GLOBAL AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure, FBN Capital was awarded the Best Investment Bank in Nigeria award for 2015 at the Intercontinental Finance Global Awards.

OUR APPROACH

With more than 10.9 million active customer accounts and a wide geographical spread, we contribute meaningfully to the communities in which we operate, through collaborative partnerships and consistent delivery of the best value to our customers.

MARKETPLACE

Over the years, the global economic landscape has changed significantly ranging from the slowdown in China's growth, the declining crude oil prices, the growing concerns in the Middle East, and forecasted interest rate hike by the US Federal Reserve. These changing dynamics of global economic forces are signals to tightening capital situation from Foreign Portfolio Investment in Nigeria. In 2015, the Group was faced with an uncertain economic, political and market environment, alongside with continued regulatory reforms. Also, there were a number of regulatory pronouncements with an attendant impact on our business.

Global economic trends

Global economic growth fell short of expectations in 2015, slowing to 2.4% from 2.6% in 2014. The decline was largely due to the continued deceleration of economic activities in the emerging and developing economies amid weakening commodity prices, global trade and capital flows. The growth rate in the USA was estimated at 2.5% in 2015 – the highest rate since the post-crisis period, driven largely by high domestic demand, robust consumption and dynamic investment outside the oil sector. The emerging market's growth momentum has tailed off considerably due to weak economic activity, falling currencies and commodity prices, and slow growth in China. At 6.9%, China's Gross Domestic Product (GDP) growth in 2015 was the lowest for 25 years. Advanced economies are projected to grow at 2.2% in 2016, an improvement from 2.0% in 2015, driven by stronger economic growth in the USA, the eurozone and Japan.

In the global oil market, both Iran and the USA are emerging as new suppliers, while OPEC (Organisation of Petroleum Exporting Countries) appears to have moved from protecting prices to defending market share. As a result of this, the current downward trend in the price of oil might stay longer than expected. While global GDP growth will receive a boost from lower oil prices (driven largely by higher oil supplies from new sources), the key economies to benefit materially from this growth will be the USA and the eurozone.

Sub-Saharan Africa: economic trends

Overall growth in Sub-Saharan Africa slowed to 3.4% in 2015 from 4.6% the previous year, driven by a combination of both external and domestic factors. External factors included lower commodity prices, a slowdown in major trading partners and tightening borrowing conditions. Much of this is attributable to the decline in oil, natural gas and other commodity export prices, which affects the foreign exchange earnings, terms of trade and the real incomes of many import-dependent, commodity-exporting African countries. Domestic factors included political instability and conflict, the Boko Haram insurgency and electricity shortages. The potential impact of these economic trends includes a fall in domestic consumption and business investment, with obvious implications for the industry's build-up of credit risk and foreign currency exposure.

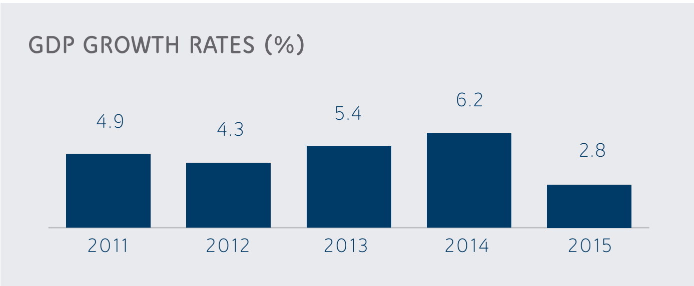
The Nigerian economy

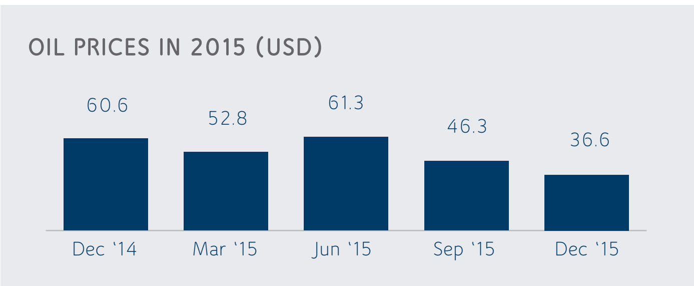
The changing dynamics of global economic forces are clear signals of an induced capital tightening for foreign direct investment inflows into Nigeria. According to data from the Nigerian Bureau of Statistics, Nigeria's real GDP declined to 2.8% in 2015 from 6.2% in 2014. Also, revenue from crude oil dropped by 34.5% to ₦1.86 trillion from ₦2.97 trillion in 2014 leading to the contraction of the oil industry. Growth in the non-oil sector, which accounted for 90% of GDP, witnessed little change at 3.1%. The key drivers of the output growth in the non-oil sector were agriculture (grew year on year by 3.5% and accounted for 24.2% of real GDP), trade (grew year on year by 4.7% and contributed 16.7% of real GDP), and information and communication sector (grew by 4.2% and contributed 11.3% of real GDP).

A significant portion of our Group's earnings and profitability will continue to be derived from Nigeria and West Africa in the medium term.

Nigeria's annual inflation rate was 9.6% as at December 2015 – the highest since 2012. The annual core inflation rate, which excludes volatile agricultural product prices, remained at 8.7%, while food prices recorded the highest annual increase, 10.6%.

The price of oil fell by over 40% in the seven months to December 2015, largely driven by buoyant oil production from shale production in the USA and the re-emergence into the global oil market of Iran and Iraq, historically large producers. The downward trend in oil prices in the international market has severe implications for Nigeria's economic growth, external reserves and currency. The currency is particularly under pressure, as about 85% of foreign exchange earnings is tied to oil.





Expansionary 2016 Federal Government budget

The Federal Government of Nigeria proposed a ₦6.1 trillion (USD31 billion) expenditure budget for 2016 to boost growth and address some of the challenges facing the economy. The budget is premised on a USD38 per barrel oil price, and oil production of 2.2 million barrels per day. It projects net revenue of ₦3.86 trillion, resulting in a deficit of ₦2.2 trillion. The breakdown of non-oil revenue shows revenue from Company Income Tax, VAT, customs and levies increased by 90%, 84%, 41% and 405% respectively from 2015 estimates. The 2016 Federal Government budget seeks to stimulate the economy, with a clear focus on infrastructural development and inclusive growth. However, the recent fall in oil prices below the USD38 per barrel threshold assumed in the budget is likely to result in a higher government deficit and lower government spending in 2016.

The effects on our markets

A significant portion of our Group's earnings and profitability will continue to be derived from Nigeria and West Africa. The fall in oil prices raises the prospect of an increase in global economic growth, since oil-consuming nations are more likely to spend the price gains than are oil-exporting countries. Nevertheless, it constitutes a major threat to the economies of oil producers – and, by extension, the banks in those countries.

Risk-reward is clearly skewed to the downside as far as banks' earnings outlook is concerned. Nigerian banks' direct exposure to the oil and gas sector has risen over the past few years, from an average of 18% in 2010 to more than 26% of the total loans in 2015. Nevertheless, the broader implications from weaker oil prices are much greater than what the direct exposures suggest, due to the follow-through effect from the oil economy/revenue to the non-financial sectors. Given the foreign exchange implications, the indirect risk that banks face is a general slowdown in overall growth. Banks are therefore likely to see a slowdown in revenue growth, and an increased risk of asset quality deterioration, ultimately affecting earnings. The near-to-medium-term outlook is therefore challenging.

Further to the public sector deposits sterilisation from the banking industry as a result of the implementation of the Treasury Single Account (TSA) in September 2015, the Central Bank (CBN) reduced the harmonised cash reserve ratio (CRR) to 20% from 25% to restore liquidity in the financial system. According to the policy, the liquidity arising from the reduction in the CRR will only be released to those banks willing to channel funds to employment-generating activities in the economy, such as agriculture, infrastructure and solid minerals.

In consideration of the weakening fundamentals of the economy, the CBN also reduced its benchmark interest rate by 200 basis points (bps) to 11% to boost growth amid high inflation. The interest rate corridor was also widened by 200bps above and 700bps below the benchmark interest rate, bringing the cost of borrowing to commercial lenders to 4% and the cost of lending to 13%. These policy measures seek to complement the fiscal policies, by charting the desired course to stimulate sustainable output growth in Nigeria. However, given the weak macro-environment, which continues to deteriorate, capital constraints (minimum capital adequacy ratio (CAR) of 15%, which rises to 16% for systemically important banks (SIBs) 1 July 2016), scarce foreign exchange liquidity, weak credit demand and mounting credit risks, loan growth in 2016 will be significantly curtailed in the Commercial Banking business.

The combined effect of these policy measures, and the elongated decline in oil prices, is the reduction in profitability of the banking industry. The likely scenario is that the straitened regulatory environment will remain throughout 2016. Invariably, the cumulative impact of lower oil revenues, and reduced real income for businesses, is a higher probability of quantum leaps on non-performing loans.

Macroeconomic concerns will dominate discussion on the Nigerian economy over the next 12 months, aside from the traditional sub-themes of security challenges. To minimise the effect of the straitened macroeconomic environment on the performance of the Commercial Banking business, we will:

- strengthen relationships with our significant counterparties to mitigate the possibility of defaults, and also recalibrate loan acceptance criteria going forward to keep abreast and ahead of developments at the macroeconomic level;
- reduce the single obligor limit (SOL) and approval limits. Ensure strict adherence to conditions precedent to drawdown of facility;
- increase senior management and Board oversight;
- improve collateral management and faster perfection while enhancing middle office for independent verification;
- identification of early warning signals and account by account monitoring and frequent reporting;
- split recovery and remediation to drive more aggressive recovery and faster collateral realisation;
- seek new sources of revenue growth; and
- defend market share by deepening the customer experience across the market.

Outlook for the Group

The multiplier effects of diminished government revenue on slower capital projects, and possible trickle-down effects on business contraction and muted household spending, are likely to have moderating effects on investment and corporate banking, as well as on the retail business.

The Group will continue to drive efficiencies through the Group Shared Services initiative while simultaneously seeking new sources of revenue through the Group-wide innovation project

The main challenges to the Commercial Banking business include the looming risk of another round of devaluation, thereby hurting capital and asset quality, squeezed margins from the low interest rate environment, weaker foreign exchange income from trading and trade finance activities, higher impairment arising from a weaker economic backdrop, and weaker oil prices and currency.

Our approach as an international and diversified financial services group is to continue to strengthen the risk acceptance and risk management process to mitigate any adverse impacts on our asset portfolio. We have commenced the asset optimisation policy, which will position us strongly in managing these vulnerabilities. In addition to this, the Group will continue to drive efficiencies through the Group Shared Services Initiative while simultaneously seeking newer sources of revenue through the Group-wide Innovation Project.

The commencement of merchant banking operations by the group will unleash new opportunities for growth in investment banking, especially in terms of driving foreign exchange, fixed income trading and arranging long-term financing. The imminent funding gap for various tiers of government in Nigeria is also expected to result in opportunities to raise bonds and other funding types for the government by the Merchant Banking business.

Following the full integration of the acquisition of Oasis Insurance Plc into FBN Insurance Limited, we foresee improvements in both our ranking and profitability in this sector in 2016. Our new product development, using alternative channels deployed over newer market segments, is set to ensure an improved ranking for the composite insurance business.

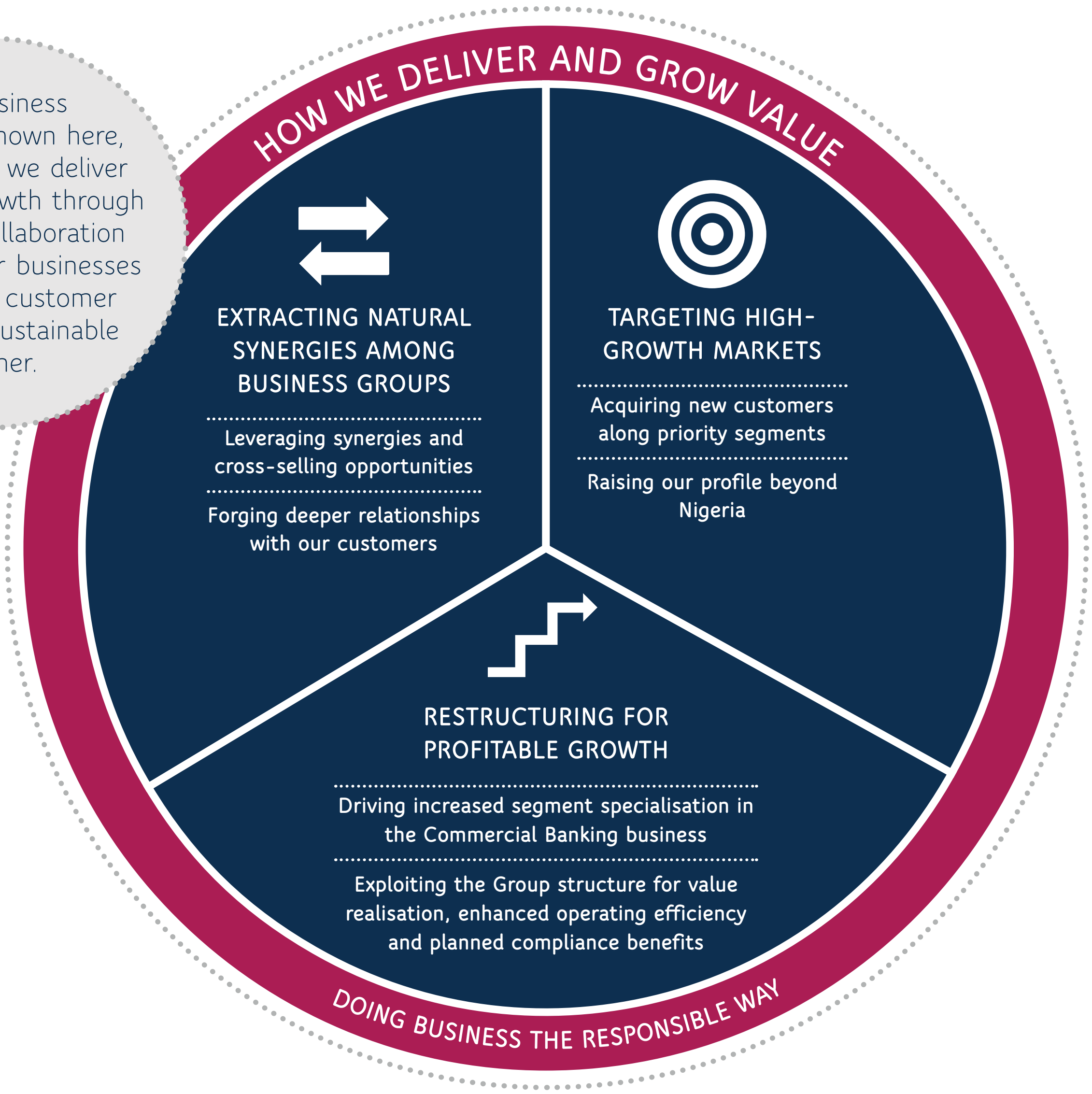
The Government's fiscal policy tightening on account of dwindling oil revenues and foreign exchange reserves might result in some form of rationalisation in public services, which may slow down insurance policy purchases. As we expect contraction in revenue accruing to insurance companies in the coming years, the implementation of cost-effective business models, as well as the deployment of flexible, innovative products and the development of distribution channels, will be the game changers. The Insurance group will leverage the retail network of the Commercial Banking business to exploit the opportunities within the retail market through the agency distribution network. The Insurance business will also continue to focus on identifying and exploring synergies between FBN Insurance and other subsidiaries, especially with FirstBank. We will continue to strengthen bancassurance capabilities (as permitted by key regulators) to drive revenue

OUR BUSINESS MODEL

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

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

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



Our business model

Our resilient holding company structure, with clear focus on efficiency, strong collaboration and governance across all our operating entities play key factors in helping to sustain our growth momentum while addressing tomorrow's challenges and ensuring long-term success for the Group. Our largest business group, the Commercial Banking business, generates value by exploiting the vast retail banking franchise to trap and grow sustainable, low-cost deposits as a platform to create quality risk assets for the various wholesale banking businesses.

In delivering the fundamentals of banking, we have modelled the structure of our business to ensure it is aligned with the needs of our customers and how they would rather be served. Our business model is guided by the philosophy of continuous restructuring for growth, controlling and measuring this growth, and delivering business responsibly.

As a Group, we acknowledge the weaknesses that became apparent in our control environment and vulnerabilities in our business resulting in high non-performing loans and impairments in a number of sectors to which we have significant exposures in our commercial banking business. In view of this, and from a strategic stance, we have identified key imperatives. We are rebuilding our risk management processes and culture, improving efficiency and entrenching operational excellence across operating companies as well as enhancing cross selling and synergy extraction across our portfolio of businesses spanning Commercial Banking, Merchant Banking & Asset Management as well as Insurance.

To strengthen risk management, enhance and optimise productivity, appropriately deploy resources, deliver consistent product offerings and speed to market, as well as drive profitability at the commercial banking business, we have streamlined the FirstBank (Nigeria) operating model. The new business segments are Retail and Products, Corporate Banking, Commercial Banking, Public Sector, International Banking and Treasury and Financial Institutions. The business model optimisation demands a holistic approach to customer engagement, which provides huge opportunities for referrals and cross-selling across the various strategic business segments in the Bank, as well as the exploitation of synergies within FBNHoldings.

In spite of the recent challenges, the fundamentals of our business remains very strong and our underlying businesses continue to generate healthy of revenues as we deepen relationships, increase revenue and enhance the contribution of the non-commercial banking businesses.

HOW OUR BUSINESS GROUPS CREATE VALUE

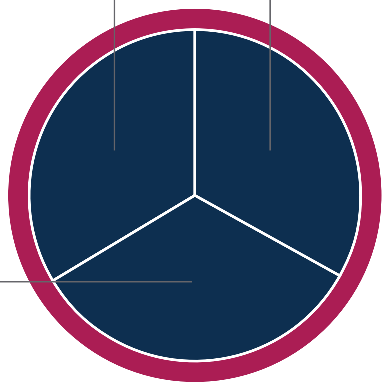
Business Group	Primary Income Source	Description
COMMERCIAL BANKING	INTEREST AND FEES	We make a spread from the deposits received from customers and the funds lent. Fee income is made from transaction charges on funds lent and commissions made in facilitating other transactions.
MERCHANT BANKING AND ASSET MANAGEMENT	INTEREST, FEES AND TRADING INCOME	We provide a broad range of services including advising, financing, trading, investing and securing, to ensure we support the diverse financial needs of our customers.
INSURANCE	PREMIUM, COMMISSION AND INVESTMENT INCOME	We help customers manage risks by pooling and redistributing these risks for a stream of premium. In addition, income is made from investing the premiums generated. We also provide insurance brokerage services for commission.

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUP

We have successfully fine-tuned the process of synergy extraction from intra group collaboration between our various operating companies. We will continue to maximise the extraction of revenue and cost synergies opportunities inherent in the Group towards delivering improved overall value to our stakeholders.

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

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



RESTRUCTURING FOR PROFITABLE GROWTH

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

SERVICES PROVIDED ACROSS OUR BUSINESS

COMMERCIAL BANKING[1]

- Retail banking
- Corporate banking
- Commercial banking
- Public sector banking
- International banking
- Pension custodian
- Mortgage finance

MERCHANT BANKING AND ASSET MANAGEMENT

- Corporate banking
- Investment banking
- Capital markets
- Trust and agency services
- Asset management
- Alternative investment
- Wealth management

INSURANCE

- Life underwriting
- General underwriting
- Insurance brokerage

[1] The commercial banking services listed here depicts the business segments with effect from 1 January 2016.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

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

FBN Holdings Plc has the primary responsibility for setting strategic direction, providing Group-wide oversight and ensuring the leveraging of synergies across the Group. It achieves this through the constitution of a governing board and committees at Group level to optimally align corporate governance and management roles. This has helped ring-fence the Commercial Banking business from non-commercial banking businesses and the associated risks, thereby protecting shareholder value. Our business model promotes seamless collaboration among all our businesses and delivers value to the diverse customers in a sustainable manner.

The Group has made principal commitments to ensure our business model will deliver sustainable returns. A brief outline of these is as follows:

Leadership and governance

Despite unfavourable and unstable macroeconomic indices in 2015, the Board stayed true to best corporate governance practices. In line with global best practice and in compliance with regulations and codes of corporate governance, the Board discharges its oversight function through the boards of directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate. At the Holding Company and in the other operating entities, the boards operate through various committees which are constituted in adherence to the various regulations and codes. Our robust framework ensures a good blend of Board autonomy and Group coordination at the operating company level.

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

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

Though these are trying times for the economy, the financial services industry and our Company, we are resolute in our desire and commitment to emerge stronger and more resilient.

Risk management

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

Effective management of risk requires a robust governance structure in which everyone knows their individual and collective accountabilities for risk management, risk oversight and risk assurance. This is reinforced by appropriate delegation of authority from the Board, which sets the appropriate tone down through the management hierarchy, and is supported by a committee-based structure designed to ensure that the risk management system across the Group is in line with regulations and leading practices.

The Board of Directors of the holding company (assisted by the Board Audit & Risk Assessment Committee) provides robust oversight of the Group's risk strategy, approves the Group risk appetite, and reviews the adequacy of the risk management framework and control effectiveness. The Group Risk Stakeholders Committee comprises the Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) of the business units and the Group Risk Manager. The committee ensures a strong and effective relationship between the risk management function of the business units and the holding company, as well as enhances the risk coordination process across the Group.

We continually modify and enhance our risk management policies and systems to reflect changes in markets, products and international best practices.

Relationships and responsibility

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

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

For more information, please visit the Investor Relations website.

COMPLAINTS HANDLING

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

We put structures in place to ensure that we have a holistic view of all complaints received. This resulted in an increase in the number of complaints received; over 270,000 were reported in 2015 compared to about 77,000 complaints recorded in the previous year.

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

At FirstBank, to ensure customers' complaints are properly handled, every customer on the bank's book has a relationship manager (RM). The RM is the main point of contact for the customer and ensures each account is functioning in accordance with the customer's expectations. As part of Know Your Customer (KYC) requirement of verifying the identity of our customers, the RM reviews the account with the customer, currently on an annual basis. This process is overseen by the Bank's Compliance department as part of its compliance monitoring programme.

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

Customer complaints received in 2015

Serial no	Description	Number		Amount claimed (₦)		Amount refunded (₦)	
		2015	2014	2015	2014	2015	2014
1	Pending complaints brought forward	**9,527**	670	**434,293,529.73**	5,295,753,038.34	**43,221,238.65**	123,561,481.28
2	Received complaints	**270,028**	77,185	**63,401,953,964.70**	18,222,117,149.71	**3,930,348,674.43**	1,270,519,125.13
3	Resolved complaints	**270,529**	68,328	**63,484,100,612.27**	21,101,788,635.74	**3,930,348,674.43**	1,270,519,125.13
4	Unresolved complaints escalated to CBN for intervention	**0**	0	**0**	0	**0**	0
5	Unresolved complaints pending with the Bank carried forward	**9,026**	9,527	**352,146,882.16**	2,416,081,552.31	**0**	0

Ethics and compliance

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

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

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

LEADERSHIP AND GOVERNANCE

"We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our 'tone at the top' will consistently be driven to encourage adherence to good corporate practices."

2015 was a deeply challenging year for us as a business, the economy and the country at large. These challenges have worsened the risk profile of the country, heightened vulnerability and fuelled capital flight as evidenced by the persistent bearish trend in the capital market.

In spite of the challenging environment, there were positives for the Group in 2015. FBN Holdings Plc was admitted to the Premium Board of the Nigerian Stock Exchange, a platform for first-rate listed companies in Nigeria. This is in recognition of the strength of our corporate governance practices and decades of unwavering support for the growth of the Nigerian Capital Market. We understand fully that adherence to good governance practices will provide us a foundation to realise the benefits inherent in our extensive footprint, rich heritage, extended offerings and public goodwill.

During the year, we took the bold decision to further enhance the breadth of our service offerings to the market by obtaining a merchant banking licence via the acquisition of Kakawa Discount House Limited and also renamed our general insurance business as part of the post-acquisition integration process subsequent to the acquisition of Oasis Insurance Plc (now FBN General Insurance Limited). With these acquisitions, we have significantly enhanced the resilience of our structure and diversified our earnings base to minimise our reliance on the Commercial Banking business.

Our performance for the financial year 2015 was negatively impacted by very high impairment charges on the loan book of our Commercial Banking business. As a result, we have had to review extensively our overall risk management framework, as well as practices, particularly as it relates to credit risk management.

I have the commitments of the Board as well as management that we will not only weather the storm, but emerge stronger, more resilient and better equipped for the next phase of our growth story. A detailed diagnostic of root causes has been carried out and key initiatives, both tactical and strategic, to aggressively reposition and improve the performance of the business are being implemented.

I expect that this will improve the quality of our assets, enhance the quality of our earnings, improve our efficiency, impact our risk-adjusted return and drive disciplined cost containment strategy and optimal extraction of synergies, central to our immediate strategy.

Our governance framework

Our governance framework is in line with global best practices and in compliance with the regulations and codes of corporate governance. Our oversight functions are discharged through the Boards of Directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate.

Governing for the long term

We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our 'tone from the top' will consistently be driven to encourage adherence to good corporate governance practices across the Group to keep us ahead of competition and ensure the sustainability of our business.

Quality of disclosure

We do not take lightly our responsibility to shareholders and the investing public with respect to providing the market with timely and quality information. To this end, we continually enhance transparency and disclosure in our financial reports, and other communications to the market, ensuring that they are detailed and comprehensive enough to provide shareholders with sufficient context and help the investment decision process.

Our corporate culture

We understand that our corporate culture is influenced by the Board, brought to life by Management, and distilled Group-wide to drive our long-term business model. Within the Group, we recognise the value of diversity in our employee base that comes from a broad and representative mix of background and experience, as different perspectives allow us to see and develop new opportunities. We promote internal initiatives to support diversity and inclusion within the Group, and we realise we can only achieve our strategic objectives by building a sound reputation founded on the highest standards of responsible behaviour.

Conclusion

While these are trying times for our Company, the financial services industry and the economy at large, we are resolute in our desire and commitment to emerge stronger and more resilient. Dear shareholders, this is not the time to panic. You can be assured that, as a Board, we remain steadfast in ensuring that our processes are continually improved upon and that the Board, Management and employees internalise the implementation of the highest standards of corporate governance practices which will guarantee our Group's long-term sustainability.

Dr Oba Otudeko, CFR
Chairman, Board of Directors

BOARD OF DIRECTORS

Dr Oba Otudeko, CFR
Group Chairman

Bello Maccido
Group Chief Executive Officer (Retired December 2015)

UK Eke, MFR
Group Managing Director (w.e.f.* January 2016)

BFIC

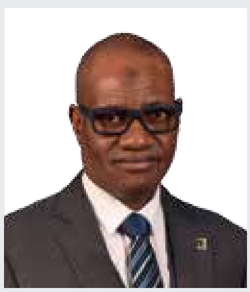
Oye Hassan-Odukale, MFR
Non-Executive Director

SAC BFIC

'Debola Osibogun
Non-Executive Director

BGNC BARAC

Abdullahi Mahmoud
Non-Executive Director (Retired December 2015)

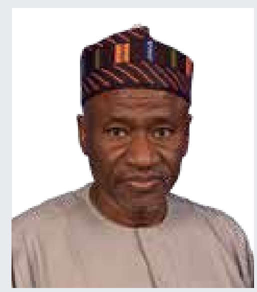


Dr Hamza Wuro Bokki
Independent Non-Executive Director

SAC BFIC

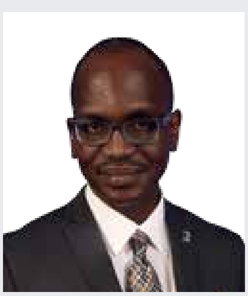
Bisi Onasanya
Non-Executive Director (Retired December 2015)

Dr Adesola Adeduntan
Non-Executive Director (w.e.f. January 2016)



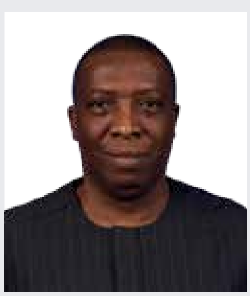
Muhammad K Ahmad, OON
Non-Executive Director

BGNC BARAC



Chidi Anya
Independent Non-Executive Director

BGNC BARAC SAC



Omatseyin Ayida
Non-Executive Director

BGNC BARAC

Tijjani Borodo
Company Secretary

Current Committee membership Key:

BGNC
Board Governance and Nomination Committee

BARAC
Board Audit & Risk Assessment Committee

BFIC
Board Finance & Investment Committee

SAC
Statutory Audit Committee

* w.e.f. – With effect from

FBNHOLDINGS MANAGEMENT

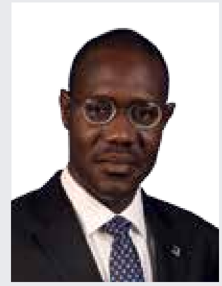
UK Eke, MFR
Group Managing Director (w.e.f. January 2016)

Tijjani Borodo
Company Secretary

Oyewale Ariyibi
Head, Finance

Folarin Alayande
Head, Strategy and Corporate Development

Oluyemisi Lanre-Phillips
Head, Investor Relations



Olu Adegbola
Head, Risk Management

Our subsidiaries

COMMERCIAL BANKING

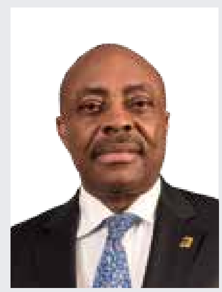
Dr Adesola Adeduntan
Managing Director, First Bank of Nigeria Limited and its Subsidiaries (w.e.f. January 2016)

MERCHANT BANKING AND ASSET MANAGEMENT

Kayode Akinkugbe
Managing Director, FBN Merchant Bank Limited (w.e.f. January 2016)

INSURANCE

Valentine Ojumah
Managing Director, FBN Insurance Limited



Fidelis Ojeah
Managing Director, FBN Insurance Brokers Limited

STATUTORY AUDIT COMMITTEE MEMBERS

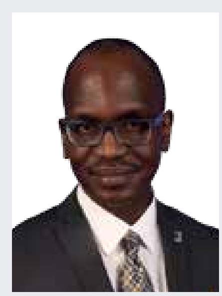
Job Onwughara
Chairman

Abubakar Yahyah

Ayodeji Shonubi

Oye Hassan-Odukale, MFR

Abdullahi Mahmoud
(Retired December 2015)



Chidi Anya

RISK MANAGEMENT

OVERVIEW

Managing risk effectively is fundamental to delivering sustainable returns to our stakeholders – particularly our shareholders – and is at the heart of our strategy.

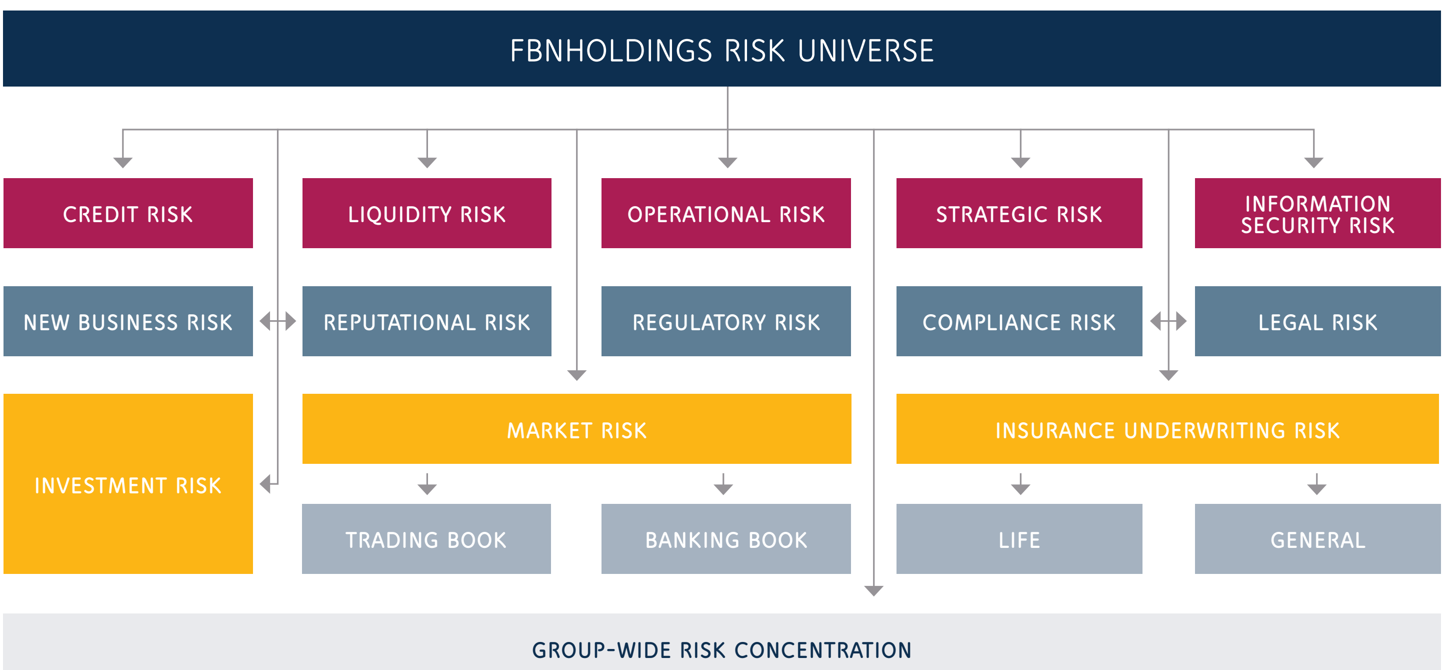
Our approach to risk management is premised on a robust control framework and strong risk management culture that promotes accountability for risks at all levels and across the Group. While the businesses are primarily accountable for the risks they take, the independent risk function provides proactive support and constructive challenges to the businesses to deliver sustainable growth within the Group's risk appetite. The Group uses an enterprise risk management (ERM) framework to ensure a robust and consistent approach to risk management. This supports the Group's enterprise risk management vision of enabling a collaborative risk management environment for effective coordination, monitoring and aggregation of risks across the Group.

The framework emphasises accountability, responsibility, independence, transparency and reporting, and will strengthen our risk management practice. The risk management framework was reviewed by one of the leading consulting firms in 2015, and is currently being embedded across the Group. The specific objectives of the framework are to:

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

Enterprise-wide risk

As a well-diversified financial holding company, the Group is involved in the provision of diverse financial services to different segments of customers and clients. Inherent in these activities are the different types of risk to which the Group is exposed. The table below highlights the key risks.



Risk governance

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

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

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

RESPONSIBILITY FOR RISK MANAGEMENT

Performance in 2015

2015 saw the completion of the review of our Group enterprise risk management (ERM) framework by a leading consulting firm. As noted above, the framework is currently being embedded across the Group and will significantly strengthen risk management practice.

The Group Risk Stakeholders Committee (GRSC) met regularly throughout 2015 and was actively involved in the review of the proposed Group risk appetite, as well as putting measures in place towards managing emerging risks across the Group. The activities of the Committee has significantly reinforced the Group's desired strong risk culture.

To ensure service excellence and to manage reputational risk that might arise from poor service delivery, a Group Complaints Management Policy and Framework was established in 2015, in line with the Securities and Exchange Commission Framework for Complaints Management. Complaints received are logged, and reports sent to the Board Audit & Risk Assessment Committee (BARAC).

FirstBank Ltd also obtained international certification on complaints management in 2015.

Finally, as part of our strategy to expand our services and to be the leading financial services group in Sub-Saharan Africa, in 2015 the Group acquired a merchant banking licence and commenced operations. This will significantly diversify the Group's revenue base.

Looking ahead

Our risk management priorities in 2016 are to:

- start the assessment and measurement of risk culture across the Group, with the aim of instilling a strong risk management culture;
- embed the management of emerging risks in the Group's risk management process;
- ensure appropriate responses to all regulatory issues, and maintain a business-like approach to regulatory compliance across the Group; and
- strengthen and revitalise a strong risk culture and consciousness across the Group.

Risk factors overview

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

CREDIT RISKS

Credit risk

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

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Portfolio limit risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

Adherence to portfolio limits and regulatory requirements.

RESPONSIBILITY

Strategic business units, Risk Management and Chief Risk Officer.

MARKET AND LIQUIDITY RISKS

Interest rate risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Foreign exchange risk

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

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Market and liquidity risks continued

Investment risk

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

POTENTIAL IMPACTS ON BUSINESS

Could lead to diminution in the value of investments.

MITIGATING MEASURES

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

Counterparty risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Liquidity risk

- Funding liquidity
- Trading liquidity.

POTENTIAL IMPACTS ON BUSINESS

Could lead to insolvency and eventual reputational risk.

MITIGATING MEASURES

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

RESPONSIBILITY

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

OPERATIONAL RISKS

People risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

Operations risk

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

- transaction capture, execution and maintenance errors or failures;
- failures in the customer intake and documentation process;
- failed mandatory reporting obligations;
- limit breach due to inadequate internal processes;
- inadequate reconciliation processes; and
- manual-intensive processes.

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

- A comprehensive Control Administrative and Accounting Procedure (CAAP) manual put in place to guide operational activities and processes of the Group
- The establishment of a central processing centre specialising in various operation areas, and the migration of some activities that were hitherto handled at the branches
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of the Group
- The introduction of a self-assessment programme to allow process owners to identify control weaknesses with a view to taking proactive remedial action
- Automation and re-engineering of our processes
- Putting in place robust business continuity planning and disaster recovery programmes
- Stepping up operational risk awareness training and programmes
- Monitoring and managing key risk indicators (KRIs) in processes, products and activities.

Operational risks continued

System or technology risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

External events and third-party risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Operational risks continued

Regulatory and compliance risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

INFORMATION SECURITY RISKS

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

POTENTIAL IMPACTS ON BUSINESS

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

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

LEGAL RISKS

Litigation and adverse claims

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Asset security cover risk

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

Contractual performance risk

POTENTIAL IMPACTS ON BUSINESS

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

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

COMPLIANCE RISKS

Regulatory risk

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

RESPONSIBILITY

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

Reputational risk

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

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

POTENTIAL IMPACTS ON BUSINESS

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

MITIGATING MEASURES

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

INSURANCE RISKS

Insurance risk

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

Insurance risk consists of:

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

POTENTIAL IMPACTS ON BUSINESS

- Financial loss due to increasing claim
- Possibly leading to impairment of shareholders' funds.

MITIGATING MEASURES

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

RESPONSIBILITY

Strategic business units, Risk Management and Chief Risk Officer.

GOVERNANCE

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

BOARD OF DIRECTORS

The FBNHoldings' Board is a considered blend of experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure that new ideas and experience are added to its decision-making process. The Board is currently composed of nine directors, comprising eight non-executive directors and one executive director who is also the Group Managing Director (GMD). This is in line with international best practice of having more non-executive directors than executives. With 88.9% of the Board's composition independent of the Company's management, the FBNHoldings' Board is positioned to be independent of Management's influence in upholding its supervisory role over the management team of the Group.

Top row (left to right): Tijjani Borodo, UK Eke, MFR, Dr Oba Otudeko, CFR, 'Debola Osibogun, Dr Adesola Adeduntan, Dr Hamza Wuro Bokki.
Bottom row (left to right): Oye Hassan-Odukale, MFR, Omatseyin Ayida, Muhammad Ahmad, OON, Chidi Anya.

Dr Oba Otudeko, CFR
Group Chairman

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

Oye Hassan-Odukale, MFR
Non-Executive Director

Oye Hassan-Odukale, MFR, is a pioneer director on the board of FBN Holdings Plc. He holds bachelor's and master's Degrees in Business Administration from the University of Houston, and since 1994, has held the position of Managing Director/CEO of Leadway Assurance Company Limited, a leading underwriting firm in Nigeria. His appointment was preceded by over 15 years of experience in insurance brokerage, underwriting, investments and general management.

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

Chidi Anya

Independent Non-Executive Director

Chidi joined the Board in 2013. He holds a law degree, has over 25 years' post-call experience within the Nigerian legal system and is the Managing Partner of The Channings Law Firm, which he established in 1997. He provides leadership and strategic direction for the firm, and has for many years been recognised by his clients and peers as a leading commercial and corporate law specialist. His initial pupillage was with LN Mbanefo SAN, followed by periods as an Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria, prior to founding his firm.

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

Dr Hamza Wuro Bokki

Independent Non-Executive Director

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

'Debola Osibogun

Non-Executive Director

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She brings to the Board 31 years of extensive financial services experience covering real estate financing, trusteeship, retail savings and loans at various institutions. She holds a master of Science degree in Banking and Finance and a bachelor of Education degree in Economics, both from the prestigious University of Ibadan. A Fellow and current President of the Chartered Institute of Bankers of Nigeria, she is also Fellow of the Chartered Institute of Taxation of Nigeria and the Nigerian Institute of Management. She had an illustrious financial services career, serving meritoriously at Co-operative Bank Plc, Coop Savings & Loans Limited, Skye Bank Plc and Skye Trustees Limited. She was the Managing Director of Skye Trustees Limited and is currently the Managing Director of Davidfinn Global Concept Limited. An astute researcher and writer, she has published several articles and papers expounding on primary mortgage institutions and creation of mortgages. She has also served on the boards of leading mortgage institutions including FBN Mortgages Limited as a Non-Executive Director and Coop Savings & Loans Limited as Managing Director. She was also the National President of the Mortgage Bankers Association of Nigeria. 'Debola has served on several committees at national level as a Member of the Presidential Committee on Housing and Urban Development, the Presidential Committee on Mortgage Finance and Executive Member, Nigerian Real Estate Developers Association. She is happily married with children and loves basketball, polo and golf.

Omatseyin Ayida

Non-Executive Director

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

Muhammad K Ahmad, OON
Non-Executive Director

Muhammad K Ahmad (MK), OON, who joined the Board in 2015, has 35 years' distinguished experience leading and working in various public sector organisations and financial services institutions in Nigeria. He was the pioneer Director General and Chief Executive Officer of the National Pension Commission. In this role he oversaw the establishment and growth of the pension industry in Nigeria into a business with over ₦5 trillion in assets, becoming a major contributor to Nigeria's GDP. He is currently the Chairman of the Interim Management Board, International Energy Assurance, and is the founder of the Jewel Development Foundation, a graduate assistant platform, and Certium Consulting, a strategy advisory and business applications company. A pioneer staff member of the Nigeria Deposit Insurance Corporation (NDIC), he rose to become Director/Head of Department and a member of the Interim Management Board. MK has served on the Boards of various corporate and not-for-profit organisations as well as presidential committees. He chairs the Technical Committee that produced the North-East States Transformation Strategy (NESTS), a medium-term Regional Development Strategy, for the sustainable socio-economic transformation and reconstruction of the region, and currently supervises its implementation. MK is also a member of the Presidential Committee for the North East Intervention (PCNI). He strongly promotes building institutions based on the highest corporate governance and ethical standards, and brings his extensive experience to bear on his role on the Board of FBNHoldings. He has a Postgraduate Diploma in Innovation and Strategy from University of Oxford and has attended courses and programmes in various first-rate business and management schools, including Harvard Business School, IMD and INSEAD. MK is co-author of The Extent and Effectiveness of Bank Supervision in Nigeria. He is married with children and enjoys reading.

UK Eke, MFR
Group Managing Director

Urum Kalu (UK) Eke 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 an Alumnus of the Wharton Business School and has attended executive leadership programmes at Harvard, INSEAD and Stanford Business Schools. He assumed office as Group Managing Director, FBNHoldings Plc on 1 January 2016. He joined the Board of First Bank of Nigeria Ltd in 2011 as Executive Director, Public Sector South, and until his appointment as Group Managing Director (GMD) of FBNHoldings, was Executive Director, South at FirstBank. He is a seasoned banker with deep financial services experience spanning diverse areas including risk management, consulting, taxation, process engineering, capital market operations and business assurance. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a Senior Audit Consultant. He later joined Diamond Bank Plc, where he worked for 19 years and retired as Executive Director, Regional Businesses, Lagos & West, having previously served as Executive Director Corporate Banking and Executive Director Specialised Industries.

He has over 30 years of professional experience. He brings his wealth of knowledge to the Boards of a number of institutions where he serves as Non-Executive Director, including FBNBank (UK) Limited, First Pension Custodian Limited and the Financial Institutions Training Centre (FITC).

A respected business administrator, he is a philanthropist, he founded and runs Elder K.U. Eke Memorial foundation and is a Paul Harris Fellow of the Rotary Club International, a Member of the Institute of Management Consultants, and a Fellow of ICAN. He is a recipient of the national honours of the Member of the Order of the Federal Republic (MFR). He is happily married with children.

Dr Adesola Adeduntan
Non-Executive Director

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

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

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

Tijjani Borodo
Company Secretary

Tijjani Borodo was appointed Company Secretary, FBN Holdings Plc in September 2012. Before this appointment, he was the Company Secretary for First Bank of Nigeria Ltd (FirstBank). His career at FirstBank span over 26 years and he has occupied various managerial positions within the Bank. He was in charge of the Bank's Secretariat, as well as being the Secretary to the Board of Directors for 14 years. Before joining FirstBank, he served with the Ministry of Justice, Kano State, where he held the position of Director, Public Prosecutions. Tijjani brings his wealth of experience to bear on the Board of FBN Holdings Plc.

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

ATTENDANCE AT BOARD MEETINGS

The Group's Board met seven times in 2015. The record of attendance is provided below:

Name	27 Jan	24 Mar	21 Apr	20 May	28 Jul	6 Nov	17 Dec
Dr Oba Otudeko, CFR	✓	✓	✓	✓	✓	✓	✓
Bello Maccido	✓	✓	✓	✓	✓	✓	✓
Abdullahi Mahmoud	✓	✓	✓	✓	✓	✓	✓
Oye Hassan-Odukale, MFR	✓	✓	✓	✓	✓	✓	✓
Bisi Onasanya	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	*	✓	✓	✓	✓	✓	✓
'Debola Osibogun	*	✓	✓	✓	✓	✓	✓
Muhammad Ahmad, OON	Not yet appointed				✓	✓	✓

* Date appointed

BOARD COMMITTEES

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

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

Board Governance and Nomination Committee

MEMBERSHIP

For 2015, the Committee was composed of the following:

- Abdullahi Mahmoud, Chairman (retired from the Board w.e.f. 31 December 2015);
- Chidi Anya; and
- 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;
- ✓ initiate and execute succession plans for key positions on the Board of the Holding Company;
- ✓ recommend, nominate and endorse Board appointments for subsidiary companies;
- ✓ recommend directors' remuneration for the Group;
- ✓ oversee board performance and evaluation within the Group;
- ✓ 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;
- ✓ ensure adequate succession planning for Board of Directors and key management staff across the Group;
- ✓ make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification;
- ✓ ensure proper disclosure of directors' remuneration to stakeholders;
- ✓ ensure compliance with regulatory requirements such as the SEC Code of Corporate Governance and other global best practices on corporate governance.
- ✓ 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/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders;
- ✓ evaluate the performance of the Board Committees and boards of subsidiary companies on an annual basis. The Committee can utilise the service of the independent consultant approved by the Board for the annual board appraisal as it deems fit. The evaluation process will be in line with the Group's Evaluation policy;
- ✓ 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 proper succession planning for the Group.

Board Audit & Risk Assessment Committee

MEMBERSHIP

For 2015, the Committee was composed of four members as follows:

- 'Debola Osibogun, Chairperson;
- Bello Maccido;
- Chidi Anya; and
- Dr Hamza Wuro Bokki.

ROLE AND FOCUS

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

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

KEY RESPONSIBILITIES

Among the responsibilities of the committee are to:

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

MEMBERSHIP

For 2015, the Committee was composed of the following:

- Oye Hassan-Odukale, MFR, Chairman;
- Dr Hamza Wuro Bokki;
- Bello Maccido (replaced by UK Eke in 2016); and
- Bisi Onasanya (replaced by Dr Adesola Adeduntan in 2016).

ROLE AND FOCUS

The purpose of this Committee is to provide:

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

KEY RESPONSIBILITIES

Among the responsibilities of the Committee are to:

- ✓ understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Group's strategy;
- ✓ participate in an annual strategy retreat for the Board and management, ensuring that the Board retains sufficient knowledge of the Group's business and the industries in which it operates in order to provide strategic input and identify any critical strategic discontinuities in management's assumptions and planning premises;
- ✓ critically evaluate and make recommendations to the Board for approval of the Group's business strategy, at least annually;
- ✓ periodically engage management on informal dialogue and act as a sounding board on strategic issues;
- ✓ regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- ✓ review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investments portfolios;
- ✓ oversee the Group's investment planning, execution and monitoring process;
- ✓ Oversee the long-term financing options for the Group;
- ✓ review the Group's financial projections, as well as capital and operating budgets, and review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections;

- ✓ review and recommend for Board approval, the Group's capital structure, which should not be limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure;
- ✓ recommend for Board approval the Group's dividend policy, including nature and timing; and
- ✓ ensure that an effective tax policy is implemented.

Group Executive Committee (GEC)

MEMBERSHIP

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

- MD/CEO First Bank of Nigeria Limited and its Subsidiaries;
- MD/CEO, FBN Merchant Bank;
- MD/CEO, FBN Insurance Limited;
- MD/CEO, FBN Insurance Brokers Limited;
- Company Secretary, FBNHoldings;
- Head Finance, FBNHoldings;
- Head Investor Relations, FBNHoldings;
- Head Risk Management, FBNHoldings;
- Head Strategy & Corporate Development, FBNHoldings;
- Chief Risk Officer, FirstBank;
- Chief Financial Officer, FirstBank; and
- Head, Strategy and Corporate Development, FirstBank.

ROLE AND FOCUS

The role of this Committee is:

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

KEY RESPONSIBILITIES

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

Statutory Audit Committee (SAC)

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

Statutory Audit Committee: Shareholder representative profiles

Job Onwughara (Chairman)

Job hails from Abia State. He is a veteran banker, with considerable experience in corporate banking and branch operations. He holds an Associate Diploma of the Chartered Institute of Bankers, London and a Master of Science degree in Banking and Finance from the University of Ibadan. He had over three decades of banking experience garnered with African Continental Bank and Savannah Bank Plc. He is a Fellow of the Chartered Institute of Bankers, London and Nigeria (FCIB). He is an Associate of the Institute of Credit Management, London and a member of the British Institute of Management. Job also holds an LLB Degree in Law. He served on the Audit Committee of several blue-chip companies for several years. He also worked at Crown Flour Mills from 1997-2003. He is currently a management consultant. He is married with children.

Board and committee governance structure

Abubakar Yahyah

Abubakar hails from Katsina State and holds a BSc Degree in Business Administration from Bayero University, Kano. He has extensive experience in construction and power projects and brings sectorial diversity to the SAC's cumulative business experience. He was Project Coordinator of the Rural Electrification Project for the substation at Maru, Zamfara State between 2004 and 2005, and was in charge of managing the provision of electricity to 19 villages in Zamfara between 2006 and 2008. He also acted as Supervisor at the Empire Group, Jigawa State Modern Abattoir and Yobe State Modern Abattoir. He coordinated the construction of Deluxe Suites Superior Accommodation, Kaduna and is now a director with the Rosehill Group. He is happily married with children.

Ayodeji Shonubi

Ayodeji Shonubi is the Principal Partner of Ayo Shonubi & Co. He attended Huddersfield Polytechnic, England and University of Strathclyde, Glasgow, Scotland. He holds a Post Graduate Diploma in Financial Studies and is a Fellow of the Institute of Chartered Accountants of Nigeria, Association of Chartered Certified Accountants and Chartered Institute of Taxation of Nigeria. A former Managing Director, Frontline Savings and Mortgage Ltd between 1992 and 1993, he is a member of Honeywell Flourmills and Oando Plc. Audit Committees. He was Chairman, Guinness Nigeria Plc. Audit Committee between 1995 and 2008. He was a member of the Finance and General Purpose Committee and currently a member of the Professional Examination Committee of the Institute of Chartered Accountants of Nigeria. He was Assistant General Manager (Finance), Federal Mortgage Bank of Nigeria from 1989 to 1992 and Principal Manager, Peat Marwick Ani Ogunde & Co from 1979 to 1989. He served as Audit Senior and Audit Trainee at Price Waterhouse & Co and Z.O. Ososanya & Co respectively. He is presently a member of the Finance and General Purpose Committee of the Chartered Institute of Taxation of Nigeria after serving as Vice Chairman, Membership Committee of the Institute from 1998 to 2005. He has acquired considerable experience in Auditing and Accountancy Services, Management Consultancy Services, Investigation, Tax Consultancy Services and Financial and General Management. He is happily 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 (see below). The Chairman of the Committee is a Fellow of the Chartered Institute of Bankers, London and Nigeria.

Summary of educational qualifications of Audit Committee members

Name	Role	Status	Educational qualification
Job Onwughara	Chairman	Shareholder representative	ACIB, FCIB, MSc (Banking and Finance)
Abubakar Yahyah	Member	Shareholder representative	BSc Business Administration
Ayodeji Shonubi	Member	Shareholder representative	FCA, FCCA, FCIT
Abdullah Mahmoud	Member	Non-Executive Director	FCA, FCCA, AMNIN, FCIB, FIMC, F-IOD
Oye Hassan-Odukale, MFR	Member	Non-Executive Director	BBA (BSc, Business Administration) MBA Finance
Chidi Anya	Member	Non-Executive Director	LLB, BL, MILD

Independence of the Statutory Audit Committee

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

No Executive Director sits on the SAC. Of the six members of the Committee, three are shareholder representatives including the Chairman. The shareholder representatives are independent and answerable to shareholders. The other three members are two non-executives and an independent Non-Executive Director. This composition underpins the independence of the SAC from executive influence.

TENURE

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

ROLE AND FOCUS

The statutory duties and role of the SAC are clearly encapsulated in Section 359 (3) and (4) of CAMA. In addition, the various Codes of Corporate Governance – the CBN 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 with regard to the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair the independent judgment of the external auditors;
- authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the committee; and
- assist in the oversight of the integrity of the Company's financial statements and establish and develop the internal audit function.

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

The SAC was established in accordance with the Companies and Allied Matters Act (CAMA); listed below is the attendance record of the members of the SAC for the 2015 financial year.

The record of SAC attendance for year 2015 is provided below:

Attendance at Statutory Audit Committee meetings

Name	28 Jan	12 Mar	19 May	29 Jul	10 Dec
Job Onwughara	✓	✓	✓	✓	✓
Waheed Adegbite	✓	✓	✓	Not re-elected	Not re-elected
Ayodeji Shonubi	Not yet elected	Not yet elected	✓	✓	✓
Abubakar Yahyah	✓	✓	✓	✓	✓
Abdullah Mahmoud	✓	✓	✓	✓	✓
Oye Hassan-Odukale, MFR	✓	✓	✓	✗	✗
Chidi Anya	✓	✓	✓	✓	✓

Going concern

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

External auditors

The external auditors for the 2015 financial year were Messrs' PricewaterhouseCoopers (PwC).

Section 33 of the Securities and Exchange Commission (SEC) Code (the Code) of corporate governance regulates the rotation of external auditors and provides that in order to safeguard the integrity of the external audit process and guarantee the independence of the external auditors, companies should rotate both the audit firms and audit partners. It further provided that companies should require external audit firms to rotate audit partners assigned to undertake external audit of the company from time to time. Audit personnel should be regularly changed without compromising the continuity of the external audit process. The Code also stipulates that external audit firms should be retained for no longer than 10 years continuously. External audit firms disengaged after continuous service to company of 10 years may be reappointed after another seven years following their disengagement.

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

FBNHoldings is in full compliance of the Code as its external auditors were appointed as sole auditors starting from the 2014 financial year and hence have been retained for only a year. They are subject to re-election annually and hence will be considered for re-election at FBNHoldings' 2016 Annual General Meeting.

2015 audit fees

The ratio of audit fees to non audit fees for 2015 financial year is 50:21.

The external auditors provided non audit services in respect of review of the financial statements of Kakawa Discount House Limited as at 30 September 2014 (acquisition date) and valuation of financial instruments. Payments made in respect of these services, amounts ₦10.5 million.

Our approach to risk management and compliance

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

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

Prohibition of insider dealings

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

Succession planning

The Board Governance Committee is tasked with the responsibility for the Group's succession planning process. The approach taken by the Committee identifies critical positions on the Board and executive management level deemed important and having significant impact on the operations of the Group and strategic objectives.

These critical positions include the following:

- 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 competency requirement provides a blueprint of what is required to succeed at each position and includes the required knowledge, skills, attitudes as well as ethics, values and code of conduct. The competency requirement is identified and defined in line with the future needs and strategic objectives of the Group and provides the basis to assess potential successors for the identified key positions. In conclusion, the Committee identifies a Talent Pool, discovers skills and competency gaps as well as the developmental needs of the Board.

For the Chairman's position, the existing Chairman of the Board will articulate developmental needs of each individual Non-Executive Director on the Board in order to develop a plan to bridge that gap and position towards potential successors. For Non-Executive Directors, the Governance Committee will periodically undertake a careful analysis of the existing Board's strengths and weaknesses, skills and experience gaps based on exit of directors from the Board and current deficiencies, while noting the Company's long term business strategy and future plans. Based on this assessment, the Governance Committee shall define the skill and competency profile that reflects the need of the Board.

In the case of 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 with the Nigerian Stock Exchange (NSE) listing rules on Securities Trading Policy

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

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

Dr Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

Statement of compliance with SEC Code of Corporate Governance

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

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

Dr Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

WHISTLEBLOWING IN FBN HOLDINGS PLC

Commitment to high ethical standards

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

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

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).

The Policy outlines the Group's Procedure on whistleblowing and dealing with all reported cases of illegal and unethical conduct or other misconduct across the Group.

This Policy is in compliance with the requirements of various regulatory authorities with oversight on the activities of the Group on whistleblowing, particularly section 3.1 of the Central Bank of Nigeria (CBN) 'Guidelines for whistleblowing for banks and other financial institution in Nigeria', and section 5.3.1 of 'Code of Corporate Governance for banks and discount houses'.

Objective of the Policy

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

a) To ensure all employees feel supported in speaking up in confidence and reporting matters they suspect may involve; improper, unethical or inappropriate conduct within the Group;

b) To encourage all improper, unethical or inappropriate behaviour to be identified and challenged at all levels of the organisation;

c) To provide clear procedures for reporting and handling such concern(s);

d) To proactively prevent and deter misconduct which could damage the Group's reputation;

e) To provide assurance that all disclosures will be taken seriously, treated as confidential and managed without fear of reprisal of any form; and

f) To help promote and develop a culture of openness, accountability and integrity.

Scope of the Policy

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

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

The above listed reportable misconducts or concerns are not exhaustive. However judgment and discretion is required to determine misconduct that should be reported under this policy. The general guide in identifying reportable misconduct is to report concerns which would be in the interest of the Group and the general public to stop and appropriate sanctions applied.

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

Furthermore, the Policy is in compliance with the X-Whistle programme of the Nigeria Stock Exchange (NSE); where such issue concerns FBN Holdings Plc as an entity, being a listed member of the NSE. The Policy is also to be read in conjunction with the whistleblowing guidelines that may be issued from time to time by different regulators governing the Group's subsidiaries.

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

Board and management commitment to the Policy

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

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

Policy statement

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

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

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

Internal whistleblowing procedure

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

- Formal letter to the GMD FBN Holdings Plc or the Head, Internal Audit
- Call or text a dedicated phone number 08127166777; 0802 290 2268
- All internal whistleblowers can use Microsoft Office Communicator
- Dedicated email address (whistleblowing@fbnholdings.com)
- Via FBNHoldings website: www.fbnholdings.com/whistleblowing

Where the concern is received by staff other than the GMD or the Head, Internal Audit, the recipient of such concerns shall be required to:

- Immediately pass the concerns to the Head Internal Audit and copy to the GMD FBNHoldings
- 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 & Risk Committee.

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

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

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

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

External whistleblowing procedure

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

- By a formal letter to the Group Managing Director, FBN Holdings Plc and/or Head Internal Audit
- Dedicated phone number as contained in the website; www.fbnholdings.com
- Dedicated email address; whistleblowing@fbnholdings.com
- Electronically log into; www.fbnholdings.com
- Directly to the Group Managing Director, FBNHoldings
- Directly to the Head Internal Audit, FBNHoldings.

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

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

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

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

If preliminary investigation shows that the concerns falls within the whistleblowing reportable concerns, then further investigation shall be carried out. If otherwise or the concerns is outside the reportable misconduct, then the Head, Internal Audit shall refer the matter to appropriate quarter for further action. Where necessary the Head, Internal Audit shall give update of the progress of investigation to the whistleblower if the concerns fall within the reportable concerns. Finally, if the concern raised by the whistleblower is frivolous or unwarranted, the Head internal Audit shall ignore such concern, if necessary disciplinary measure in line with Human Resources policy shall apply to staff that raise concern out of malice.

Protection and compensation for whistleblower

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

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

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

We will not subject a whistleblower to any detriment and where necessary, compensation of whistleblowers, whether internal or external, that have suffered detriment shall be at the discretion of Management taking into consideration regulatory guidance on compensation of whistleblower to be issued from time to time.

Wider disclosure

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

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

The culture of whistleblowing

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

Whistleblowing	2014	2015
Probable irregularities and non-compliance with the policies of the Group	7	10
Disciplinary measures	3	12
Cases under investigation	7	5
Unsuccessful attempts by outsiders to lure members of staff into committing fraud	2	4
Cases investigated but found to be untrue	2	10
Total	**21**	**41**

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 2015.

a. Legal form

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

b. Principal activity and business review

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

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

The Company consists of four groups, namely:

- Commercial Banking group made up of First Bank of Nigeria Limited, FBNBank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, FBNBank DRC Limited (formerly Banque Internationale de Crédit), FBNBank Ghana Limited, FBNBank Sierra Leone Limited, FBNBank Guinea Limited, FBNBank The Gambia Limited and FBNBank Senegal.
- Merchant Banking and Asset Management group (MBAM)[1], made up of FBN Capital Limited, FBN Securities Limited, FBN Funds Limited and FBN Trustees Limited.
- Insurance group made up of FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services made up of FBN Microfinance Bank Limited.

The Company prepares separate and consolidated financial statements.

c. Directors' shareholding

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

Name	Direct holding	Indirect holding
Dr Oba Otudeko, CFR	5,895,264	532,075,839
Oye Hassan-Odukale, MFR	1,854,003	276,612,369
Bello Maccido (retired w.e.f.* 31.12.2015)	2,633,279	-
Bisi Onasanya (retired w.e.f.* 31.12.2015)	10,091,032	-
Abdullahi Mahmoud (retired w.e.f.* 31.12.2015)	531,956	-
Chidi Anya	-	52,168
Dr Hamza Wuro Bokki	359,700	
Omatseyin Ayida	1,100,000	
'Debola Osibogun	95,968	
Muhammad Ahmad, OON	-	

d. Operating results

The Directors recommend for approval a dividend of 15 kobo per share, amounting to (₦5,384,293,918.80). Highlights of the operating results for the period under review are as follows:

	Group	
	31 December 2015 ₦ million	31 December 2014 ₦ million
Gross earnings	**505,191**	481,774
Profit before tax	**21,512**	94,056
Taxation	**(6,364)**	(10,045)
Total profit for the year	**15,148**	84,011
Appropriation:		
Transfer to statutory reserves	**1,369**	13,204
Transfer (from)/to statutory credit reserve	**(44,240)**	38,686
Transfer to contingency reserves	**221**	110
Transfer to retained earnings reserve	**57,799**	32,011

	Company	
	31 December 2015 ₦ million	31 December 2014 ₦ million
Gross earnings	**6,794**	16,969
Profit before tax	**2,180**	5,683
Taxation	**-**	-
Total profit for the year	**2,180**	5,683
Appropriation:		
Transfer to statutory reserves	**-**	-
Transfer (from)/to statutory credit reserve	**-**	-
Transfer to contingency reserves	**-**	-
Transfer to retained earnings reserve	**2,180**	5,683

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

* With effect from

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 35 to the Accounts. In the directors' opinion, the market value of the FBNHoldings' properties is not less than the value shown in the financial statements.

g. Shareholding range analysis AS AT 31 DECEMBER 2015

Range	No of holders	Holders %	Units	Units %
1–1,000	285,340	23.35	210,909,179	0.59
1,001–5,000	496,359	40.62	1,195,731,431	3.33
5,001–10,000	174,978	14.32	1,203,018,013	3.35
10,001–50,000	217,983	17.84	4,442,092,175	12.38
50,001–100,000	23,092	1.89	1,605,151,736	4.47
100,001–500,000	19,487	1.59	3,872,086,201	10.79
500,001–1,000,000	2,320	0.19	1,608,277,951	4.48
1,000,001–5,000,000	1,945	0.16	3,654,899,618	10.18
5,000,001–10,000,000	226	0.02	1,560,170,652	4.35
10,000,001–50,000,000	186	0.02	3,549,801,895	9.89
50,000,001–100,000,000	27	0.00	1,799,226,165	5.01
100,000,001–500,000,000	30	0.00	7,805,057,797	21.74
500,000,001–35,895,292,792	4	0.00	3,388,869,979	9.44
	1,221,977	**100.00**	**35,895,292,792**	**100**

SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2015

Category	Holdings	Holdings %
Retail	19,352,806,311	53.91
Domestic institutional	10,579,552,190	29.47
Foreign institutional	5,287,901,441	14.73
Government-related holdings	675,032,850	1.88
	35,895,262,792	**100**

h. Substantial interest in shares

According to the register of members as at 31 December 2015, there was no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Human resources

EMPLOYMENT OF DISABLED PERSONS

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

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

j. Health, safety and welfare at work

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

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

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

k. Employee involvement and training

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

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

l. Auditors

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

BY ORDER OF THE BOARD

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

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

In compliance with the provision of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria and the Securities & Exchange Commission Code of Corporate Governance ("the Codes"), FBN Holdings Plc ("FBN Holdings") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2015. The Codes mandate an annual appraisal of the Board and individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

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

On the basis of our review, except as noted below, FBN Holdings' Corporate Governance practices are largely in compliance with the key provisions of the Codes. Specific recommendations for further improving FBN Holdings' governance practices have been articulated and included in our detailed report to the Board. These include recommendation in the following areas: Board composition, related party management and governance over subsidiary companies.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/1CAN/00000000427
20 April 2016

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2015 represent the fourth year of reporting performance under the holding company structure and are prepared in compliance with International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS

Dr Oba Otudeko, CFR	Non-Executive Director (Group Chairman)
Bello Maccido	Group Chief Executive Officer - Retired 31 December 2015
UK Eke, MFR	Group Managing Director - w.e.f. 1 January 2016
Oye Hassan-Odukale, MFR	Non-Executive Director
Abdullahi Mahmoud	Non-Executive Director - Retired 31 December 2015
Bisi Onasanya	Non-Executive Director - Retired 31 December 2015
Chidi Anya	Non-Executive Director
Dr Hamza Wuro Bokki	Non-Executive Director
'Debola Osibogun	Non-Executive Director - Appointed 27 January 2015
Omatseyin Ayida	Non-Executive Director - Appointed 27 January 2015
Muhammad Ahmad, OON	Non-Executive Director - Appointed 28 July 2015
Dr Adesola Adeduntan	Non-Executive Director - w.e.f. 25 January 2016

COMPANY SECRETARY:	Tijjani Borodo
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Oniru, Lagos
REGISTRAR:	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKER:	First Bank of Nigeria Limited 35 Marina Lagos

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 give a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

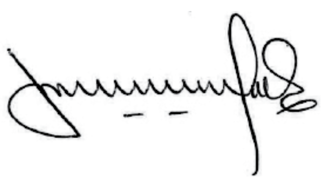
i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;
ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent 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 (CBN);
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

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

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



UK Eke, MFR

Group Managing Director
FRC/2013/ICAN/00000002352

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

Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of FBN Holdings Plc ("the company") and its subsidiaries (together "the group"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 December 2015 and of their financial performance and 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.

Report on the other legal requirements

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. the company has kept proper books of account, so far as appears from our examinations of those books and returns adequate for our audit have been received from branches not visited by us;
iii. the company's statements of financial position and comprehensive income are in agreement with the books of account;
iv. the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 50 to the financial statements;
v. to the best of our information, there were no penalties for contraventions of relevant circulars issued by Central Bank of Nigeria.

for PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner, Tola Ogundipe
FRC/2013/ICAN/00000000639
7 April 2016

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 31 December 2015 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).

Job Onwughara

Chairman, Audit Committee
FRC/2016/CIBN/00000014339
Dated 4 April 2016

MEMBERS OF THE COMMITTEE

Job Onwughara (Chairman)
Oye Hassan-Odukale, MFR
Ayodeji Sonubi
Chidi Anya
Abubakar Yahyah
Abdullahi Mahmoud

INCOME STATEMENT

	Note	Group		Company	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CONTINUING OPERATIONS					
Interest income	7	**396,190**	362,579	**614**	2,886
Interest expense	8	**(131,167)**	(118,725)	**-**	-
Net interest income		**265,023**	243,854	**614**	2,886
Impairment charge for credit losses	9	**(119,322)**	(25,942)	**-**	-
Net interest income after impairment charge for credit losses		**145,701**	217,912	**614**	2,886
Insurance premium revenue	10	**8,448**	3,320	**-**	-
Insurance premium revenue ceded to reinsurers		**(1,107)**	(616)	**-**	-
Net insurance premium revenue		**7,341**	2,704	**-**	-
Fee and commission income	11	**64,058**	66,983	**-**	-
Fee and commission expense	11b	**(9,583)**	(6,205)	**-**	-
Net gains on foreign exchange	12	**22,226**	44,905	**31**	42
Net gains/(losses) on sale of investment securities	13	**6,666**	(230)	**35**	-
Net gains/(losses) from financial instruments at fair value through profit or loss	14	**2,055**	(1,262)	**-**	-
Gain from disposal of subsidiary	34	**1,572**	-	**1,600**	-
Dividend income	15	**1,531**	1,469	**4,493**	13,747
Other operating income	16	**3,551**	2,854	**22**	294
Gain on bargain purchase	32	**-**	1,172	**-**	-
Insurance claims		**(3,306)**	(1,043)	**-**	-
Personnel expenses	17	**(80,416)**	(79,843)	**(685)**	(1,159)
Depreciation of property, plant and equipment	35	**(11,516)**	(11,375)	**(384)**	(229)
Amortisation of intangible assets	36	**(2,157)**	(1,384)	**-**	-
Impairment loss on investment		**-**	-	**(850)**	(7,781)
Operating expenses	18	**(126,211)**	(143,200)	**(2,696)**	(2,117)
Operating profit		**21,512**	93,457	**2,180**	5,683
Share of profit of associates	30	**-**	599	**-**	-
Profit before tax		**21,512**	94,056	**2,180**	5,683
Income tax expense	19a	**(6,364)**	(10,045)	**-**	-
Profit for the year from continuing operations		**15,148**	84,011	**2,180**	5,683
Profit for the year		**15,148**	84,011	**2,180**	5,683
Profit/(loss) attributable to:					
Owners of the parent		**15,406**	84,231	**2,180**	5,683
Non-controlling interests		**(258)**	(220)	**-**	-
		15,148	84,011	**2,180**	5,683
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share (in naira):	55				
From continuing operations		**0.43**	2.35	**0.06**	0.16
From profit for the year		**0.43**	2.35	**0.06**	0.16

STATEMENT OF TOTAL COMPREHENSIVE INCOME

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit for the year		15,148	84,011	2,180	5,683
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
– Unrealised net gains/(losses) arising during the period, before tax		43,154	(378)	(17)	291
– Net reclassification adjustments for realised net losses, before tax		(1,616)	(2,100)	-	-
Exchange difference on translation of foreign operations, before tax		630	5,297	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme, before tax	44	(1,404)	(364)	-	-
Income tax relating to remeasurement of defined benefit pension scheme		-	122	-	-
Other comprehensive income for the year, net of tax		40,764	2,577	(17)	291
Total comprehensive income for the year		55,912	86,588	2,163	5,974
Total comprehensive income attributable to:					
Owners of the parent		58,341	86,848	2,163	5,974
Non-controlling interests		(2,429)	(260)	-	-
		55,912	86,588	2,163	5,974
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		58,341	86,848	2,163	5,974
		58,341	86,848	2,163	5,974

STATEMENT OF FINANCIAL POSITION

	Note	Group		Company	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
ASSETS					
Cash and balances with central banks	20	**715,871**	698,104	**-**	-
Loans and advances to banks	22	**385,769**	460,911	**4,792**	3,261
Loans and advances to customers	23	**1,817,271**	2,178,986	**63**	80
Financial assets at fair value through profit or loss	24	**26,426**	27,601	**-**	-
Investment securities					
– Available-for-sale investments	25	**799,850**	553,154	**7,019**	2,806
– Held-to-maturity investments	25	**106,623**	158,485	**-**	1,466
– Loans and receivables	25	**7,306**	-	**-**	-
Asset pledged as collateral	26	**105,646**	68,483	**-**	-
Other assets	27	**35,483**	40,640	**4,670**	14,361
Inventory	28	**49,649**	37,805	**-**	-
Investment properties	29	**3,025**	2,826	**-**	-
Investments in associates accounted for using the equity method	30	**-**	-	**1,500**	1,500
Investment in subsidiaries	31	**-**	-	**263,595**	260,777
Property, plant and equipment	35	**88,398**	88,557	**1,192**	1,519
Intangible assets	36	**9,687**	8,569	**-**	-
Deferred tax assets	37	**14,615**	11,285	**-**	-
		4,165,619	4,335,406	**282,831**	285,770
Asset held for sale	33	**570**	8,331	**-**	2,000
Total assets		**4,166,189**	4,343,737	**282,831**	287,770
LIABILITIES					
Deposits from banks	38	**144,652**	171,151	**-**	-
Deposits from customers	39	**2,970,922**	3,050,853	**-**	-
Financial liabilities at fair value through profit or loss	24a	**12,488**	10,917	**-**	-
Current income tax liability	19b	**8,773**	11,829	**-**	-
Other liabilities	40	**168,441**	132,633	**5,751**	9,590
Liability on investment contracts	41	**10,157**	60,617	**-**	-
Liability on insurance contracts	42	**11,837**	8,260	**-**	-
Borrowings	43	**256,116**	369,707	**-**	-
Retirement benefit obligations	44	**3,764**	2,029	**-**	-
Deferred tax liabilities	37	**239**	87	**-**	-
		3,587,389	3,818,083	**5,751**	9,590
Liabilities held for sale	33	**-**	1,592	**-**	-
Total liabilities		**3,587,389**	3,819,675	**5,751**	9,590

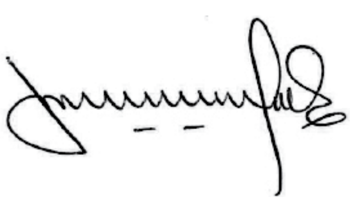
	Note	Group		Company	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
EQUITY					
Share capital	45	**17,948**	16,316	**17,948**	16,316
Share premium	46	**252,892**	254,524	**252,892**	254,524
Retained earnings	46	**163,198**	109,809	**5,885**	6,968
Other reserves					
Statutory reserve	46	**66,647**	65,278	**-**	-
Capital reserve	46	**1,223**	1,223	**10**	10
SSI reserve	46	**6,076**	6,076	**-**	-
AFS fair value reserve	46	**56,241**	12,532	**345**	362
Contingency reserve	46	**438**	217	**-**	-
Statutory credit reserve	46	**2,433**	46,673	**-**	-
Treasury shares	46	**-**	(18)	**-**	-
Foreign currency translation reserve	46	**8,029**	7,399	**-**	-
		575,125	520,029	**277,080**	278,180
Non-controlling interest		**3,675**	4,033	**-**	-
Total equity		**578,800**	524,062	**277,080**	278,180
Total equity and liabilities		**4,166,189**	4,343,737	**282,831**	287,770

The financial statements on pages 70 to 206 were approved and authorised for issue by the Board of Directors on 4 April 2016 and signed on its behalf by:

Dr Oba Otudeko, CFR

Group Chairman

FRC/2013/ICAN/00000002365



UK Eke, MFR

Group Managing Director

FRC/2013/ICAN/00000002352

Oyewale Ariyibi

Head Finance

FRC/2013/ICAN/00000001251

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million
Balance at 1 January 2014	16,316	254,524	115,397	-	52,074	6,076
Profit for the year (as previously reported)	-	-	83,059	-	-	-
Effect of final accounting of business combination (Note 57)			1,172			
Profit for the year (revised)	-	-	84,231	-	-	-
Other comprehensive income						
Foreign currency translation differences, net of tax	-	-	-	-	-	-
Fair value movements on available-for-sale financial assets, net of tax	-	-	-	-	-	-
Remeasurement of defined benefit pension scheme, net of tax	-	-	(242)	-	-	-
Total comprehensive income	-	-	83,989		-	-
Transactions with owners						
Dividends	-	-	(35,895)	-	-	-
Changes in treasury shares	-	-	-	-	-	-
Other changes*	-	-	-	-	-	-
Business restructuring	-	-	(1,682)	1,223	-	-
Transfer between reserves	-	-	(52,000)	-	13,204	-
Total transactions with owners	-	-	(89,577)	1,223	13,204	-
At 31 December 2014	16,316	254,524	109,809	1,223	65,278	6,076
Profit for the year	-	-	15,406	-	-	-
Other comprehensive income						
Foreign currency translation differences, net of tax	-	-	-	-	-	-
Fair value movements on available-for-sale financial assets, net of tax	-	-	-	-	-	-
Remeasurement of defined benefit pension scheme, net of tax	-	-	(1,404)	-	-	-
Total comprehensive income	-	-	14,002	-	-	-
Transactions with owners						
Dividends	-	-	(3,263)	-	-	-
Bonus issue	1,632	(1,632)	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-
Loss of control in Ivory Trust Fund (excluding NSIA II)	-	-	-	-	-	-
Additional investment in FBN Insurance Limited	-	-	-	-	-	-
Other changes*	-	-	-	-	-	-
Transfer between reserves	-	-	42,650	-	1,369	-
Total transactions with owners	1,632	(1,632)	39,387	-	1,369	-
At 31 December 2015	17,948	252,892	163,198	1,223	66,647	6,076

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent							
AFS fair value reserve ₦ million	Contingency reserve ₦ million	Statutory credit reserve ₦ million	Treasury shares ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777
-	-	-	-	-	83,059	(220)	82,839
					1,172		1,172
-	-	-	-	-	84,231	(220)	84,011
-	-	-	-	5,297	5,297	-	5,297
(2,437)	-	-	-	-	(2,437)	(41)	(2,478)
-	-	-	-	-	(242)	-	(242)
(2,437)	-	-	-	5,297	86,849	(261)	86,588
-	-	-	-	-	(35,895)	(107)	(36,002)
-	-	-	2,262	-	2,262	-	2,262
-	-	-	-	-	-	(58)	(58)
-	-	-	-	-	(459)	(47)	(506)
-	110	38,686	-	-	-	-	-
-	110	38,686	2,262	-	(34,092)	(211)	(34,304)
12,532	217	46,673	(18)	7,399	520,029	4,033	524,062
-	-	-	-	-	15,406	(258)	15,148
-	-	-	-	630	630	-	630
43,709	-	-	-	-	43,709	(2,171)	41,538
-	-	-	-	-	(1,404)	-	(1,404)
43,709	-	-	-	630	58,341	(2,429)	55,912
-	-	-	-	-	(3,263)	(344)	(3,607)
-	-	-	-	-	-	-	-
-	-	-	18	-	18	-	18
-	-	-	-	-	-	1,127	1,127
-	-	-	-	-	-	1,326	1,326
-	-	-	-	-	-	(38)	(38)
-	221	(44,240)	-	-	-	-	-
-	221	(44,240)	18	-	(3,245)	2,071	(1,174)
56,241	438	2,433	-	8,029	575,125	3,675	578,800

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	AFS fair value reserve ₦ million	Total ₦ million
Balance at 1 January 2014	16,316	254,524	37,180	10	71	308,101
Profit for the year	-	-	5,683	-	-	5,683
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	291	291
Total comprehensive income	-	-	5,683	-	291	5,974
Transactions with owners						
Dividends	-	-	(35,895)	-	-	(35,895)
Total transactions with owners	-	-	(35,895)	-	-	(35,895)
At 31 December 2014	16,316	254,524	6,968	10	362	278,180
Profit for the year	-	-	2,180	-	-	2,180
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	(17)	(17)
Total comprehensive income	-	-	2,180	-	(17)	2,163
Transactions with owners						
Dividends	-	-	(3,263)	-	-	(3,263)
Bonus issue	1,632	(1,632)	-	-	-	-
Total transactions with owners	1,632	(1,632)	(3,263)	-	-	(3,263)
At 31 December 2015	17,948	252,892	5,885	10	345	277,080

STATEMENT OF CASH FLOWS

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
OPERATING ACTIVITIES					
Cash flow generated from/(used in) operations	47	**234,804**	(716,279)	**(1,533)**	(4,024)
Income taxes paid	19	**(12,267)**	(31,329)	**-**	-
Interest received		**388,584**	352,041	**604**	1,917
Interest paid		**(128,555)**	(93,316)	**-**	-
Net cash flow generated from/(used in) operating activities		**482,566**	(488,883)	**(929)**	(2,107)
INVESTING ACTIVITIES					
Acquisition/additional investment in subsidiary		**-**	-	**(6,400)**	(3,200)
Disposal of subsidiaries, net of cash disposed	33	**(37,037)**	-	**380**	-
Purchase of investment securities		**(997,897)**	(491,692)	**(9,762)**	-
Proceeds from the sale of investment securities		**834,991**	478,252	**5,578**	124
Cash and cash equivalent acquired from subsidiary		**-**	16,935	**-**	-
Dividends received		**1,531**	1,469	**14,525**	44,963
Purchase of investment properties		**(1)**	(13)	**-**	-
Purchase of property, plant and equipment	35	**(11,594)**	(16,916)	**(115)**	(676)
Purchase of intangible assets	36	**(4,371)**	(2,208)	**-**	-
Proceeds on disposal of property, plant and equipment		**347**	1,346	**51**	-
Net cash flow (used in)/generated from investing activities		**(214,031)**	(12,827)	**4,257**	41,211
FINANCING ACTIVITIES					
Proceeds from sale of treasury shares		**18**	2,262	**-**	-
Dividend paid		**(3,607)**	(36,002)	**(3,263)**	(35,895)
Proceeds from new borrowings	43	**75,961**	315,792	**-**	-
Repayment of borrowings	43	**(200,445)**	(71,308)	**-**	-
Interest paid on borrowings	43	**(12,102)**	(11,850)	**-**	-
Additional investment by NCI		**1,288**	(58)	**-**	-
Net cash flow (used in)/generated from financing activities		**(138,887)**	198,836	**(3,263)**	(35,895)
Increase/(decrease) in cash and cash equivalents		**129,648**	(302,874)	**65**	3,209
Cash and cash equivalents at start of year		**532,456**	834,691	**4,727**	1,476
Effect of exchange rate fluctuations on cash held		**4,264**	639	**-**	42
Cash and cash equivalents at end of year	21	**666,368**	532,456	**4,792**	4,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

1 GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 4 April 2016.

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 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

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

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

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

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

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2015: Annual improvements to IFRS 2010-2012 cycle and 2011-2013 cycle. The adoption of the improvements made in the 2010-2013 cycles has resulted in additional disclosure in our segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements. The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2016.

i. Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
   Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
   - apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
   - disclose the information required by IFRS 3 and other IFRSs for business combinations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ii. Amendments to IAS 1 - Presentation of Financial Statements (effective 1 January 2016)
Amends IAS 1 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

iii. Amendments to IAS 27 - Separate Financial Statements (effective 1 January 2016)
Amends IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

iv. Amendments to IFRS 7 - Financial Instruments: Disclosures (effective 1 July 2016)
Amends IFRS 7 to remove the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that offsetting disclosures is not required in the condensed interim financial report. However, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, an entity is required to include the disclosures in the condensed interim financial report.

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

v. Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective 1 July 2016)
Amends IAS 19 to clarify that high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high-quality corporate bonds should be assessed at currency level).

vi. Amendments to IAS 34 – Interim Financial Reporting (effective 1 July 2016)
Amends IAS 34 to clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross reference between the financial statements and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

vii. IAS 16 – Property, Plant and Equipment (effective 1 January 2016)
Amends IAS 16 to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

viii. IAS 38 – Intangible Assets (effective 1 January 2016)
Amends IAS 38 to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as stated in the amendment to IAS 16 above. The amendment stated that there are limited circumstances where the rebuttable presumption can be overcome. This is when the intangible asset is expressed as a measure of income and when it can be demonstrated that revenue and consumption of economic benefits of the intangible asset are highly correlated although there are no clear details as to the admissible evidence that is required to overcome the presumption.

ix. IAS 41 – Agriculture (effective 1 January 2016)
The amendment seeks to move biological assets that meet the definition of a 'Bearer Plant' away from the fair value measurement approach as prescribed by IAS 41 - Agriculture and bring it within the scope of IAS 16 - Property, Plant and Equipment. This will enable entities to measure bearer plants at cost subsequent to initial recognition or at revaluation. The amendment also introduced an appropriate definition of a bearer plant.

The Group does not have any operational business related to agriculture and therefore is not in any way impacted by the standard or its amendments.

x. IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2017)
IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the performance obligations in the contracts, and recognition of revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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xi. IFRS 14 - Regulatory Deferral Accounts (effective 1 January 2016)

IFRS 14 is designed as a limited scope standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted IFRS. Its purpose is to allow rate-regulated entities adopting IFRS for the first time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the IASB can complete its comprehensive project on rate-regulated activities. This standard would not have an impact on the Group as it is not a first-time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

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

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

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

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

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

xiv. IFRS 9 - Financial Instruments (1 January 2018)

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

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

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

Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Bank is yet to quantify the impact of these changes on its financial statements.

The Group is yet to assess the full impact of the amendments and new standards.

2.3 Consolidation

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

a. Subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 the 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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

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

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

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

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

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

c. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.4 Segment reporting

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

2.5 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgement in developing 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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

c. Group companies

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

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

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

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

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

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

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

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

2.8 Inventories

The Group purchases and constructs properties for resale.

The Group recognises property as inventory under the following circumstances:

i. property purchased for the specific purpose of resale;
ii. property constructed for the specific purpose of resale (work in progress under the scope of IAS 18: Revenue); and
iii. property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

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

2.9 Financial assets and liabilities

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

2.9.1 Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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a. Financial assets at fair value through profit or loss

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

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

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

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

b. Loans and receivables

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

i. those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
ii. those that the Group upon initial recognition designates as available for sale; or
iii. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

d. Held-to-maturity financial assets

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

i. those that the Group upon initial recognition designates as at fair value through profit or loss;
ii. those that the Group designates as available for sale; and
iii. those that meet the definition of loans and receivables.

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

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

d. Available-for-sale financial assets

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

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

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

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e. Recognition

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

2.9.2 Financial liabilities

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

a. Financial liabilities at fair value through profit or loss

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

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

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

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

b. Other liabilities measured at amortised cost

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

2.9.3 Derivative financial instruments

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

2.9.4 Embedded derivatives

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

2.9.5 Determination of fair value

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 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 (FX) 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.

2.9.6 Derecognition of financial instruments

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

2.9.7 Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

b. Fees and commission income

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

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

c. Dividend income

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

2.12 Impairment of financial assets

a. Assets carried at amortised cost

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

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

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

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

b. Assets classified as available for sale

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

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2.13 Impairment of non-financial assets

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

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

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

2.14 Collateral

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

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

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

2.15 Discontinued operations

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

i. represents a separate major line of business or geographical area of operations;
ii. is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
iii. is a subsidiary acquired exclusively with a view to resale.

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

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

2.16 Leases

Leases are divided into finance leases and operating leases.

a. The Group is the lessee

i. Operating lease

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

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

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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 counterparty.

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

b. The Group is the lessor

i. Operating lease

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

ii. Finance lease

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

2.17 Investment properties

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

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

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

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

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

2.18 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2.19 Intangible assets

a. Goodwill

Goodwill arises on the acquisition of subsidiary and associates, and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill that 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 CGU that is expected to derive benefit from the synergies of the combination. CGUs 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 CGU 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;

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iv. it can be demonstrated how the software product will generate probable future economic benefits;
v. adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
vi. the expenditure attributable to the software product during its development can be reliably measured.

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

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

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 a straight-line method over three years, five years and two years respectively.

2.20 Investment contracts

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

2.21 Cash and cash equivalents

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

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

2.22 Employee benefits

a. Post-employment benefits
The Group has both defined benefit and defined contribution plans

i. 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 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 the entities within the Group make contributions in line with relevant pension laws in their jurisdictions. In Nigeria, the company contributes 16.5% of each employee's monthly emoluments (as defined by the Pension Reform Act 2014) to the employee's Retirement Savings Act. The Act stipulates a minimum contribution of 10%.

ii. 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.

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b. Short-term benefits

Short-term benefits consists of salaries, accumulated leave allowances, bonuses and other non-monetary benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related services provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

2.23 Provisions

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

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

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

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

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

2.24 Insurance contracts

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

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

a. Classification of contracts

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

b. Recognition and measurement

i. Short-term insurance contracts

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

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

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The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

The liability reserve on short-term insurance contracts is made up of an unexpired premium reserve (UPR) for IBNR claims. The UPR represents 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 FBNHoldings builds up we will be able to adjust for company-specific claims settlement patterns.

ii. Long-term insurance contracts with fixed and guaranteed terms

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and IBNR claims are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The Company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

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2.25 Fiduciary activities

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

2.26 Issued debt and equity securities

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

2.27 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. Earnings per share

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

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 IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.

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

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

2.28 Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at the fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3 FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

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

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

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

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

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

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

*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.

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3.2 Credit risk

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

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

3.2.1 Credit risk measurement

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

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

a. Obligor risk rating (ORR system)

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

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

b. Collateral risk rating (CRR)/facility risk rating (FRR)

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

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

- the default probability of the obligor, i.e., the ORR; and
- the loss given default i.e., a measure of the expected economic loss if the obligor defaults, and includes write-offs, recoveries, interest income and legal costs.

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- The CRR grid indicates the acceptable collateral types rated 1–8 from best to worst in order of liquidity.

Collateral risk rating	Collateral type
1	Cash
2	Treasury bills/govt securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture trust deed/fixed debenture and mortgage debenture
4	Legal mortgage on residential business real estate in prime locations A and B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
5	Domiciliation of receivables from acceptable corporates
5	Enforceable lien on fast-moving inventory in bonded warehouses
6	Equitable mortgages on real estates in any location
6	Negative pledge/clean lending
6	Domiciliation of other receivables
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Letter of hypothecation, personal guarantee

3.2.2 Risk limit control and mitigation policies

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

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

a. Portfolio limits

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

b. Geographical limits

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

c. Single obligor limits

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

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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.

Standard credit approval grid for wholesale and retail lending

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

The Group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for loans and advances to customers

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

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

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

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cash flows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness reassessed if there is observable evidence of distress of the borrower,

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this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

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

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

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

3.2.4 Exposure management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for 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 include restructuring and loan workout arrangements.

3.2.6 Credit recovery

In the event of continued delinquency and failure of remediation, full credit recovery action is initiated to recover on such exposures and minimise the overall credit loss to the Group. Recovery action may include appointment of a receiver manager, external recovery agent and/or sale of pledged assets.

3.2.7 Management of concentration risk

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

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

3.2.8 Impairment and provisioning policies

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

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3.2.9 Measurement basis of financial assets and liabilities

Group

31 December 2015	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Cash and balances with central banks	-	-	715,871	-	715,871
Loans and advances to banks	-	-	385,769	-	385,769
Loans and advances to customers:					
- Overdrafts	-	-	316,571	-	316,571
- Term loans	-	-	1,402,123	-	1,402,123
- Staff loans	-	-	8,330	-	8,330
- Project finance	-	-	88,280	-	88,280
- Advances under finance lease	-	-	1,967	-	1,967
Financial assets at fair value through profit or loss	26,426	-	-	-	26,426
Investment securities:					
- Available-for-sale investments	-	799,850	-	-	799,850
- Held-to-maturity investments	-	-	-	106,623	106,623
- Loans and receivables	-	-	7,306	-	7,306
Asset pledged as collateral	-	23,626	-	82,020	105,646
Other assets	-	-	21,070	-	21,070
Total financial assets	26,426	823,476	2,947,287	188,643	3,985,832

31 December 2015	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Deposits from banks	-	144,652	144,652
Deposits from customers	-	2,970,922	2,970,922
Financial liabilities at fair value through profit or loss	12,488	-	12,488
Other liabilities	-	168,441	168,441
Liability on investment contracts	-	10,157	10,157
Borrowings	-	256,116	256,116
Total financial liabilities	**12,488**	**3,550,288**	**3,562,776**

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Group

31 December 2014	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Cash and balances with central banks	-	-	698,104	-	698,104
Loans and advances to banks	-	-	460,911	-	460,911
Loans and advances to customers:					
- Overdrafts	-	-	314,114	-	314,114
- Term loans	-	-	1,777,092	-	1,777,092
- Staff loans	-	-	7,461	-	7,461
- Project finance	-	-	77,558	-	77,558
- Advances under finance lease	-	-	2,761	-	2,761
Financial assets at fair value through profit or loss	27,601	-	-	-	27,601
Investment securities:					
- Available-for-sale investments	-	553,154	-	-	553,154
- Held-to-maturity investments	-	-	-	158,485	158,485
Asset pledged as collateral	-	19,203	-	49,280	68,483
Other assets	-	-	26,549	-	26,549
Total financial assets	27,601	572,357	3,364,550	207,765	4,172,273

31 December 2014	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Deposits from banks	-	171,151	171,151
Deposits from customers	-	3,050,853	3,050,853
Financial liabilities at fair value through profit or loss	10,917	-	10,917
Other liabilities	-	132,633	132,633
Liability on investment contracts	-	60,617	60,617
Borrowings	-	369,707	369,707
Total financial liabilities	**10,917**	**3,784,961**	**3,795,878**

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Company

31 December 2015	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Loans and advances to banks	-	-	4,792	-	4,792
Loans and advances to customers:					
- Staff loans	-	-	63	-	63
Investment securities:					
- Available-for-sale investments	-	7,019	-	-	7,019
Other assets	-	-	4,454	-	4,454
Total financial assets	-	7,019	9,309	-	16,328

31 December 2015	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Other liabilities	-	5,751	5,751
Total financial liabilities	-	5,751	5,751

Company

31 December 2014	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Loans and advances to banks	-	-	3,261	-	3,261
Loans and advances to customers:					
- Staff loans	-	-	80	-	80
Investment securities:					
- Available-for-sale investments	-	2,806	-	-	2,806
- Held-to-maturity investments	-	-	-	1,466	1,466
Other assets	-	-	14,111	-	14,111
Total financial assets	-	2,806	17,452	1,466	21,724

31 December 2014	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Other liabilities	-	9,590	9,590
Total financial liabilities	-	9,590	9,590

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

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

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Balances with central banks	639,561	634,796	-	-
Loans and advances to banks	385,769	460,911	4,792	3,261
Loans and advances to customers				
- Overdrafts	316,571	314,114	-	-
- Term loans	1,402,123	1,777,092	-	-
- Staff loans	8,330	7,461	63	80
- Project finance	88,280	77,558	-	-
- Advances under finance lease	1,967	2,761	-	-
Financial assets at fair value through profit or loss	19,220	23,674	-	-
Investment securities - debt				
- Available-for-sale investments	741,966	494,576	4,183	-
- Held-to-maturity investments	106,623	158,485	-	1,466
- Loans and receivables	7,306	-	-	-
Asset pledged as collateral	105,646	68,483	-	-
Other assets	21,070	26,549	4,454	14,111
	3,844,432	4,046,460	13,492	18,918
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	33,342	90,379	-	-
Letter of credit and other credit-related obligations	421,696	701,997	-	-
	455,038	792,376	-	-
Total maximum exposure				
	4,299,470	4,838,836	13,492	18,918

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3.2.11 Concentration of risks of financial assets with credit risk exposure

a. **Geographical sectors**

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2015 and 31 December 2014. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	629,961	-	-	9,331	269	-	639,561
Loans and advances to banks	120,595	-	3,350	40,679	158,277	62,868	385,769
Loans and advances to customers							
- Overdrafts	229,116	52,039	11,091	22,001	1,541	783	316,571
- Term loans	914,746	196,469	63,064	105,698	47,632	74,514	1,402,123
- Staff loans	6,842	-	-	1,448	40	-	8,330
- Project finance	40,031	2,246	11,614	31,057	3,220	112	88,280
- Advances under finance lease	1,374	561	32	-	-	-	1,967
Financial assets at fair value through profit or loss	16,655	-	-	303	2,262	-	19,220
Investment securities							
- Available-for-sale investments	713,582	5,384	2,617	-	10,368	10,015	741,966
- Held-to-maturity investments	89,457	4,919	130	12,117	-	-	106,623
- Loans and receivables	7,306	-	-	-	-	-	7,306
Asset pledged as collateral	105,646	-	-	-	-	-	105,646
Other assets	18,938	-	-	2,132	-	-	21,070
31 December 2015	**2,894,249**	**261,618**	**91,898**	**224,766**	**223,609**	**148,292**	**3,844,432**

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

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	28,887	3,286	9	1,060	100	-	33,342
Letters of credit and other credit-related obligations	336,189	48,782	19,431	7,230	6,128	3,936	421,696
31 December 2015	**365,076**	**52,068**	**19,440**	**8,290**	**6,228**	**3,936**	**455,038**

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Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	626,208	-	-	8,160	428	-	634,796
Loans and advances to banks	109,234	-	2,717	21,905	271,655	55,400	460,911
Loans and advances to customers							
- Overdrafts	220,338	58,629	16,745	17,411	991	-	314,114
- Term loans	1,032,778	332,387	102,839	97,653	211,435	-	1,777,092
- Staff loans	6,608	2	11	798	42	-	7,461
- Project finance	38,310	803	9,563	25,896	2,986	-	77,558
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets at fair value through profit or loss	13,870	-	-	-	8,674	1,130	23,674
Investment securities							
- Available-for-sale investments	470,894	3,235	799	9,065	10,583	-	494,576
- Held-to-maturity investments	139,810	7,334	504	10,837	-	-	158,485
Asset pledged as collateral	67,114	-	-	1,369	-	-	68,483
Other assets	12,644	8,590	609	4,479	227	-	26,549
31 December 2014	2,739,847	411,663	133,826	197,573	507,021	56,530	4,046,460

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

Group

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

Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loans and advances to banks	**4,792**	**-**	**-**	**-**	**-**	**-**	**4,792**
Loans and advances to customers							
- Staff loans	**63**	**-**	**-**	**-**	**-**	**-**	**63**
Investment securities							
- Available-for-sale investments	**4,183**	**-**	**-**	**-**	**-**	**-**	**4,183**
Other assets	**4,454**	**-**	**-**	**-**	**-**	**-**	**4,454**
31 December 2015	**13,492**	**-**	**-**	**-**	**-**	**-**	**13,492**

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Company

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

b. Industry sectors

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

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities (debt) – available for sale ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Asset pledged as collateral ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	126	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	639,561	385,769	4,719	45,448	5,540	3,955	3,428
Transportation	-	-	-	1,096	-	-	-
Communication	-	-	-	-	-	3,351	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	14,501	695,296	101,083	-	102,218
Total at 31 December 2015	**639,561**	**385,769**	**19,220**	**741,966**	**106,623**	**7,306**	**105,646**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Group

	Other assets ₦ million	Loans to customers: Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	-	2,686	55,663	-	-	-	58,349
Oil and gas	3,206	123,098	432,616	20	34,748	197	590,679
Consumer credit	-	5,220	134,776	5,830	-	-	145,826
Manufacturing	-	51,381	296,766	-	18,486	298	366,931
Real estate	-	20,174	92,705	2,090	-	-	114,969
Construction	517	30,477	16,964	-	18,004	9	65,454
Finance and insurance	16,517	3,907	20,776	21	3,986	125	28,815
Transportation	-	3,125	16,928	-	6,519	83	26,655
Communication	-	10,138	54,244	-	-	-	64,382
General commerce	830	35,230	38,831	-	110	6	74,177
Utilities	-	8,788	55,064	-	-	-	63,852
Retail services	-	21,397	39,699	369	5,542	1,236	68,243
Public sector	-	950	147,091	-	885	13	148,939
Total at 31 December 2015	**21,070**	**316,571**	**1,402,123**	**8,330**	**88,280**	**1,967**	**1,817,271**

Group

	Balances with central bank ₦ 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	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	1,241
Finance and insurance	634,796	460,911	11,955	38,078	6,746	-	20,346
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	11,719	428,878	150,732	68,483	554
Total at 31 December 2014	634,796	460,911	23,674	466,956	158,485	68,483	26,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	688,760	-	33,805	284	853,104
Consumer credit	5,137	163,522	5,984	-	29	174,672
Manufacturing	54,165	302,602	-	18,043	405	375,215
Real estate	20,297	122,947	1,477	-	-	144,721
Construction	32,709	43,258	-	14,322	-	90,289
Finance and insurance	853	17,841	-	1,744	14	20,452
Transportation	3,710	4,820	-	3,851	28	12,409
Communication	2,432	64,202	-	-	-	66,634
General commerce	23,987	70,675	-	209	9	94,880
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,410	1,974	110,015
Public sector	6,201	113,197	-	1,174	18	120,590
Total at 31 December 2014	314,114	1,777,092	7,461	77,558	2,761	2,178,986

Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Finance and insurance	-	4,792	4,183	-	-	-	4,454
Public sector	-	-	-	-	-	-	-
Total at 31 December 2015	-	4,792	4,183	-	-	-	4,454

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Consumer credit	-	-	24	-	-	24
Real estate	-	-	39	-	-	39
Total at 31 December 2015	-	-	63	-	-	63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

Company

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

Company

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

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

Group

	Loan commitments 31 Dec 2015 ₦ million	Letter of credit and other related obligations 31 Dec 2015 ₦ million	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million
Agriculture	-	4,056	138	6,896
Oil and gas	10,026	46,212	19,145	116,243
Consumer credit	-	10	432	24
Manufacturing	6,290	77,589	39,004	171,184
Real estate	891	1,079	1,436	663
Construction	13	63,956	10,923	85,179
Finance and insurance	-	120,593	9	189,320
Transportation	564	1,068	1,686	9,748
Communication	74	1,862	8,218	2,024
General commerce	8,249	37,183	3,341	39,642
Utilities	6,619	45,592	3,911	48,350
Retail services	577	21,419	2,097	29,183
Public sector	39	1,077	39	3,541
Total	33,342	421,696	90,379	701,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers

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

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2015						
Neither past due nor impaired	210,781	1,206,638	8,333	76,319	1,978	1,504,049
Past due but not impaired	27,702	59,554	64	12,098	-	99,418
Individually impaired	117,034	220,775	2	-	332	338,143
Collectively impaired	2,941	12,430	1	-	11	15,383
Gross	358,458	1,499,397	8,400	88,417	2,321	1,956,993
Less: allowance for impairment (Note 23)	(41,887)	(97,274)	(70)	(137)	(354)	(139,722)
Net	316,571	1,402,123	8,330	88,280	1,967	1,817,271
Individually impaired	39,089	67,275	-	-	322	106,686
Portfolio allowance	2,798	29,999	70	137	32	33,036
Total	41,887	97,274	70	137	354	139,722

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	300,769	1,675,947	7,529	77,425	1,698	2,063,368
Past due but not impaired	11,087	81,046	-	284	1,058	93,475
Individually impaired	14,571	37,798	-	-	241	52,610
Collectively impaired	3,151	8,977	-	-	46	12,174
Gross	329,578	1,803,768	7,529	77,709	3,043	2,221,627
Less: allowance for impairment (Note 23)	(15,464)	(26,676)	(68)	(151)	(282)	(42,641)
Net	314,114	1,777,092	7,461	77,558	2,761	2,178,986
Individually impaired	11,845	15,932	-	-	241	28,018
Portfolio allowance	3,619	10,744	68	151	41	14,623
Total	15,464	26,676	68	151	282	42,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2015						
Neither past due nor impaired	-	-	63	-	-	63
Net	-	-	63	-	-	63
DECEMBER 2014						
Neither past due nor impaired	-	-	80	-	-	80
Net	-	-	80	-	-	80

Group – December 2015

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

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

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	359	7,695	580	-	-	8,634
AA	-	23,838	-	-	-	23,838
A	1,388	20,452	-	-	-	21,840
BBB	26,998	95,348	97	-	-	122,443
BB	125,899	625,603	2,150	7,288	941	761,881
B	50,357	222,816	5,469	2,259	1,037	281,938
CCC	283	725	-	-	-	1,008
CC	-	-	-	-	-	-
C	5,497	210,161	37	66,772	-	282,467
Total	210,781	1,206,638	8,333	76,319	1,978	1,504,049

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	211	5,200	2	19	-	5,432
Past due by 30-60 days	24,729	45,546	1	11,706	-	81,982
Past due 60-90 days	2,762	8,808	61	373	-	12,004
Gross amount	27,702	59,554	64	12,098	-	99,418

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c. Collectively impaired loans

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	2,941	12,430	1	-	11	15,383

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	117,034	220,775	2	-	332	338,143
Specific impairment	(39,089)	(67,275)	-	-	(322)	(106,686)
Net amount	77,945	153,500	2	-	10	231,457

Group – December 2014

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	141	4,604	-	-	-	4,745
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	154,205	291	1,404	-	221,905
BB	163,467	825,402	6,323	14,464	1,066	1,010,722
B	69,614	329,111	740	1,973	632	402,070
CCC	-	10,583	-	-	-	10,583
CC	-	-	24	-	-	24
C	1,152	290,124	119	59,584	-	350,978
Total	300,769	1,675,947	7,529	77,425	1,698	2,063,368

b. Loans and advances past due but not impaired

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

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c. Collectively impaired loans

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

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

d. Loans and advances individually impaired

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

e. Sensitivity analysis on impairment

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

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

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

Approach to sensitivity analysis

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

Scenario 1

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

Scenario 2

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

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

	Impairment charge in profit or loss		
	Current year ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
31 DECEMBER 2015			
Overdrafts	37,858	38,118	38,167
Term loans	83,451	84,660	85,127
Staff loans	1	15	15
Project finance	(14)	13	13
Advances under finance lease	119	123	124
Total	121,415	122,929	123,446
31 DECEMBER 2014			
Overdrafts	10,253	10,638	10,675
Term loans	13,956	15,579	15,813
Staff loans	(102)	(88)	(88)
Project finance	(580)	(550)	(550)
Advances under finance lease	(456)	(433)	(432)
Total	23,071	25,146	25,418

3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Co.'s rating (credit rating agency) and the internal rating system at 31 December 2015 and 31 December 2014.

	Group
	Loans to banks ₦ million
31 DECEMBER 2015	
A+ to A-	85,279
B+ to B-	18,706
Unrated	281,784
	385,769
31 DECEMBER 2014	
A+ to A-	282,494
B+ to B-	109,825
Unrated	68,592
	460,911

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

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

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Co.'s rating (credit rating agency) at 31 December 2015 and 31 December 2014.

Group

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
31 DECEMBER 2015					
A+ to A-	20,954	69,458	1,835	18,813	4,735
B+ to B-	474,984	195,802	4,191	158,222	237
Unrated	2,830	1,565	8,412	-	16,098
	498,768	266,825	11,608	177,035	21,070
31 DECEMBER 2014					
A+ to A-	-	19,001	-	22,469	937
B+ to B-	360,783	131,672	10,436	167,908	8,316
Unrated	-	2,322	6,952	-	17,296
	360,783	152,995	17,388	190,377	26,549

Company

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Loans and receivables ₦ million	Other assets ₦ million
31 DECEMBER 2015						
A+ to A-	3,532	651	-	-	-	-
Unrated	-	-	-	-	-	4,454
	3,532	651	-	-	-	4,454
31 DECEMBER 2014						
A+ to A-	-	-	1,466	-	-	-
Unrated	-	-	-	-	-	14,111
	-	-	1,466	-	-	14,111

3.2.14 Collateralised 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 2015 and 31 December 2014 are as shown below.

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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 2015				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	385,769	19,837
Financial assets at fair value through profit or loss	-	-	26,426	5,983
Total financial assets	-	-	412,195	25,820
31 DECEMBER 2014				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	460,911	19,837
Financial assets at fair value through profit or loss	-	-	27,601	5,983
Total financial assets	-	-	488,512	25,820

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

The underlisted financial assets are not collateralised:

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

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

3.3 Liquidity risk

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

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

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

3.3.2 Funding approach

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

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

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

a. Table A – liquidity analysis on a contractual basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,641
Deposits from customers	2,230,551	364,398	109,762	135,532	126,109	12,495	2,978,847
Financial liabilities at fair value through profit or loss	-	-	367	-	-	-	367
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	133,470	10,007	3,199	10,513	25	168,441
Insurance contracts liability	-	557	-	902	6,390	3,988	11,838
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	2,328,767	529,993	173,712	161,592	292,629	148,649	3,635,342
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit-related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,012	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	119,807	42,793	4,573	3,978	-	-	171,151
Deposits from customers	2,285,701	465,753	70,684	92,567	134,030	9,658	3,058,393
Borrowings	62,139	130,550	7,567	11,624	60,349	164,086	436,315
Other liabilities	38,682	32,685	15,133	34,672	4,585	-	125,756
Insurance contracts liability	-	556	-	7,704	-	-	8,260
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	2,506,329	672,337	97,957	211,162	198,964	173,744	3,860,493
Loan commitments	66,690	7,171	3,327	900	12,291	-	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	295,440	75,100	52,290	96,802	62,892	209,852	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

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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 2015							
Financial liabilities							
Other liabilities	-	-	-	5,751	-	-	5,751
Total financial liabilities	-	-	-	5,751	-	-	5,751
Assets held for managing liquidity risk	4,792	-	-	4,454	-	-	9,247
31 DECEMBER 2014							
Financial liabilities							
Other liabilities	-	-	-	7,950	-	-	7,950
Total financial liabilities	-	-	-	7,950	-	-	7,950
Assets held for managing liquidity risk	3,261	1,466	-	14,111	-	-	18,838

b. Table B – liquidity analysis on a behavioural basis

Group

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,642
Deposits from customers	477,416	388,168	196,170	266,588	369,326	1,264,287	2,961,955
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	129,733	10,007	3,199	10,513	25	164,704
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	575,633	549,469	259,753	291,746	529,455	1,396,453	3,602,509
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit-related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,011	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

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Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	85,538	36,770	44,865	3,979	-	-	171,152
Deposits from customers	473,470	539,000	228,443	282,872	324,473	1,210,135	3,058,393
Borrowings	62,139	130,542	7,489	11,624	66,104	164,086	441,985
Other liabilities	38,645	32,937	15,211	34,672	4,585	-	126,049
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	**659,792**	**739,809**	**296,008**	**401,464**	**395,162**	**1,374,221**	**3,866,456**
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

3.3.4 Assets held for managing liquidity risk

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

- cash and balances with the Central Bank comprising reverse repos and overnight deposits;
- short-term and overnight placements in the interbank market;
- government bonds and treasury bills that are readily accepted in repurchase agreements with the Central Bank and other market participants;
- secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios; and
- the ability to access incremental short-term funding by interbank borrowing from the interbank market.

The Bank is largely deposit funded and thus, as is typical among Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, while lending is longer term. On an actuarial basis, our demand deposits exhibit much longer duration, with 75.53% of our current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the Bank typically holds significant short-term liquidity in currency placements or taps the repo markets to raise short-term funding as is required. To grow local currency liquidity we have also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid shorter-dated treasury bills over longer-term bonds, to allow more flexibility in managing liquidity. While on the foreign currency side, we have built up placement balances with our offshore correspondents.

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3.3.5 Derivative liabilities

a. **Derivatives settled on a net basis**
The put options and the accumulator foreign exchange (FX) contract will be settled on a net basis.

The table below analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Derivative liabilities							
Cross-currency swap	-	-	-	-	-	-	-
Accumulator-forward FX contract	-	-	-	-	-	-	-
Put options	(522)	(222)	-	-	(2,645)	-	(3,389)
	(522)	(222)	-	-	(2,645)	-	(3,389)
Derivative assets							
Cross-currency swap	367	-	-	-	-	-	367
Put options	-	-	-	-	-	-	-
Forward contract	571	235	-	-	2,958	-	3,764
	937	235	-	-	2,958	-	4,130
	415	13	-	-	313	-	741
AT 31 DECEMBER 2014							
Derivative liabilities							
Cross-currency swap	-	-	-	-	-	-	-
Accumulator-forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,671	-	22,103
	919	2,664	2,881	6,066	9,671	-	22,201
Derivative assets							
Cross-currency swap	1,002	-	-	-	-	-	1,002
Foreign exchange derivatives	938	2,728	2,842	6,257	9,848	-	22,613
Put options	1,011	439	-	-	-	-	1,450
	2,951	3,167	2,842	6,257	9,848	-	25,065
	3,870	5,831	5,723	12,323	19,519	-	47,266

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 cash flows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

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Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Liabilities held for trading							
FX swap - payable	(2,985)	(24,285)	(12,994)	-	-	-	(40,264)
FX swap - receivable	3,132	23,876	12,920	-	-	-	39,928
Forward contract - payment	-	(4,433)	(218,574)	(98,944)	-	-	(321,951)
Forward contract - receipt	-	-	-	-	-	-	-
Put options	-	-	-	-	46	-	46
	147	(4,842)	(218,648)	(98,944)	46	-	(322,241)
AT 31 DECEMBER 2014							
Derivatives held for trading							
FX swap - payable	14,777	-	-	-	-	-	14,777
FX swap - receivable	(14,884)	-	-	-	-	-	(14,884)
Forward contract - payment	1,169	1,022	162	-	-	-	2,353
Forward contract - receipt	(376)	-	-	-	-	-	(376)
Put options	-	-	-	-	143	-	143
	686	1,022	162	-	143	-	2,014

3.4 Market risk

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

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

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

- interest rate movements in reaction to monetary policy changes by the CBN, fiscal policy 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 NSE.

3.4.1 Management of market risk

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

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls;
- an independent market risk management function reporting directly to the Bank's Chief Risk Officer;
- a Group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk (VaR) methodology, stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;

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- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

3.4.2 Market risk measurement techniques

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

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

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

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

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

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

The table below shows the trading VaR of the bank. The major contributors to the trading VaR are treasury bills and foreign exchange due to volatility in those instruments impacting positions held by the bank during the period.

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

The treasury bill trading VaR is ₦106 million as at 31 December 2015 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was nil as at 31 December 2015, reflecting the new regulatory Trading Open Position of Zero stipulated by the CBN. Hence, there was no open position as at year end.

Group

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2015			
Foreign exchange risk	7	25	-
Interest rate risk	354	1,155	82
Total VaR	**361**	**1,180**	**82**
12 MONTHS TO 31 DECEMBER 2014			
Foreign exchange risk	12	34	-
Interest rate risk	415	1,286	22
Total VaR	**427**	**1,320**	**22**

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b. **Stress tests**

Based on the reality of unpredictable market environment and the frequency of regulations that have had a significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

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

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

Non-trading portfolio

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

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

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

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

Hedged non-trading market risk exposures

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

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3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2015 and 31 December 2014. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2015						
Financial assets						
Cash and balances with central banks	678,502	5,791	6,576	6,215	18,787	715,871
Loans and advances to banks	40,557	214,953	89,649	28,178	12,432	385,769
Loans and advances		-	-	-	-	
- Overdrafts	180,309	125,885	307	3,603	6,468	316,571
- Term loans	539,978	744,698	41,768	67,463	8,216	1,402,123
- Staff loans	6,846	1,126	40	-	318	8,330
- Project finance	18,026	66,209	-	4,045	-	88,280
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities		-	-	-	-	
- Available-for-sale investments	671,603	70,363	-	-	-	741,966
- Held-to-maturity investments	94,506	-	-	3	12,114	106,623
- Loans and receivables	7,306	-	-	-	-	7,306
Assets pledged as collateral	103,514	-	-	-	2,132	105,646
Financial assets at fair value through profit or loss	16,036	3,184	-	-	-	19,220
Other assets	12,358	3,274	452	18	4,968	21,070
	2,371,508	1,235,483	138,792	109,525	65,435	3,920,743
Financial liabilities						
Customer deposits	2,049,590	507,269	357,541	23,680	32,842	2,970,922
Deposits from banks	8,021	114,100	15,285	6,704	542	144,652
Financial liabilities at fair value through profit or loss	367	10,743	-	1,378	-	12,488
Borrowings	82,332	171,669	127	-	1,988	256,116
Other liabilities	101,946	56,597	2,690	4,723	2,485	168,441
Investment contracts	10,157	-	-	-	-	10,157
	2,252,413	860,378	375,643	36,485	37,857	3,562,776

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Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,969	14,526	2,599	4,203	11,807	698,104
Loans and advances to banks	52,389	233,210	147,746	22,963	4,603	460,911
Loans and advances						-
- Overdrafts	186,567	109,295	117	99	18,036	314,114
- Term loans	740,884	884,209	60,655	80,648	10,696	1,777,092
- Staff loans	6,600	-	42	-	819	7,461
- Project finance	15,767	60,048	-	1,743	-	77,558
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities						-
- Available-for-sale investments	422,296	67,136	-	1	5,142	494,575
- Held-to-maturity investments	147,651	-	-	-	10,834	158,485
Assets pledged as collateral	67,115	-	-	-	1,368	68,483
Financial assets at fair value through profit or loss	13,869	8,354	-	1,450	-	23,673
Other assets	16,575	5,215	238	1	4,520	26,549
	2,337,443	1,381,993	211,397	111,108	67,825	4,109,766
Financial liabilities						
Customer deposits	2,098,639	529,284	340,812	8,115	74,003	3,050,853
Deposits from banks	20,528	126,205	18,416	5,897	105	171,151
Financial liabilities at fair value through profit or loss	1,062	9,722	-	133	-	10,917
Borrowings	30,414	334,219	105	958	4,011	369,707
Other liabilities	74,546	20,240	21,724	3,433	5,814	125,757
Investment contracts	60,617	-	-	-	-	60,617
	2,285,806	1,019,670	381,057	18,536	83,933	3,789,002

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

The following table details the Group's sensitivity to a 10% increase and decrease in naira against the US dollar and euro. Management believes that a 10% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and euro denominated financial assets and liabilities. A positive number indicates an increase in profit where naira weakens by 10% against the US dollar and euro. For a 10% strengthening of naira against the US dollar and euro, there would be an equal and opposite impact on profit.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Naira strengthens by 10% against the US dollar profit/(loss)	**(37,511)**	(36,232)
Naira weakens by 10% against the US dollar profit/(loss)	**37,511**	36,232
Naira strengthens by 10% against the euro profit/(loss)	**(7,304)**	(9,257)
Naira weakens by 10% against the euro profit/(loss)	**7,304**	9,257

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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 VaR that may be undertaken, which is monitored daily by the Assets & Liabilities Committee.

The table below summarises the Group's interest rate gap position showing its exposure to interest rate risks. VaR exposure is disclosed in Note 3.4.2.

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2015				
Financial assets				
Cash and balances with central banks	715,871	15,255	8,000	692,616
Loans and advances to banks	385,769	247,947	78,802	59,020
Loans and advances to customers:		-	-	-
- Overdrafts	316,571	316,571	-	-
- Term loans	1,402,123	1,356,123	46,000	-
- Staff loans	8,330	20	8,310	-
- Project finance	88,280	88,280	-	-
- Advances under finance lease	1,967	1,967	-	-
Financial assets at fair value through profit or loss	26,426	46	16,208	10,172
Investment securities:		-	-	-
- Available-for-sale investments	799,850	4,634	737,874	57,342
- Held-to-maturity investments	106,623	-	106,620	3
- Loans and receivables	7,306	-	7,306	-
Assets pledged as collateral	105,646	-	105,646	-
Other assets	21,070	-	-	21,070
	3,985,832	2,030,843	1,114,766	840,223
Financial liabilities				
Deposits from customers	2,970,922	1,378,045	1,080,460	512,417
Deposits from banks	144,652	86,864	53,061	4,727
Financial liabilities at fair value through profit or loss	12,488	-	-	12,488
Other liabilities	168,441	-	-	168,441
Liability on investment contracts	10,157	10,157	-	-
Borrowings	256,116	13,139	242,977	-
	3,562,776	1,488,205	1,376,498	698,073
Interest rate mismatch		542,638	(261,732)	142,151

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Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	698,104	8,238	8,001	681,865
Loans and advances to banks	460,911	195,319	86,706	178,885
Loans and advances				
- Overdrafts	314,114	314,114	-	-
- Term loans	1,777,092	1,747,066	30,026	-
- Staff loans	7,461	-	7,461	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
- Available-for-sale investments	553,154	515	495,646	56,994
- Held-to-maturity investments	158,485	-	158,485	
Assets pledged as collateral	68,483	-	68,483	-
Financial assets at fair value through profit or loss	27,601	144	17,521	9,936
Other assets	26,549	-	2,497	24,052
	4,172,273	2,345,715	874,826	951,732
Financial liabilities				
Customer deposits	3,050,853	1,349,992	1,156,095	544,766
Deposits from banks	171,151	138,576	22,565	10,010
Financial liabilities at fair value through profit or loss	10,917	-	1,002	9,915
Borrowings	369,707	176,317	193,390	-
Other liabilities	125,757	-	209	125,548
Investment contracts	60,617	60,617	-	-
	3,789,002	1,725,502	1,373,261	690,239
Interest rate mismatch		620,213	(498,435)	261,493

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3.4.5 Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31 December 2015. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the Bank is deemed to be fairly representative of the Group.

	<=30 days ₦ billion	31-90 days ₦ billion	91-180 days ₦ billion	181-365 days ₦ billion	1-2 years ₦ billion	Over 2 years ₦ billion	Rate sensitive ₦ billion
Treasury bills	133	196	101	44	-	-	474
Government bonds	-	-	1	50	184	112	347
Corporate bonds	-	-	4	-	7	-	11
Loans and advances to banks	372	-	-	-	-	-	372
Project finance	6	11	2	1	1	-	21
Term loans	194	95	29	77	73	668	1,136
Overdraft	24	48	72	148	-	-	292
Equipment on lease	-	-	2	-	-	-	2
Staff loans	-	-	6	-	-	-	6
Total assets	729	350	217	320	265	781	2,662
Deposits from customers	345	275	119	157	246	457	1,599
Deposits from banks	51	-	-	-	-	-	51
Medium-term loan	30	28	2	3	84	143	290
Total liabilities	426	302	121	160	330	601	1,940
	303	48	96	160	(65)	180	722

Current and savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice, however, these deposits form a stable base for the Bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the Bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

3.5 Management of insurance risk

The Group, through its primary insurance business – FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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

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

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.

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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. While this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

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

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

Claims risk is represented by the fact that the Group may incur unexpectedly high mortality and morbidity losses on any group of policies. Client service 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 is 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 ₦10 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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

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	31 December 2015			31 December 2014		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Individual traditional	8,554	-	8,554	4,802	-	4,802
Group credit life	560	-	560	765	-	765
Group life – UPR incl AURR	725	(1)	724	357	(8)	349
General business – UPR incl AURR	515	-	515	573	-	573
Group life - IBNR	251	(1)	249	133	(4)	129
Additional reserves	852	(350)	502	942	-	942
Outstanding claims	382	(36)	345	688	-	688
Total	11,838	(388)	11,449	8,260	(12)	8,248

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

	31 December 2015			31 December 2014		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Group life	1,271	(108)	1,163	423	(71)	352
Group credit life	339	-	339	232	-	232
Individual life	1,640	-	1,640	466	-	466
General business	569	(364)	205	466	(270)	196
Total	3,819	(472)	3,347	1,587	(341)	1,246

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 IBNR claims.

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 behaviour.

The insurance business offers varying products, from which the Group is exposed. The main products on offer and the associated risks are:

Product	Types of insurance	Product features	Risk
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in four equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the sum assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of ₦100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a maximum of ₦5 million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lump sum in case of death of any of the covered members. Also gives back one full-year premium for every five years that there have been no claims on the policy.	Death only

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Product	Types of insurance	Product features	Risk
Family Income Protection Plan	Individual traditional	Pays a lump sum to the beneficiary should any of the covered events happens to the policyholder, depending on the option chosen at inception.	Death with permanent disability and initial illness options
Group Life Assurance	Group life	1. The scheme will pay a benefit of ₦500,000.00 (subjected to ₦1 million for a maximum of two lines) for registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years, thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the Bank. 2. The scheme pays a maximum of six months' instalment after loss of job by the borrower to the Bank.	Death and loss of job
General Business – Short Term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured.	Motor and general accident, fire outbreak, burglary and other hazards

The insurance liabilities have been made on the following principles:

Type of business	Valuation method
Individual risk business	Gross premium valuation approach
Group credit life	UPR + IBNR + expense reserve
Daily term assurance	Loss ratio estimation
Non-life business	Basic chain ladder + loss ratio estimation + Bornheutter-Ferguson method

Individual business

A gross premium method was used for individual risk business. This is a monthly cash flow projection approach taking into account the incidence of all expected future cash flows 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 FlexiSave Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. FlexiSave 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 cash flows 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 were 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.

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Group business

Reserves for Group life business comprise a UPR and, where necessary, a reserve for IBNR claims to make an allowance for the delay in reporting of claims.

The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR has been tested by comparing against an additional unexpired risk reserve (AURR), which has been calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach (basic chain ladder in 2015) has been used for IBNR reserving, which considers the pattern of claims emerging.

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

Due to the limited nature of data captured for credit life business, the cash flow projection approach could not be used for reserving. Instead reserves have been estimated via a UPR 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, 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 10.25% per annum was adopted for all long-term business, which has been applied as a single long-term rate of return. As at 23 December 2015, Federal Government of Nigeria (FGN) bond yields of duration between 5 and 20 years were around 11%. The 20-year FGN bond yield was 11.15%. By comparison long term bonds were yielding 15% at December 2014.

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 10.90%. This makes some allowance for the volatility and liquidity of the 'risk free' yields.

	Rate
Long-term FGN bond yield	11.15%
Less 0.25% risk adjustment	(0.25%)
Less 0.65% tax	(0.65%)
Net valuation rate	10.25%

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

Type of business	Current valuation	Previous valuation
Risk products	10.25%	14.75%
Pension annuity	10.25%	

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Expenses
The Group makes provisions for expenses in its mathematical reserves of an amount that 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 during the year, which suggests actual expense experience over the year of:

(1) Individual life: ₦4,297 per policy

(2) Credit life: ₦600 per policy

(3) Family shield: ₦520 per policy

(4) Group life: 42% of premium.

The Group adopted a valuation expense assumption of ₦4,300 per policy on risk policies excluding family shield and ₦600 per policy for credit life, while expense per policy for family shield is set at ₦500. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of business	Current valuation	Previous valuation
Individual life	₦4,300 pp	₦5,000 pp
Credit life	₦600 pp	₦250 pp
Family shield	₦500 pp	

Expense inflation
The above expenses are subject to inflation at 9.5% per annum. Consumer price inflation at 31 December 2015 was 9.42%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality
An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A6770 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data, which demonstrated a good fit to the A6770 table.

Future mortality improvements
No allowance is proposed for future mortality improvements. The Company does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

Withdrawals
Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and FlexiSave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the FlexiSave surrender values are apportioned on the basis of sum insured.

Surrender rate was not applied in the current valuation, however, the reserves for the Cashflow Plans will be subjected to a minimum floor of the surrender value at the valuation date.

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Lapses
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 per annum	Surrender rate per annum
Year 1	12.5%	-
Year 2	-	2.5%
Year 3	-	2.5%
Year 4	-	2.5%
Year 5	-	2.5%

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.
v. No allowance had been made for lapses or surrenders.
vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.
vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

Bonuses
We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% per annum for the Cashflow Endowment.

Group and credit life businesses
UPR are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred.

Acquisition expense ratio of 20% of gross premium was adopted. Group life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, stamp duty of 0.15% and management expenses.

The following assumptions were adopted for the credit life valuation:

i. Where no effective (start) date has been provided, we assumed the credit date.
ii. Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.
iii. The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.
iv. The IBNR was estimated based on an average claims notification delay period of three months, which was derived from the claims experience data.

Additional contingency reserves were made in addition to those provided for long-term business to be held. These contingencies are considered as standard for the 12 months following the valuation date, i.e., short-term contingency only. Other liabilities such as expense and data contingencies reserves have been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All business groups	2015	2014
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

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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.

3.5.5 Insurance and market risk sensitivities

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

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

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

a. valuation interest (discount) rate +/- 1%;
b. expenses +/- 10%;
c. expense inflation +/- 2%; and
d. mortality +/- 5% (including Group life).

2015 **₦ million**	Base	VIR		Expenses		Expense inflation	
		1%	(1%)	10%	(10%)	2%	(2%)
Individual risk reserves	8,552	7,476	10,105	8,876	8,116	9,853	7,858
Group credit life	560	560	560	568	551	560	560
Group life – UPR incl AURR	725	725	725	725	725	725	725
General business – UPR incl AURR	515	515	515	515	515	515	515
Group life - IBNR	251	251	251	251	251	251	251
Additional reserves	225	225	225	225	225	225	225
Reinsurance	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net liability	10,826	9,750	12,379	11,158	10,381	12,127	10,132
% change in net liability		90.1%	114.4%	103.1%	95.9%	112.0%	93.6%
Assets	13,783	13,783	13,783	13,783	13,783	13,783	13,783
Surplus	2,957	4,033	1,404	2,625	3,402	1,656	3,651

2015 **₦ million**	Base	Mortality	
		5%	(5%)
Individual traditional	8,552	8,607	8,498
Group credit life	560	560	560
Group life – UPR incl AURR	725	725	725
General business – UPR incl AURR	515	515	515
Group life - IBNR	251	251	251
Additional reserves	225	225	225
Reinsurance	(2)	(2)	(2)
Net liability	10,826	10,881	10,771
% change in net liability		100.5%	99.5%
Assets	13,783	13,783	13,783
Surplus	2,957	2,902	3,012

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2014 ₦ million	Base	VIR 1%	 (1%)	Expenses 10%	 (10%)	Expense inflation 2%	 (2%)
Individual traditional	1,927	1,542	2,311	1,994	1,861	1,959	1,899
Individual savings	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Group credit life	765	765	765	771	760	765	765
Group life – UPR incl AURR	357	357	357	357	357	357	357
Group life - IBNR	133	133	133	133	133	133	133
Additional reserves	943	942	943	947	938	943	942
Reinsurance	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Net liability	6,988	6,602	7,372	7,065	6,912	7,020	6,959
% change in net liability		61.0%	68.1%	65.3%	63.9%	64.9%	64.3%
Assets	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Surplus	1,746	2,132	1,362	1,669	1,822	1,714	1,775

2014 ₦ million	Base	Mortality 5%	 (5%)
Individual traditional	1,927	1,936	1,918
Individual savings	2,875	2,875	2,875
Group credit life	765	765	765
Group life – UPR incl AURR	357	357	357
Group life - IBNR	133	133	133
Additional reserves	943	944	942
Reinsurance	(12)	(12)	(12)
Net liability	6,988	6,998	6,978
% change in net liability		64.6%	64.5%
Assets	8,734	8,734	8,734
Surplus	1,746	1,736	1,756

Assumptions have been flexed on the basis used to calculate the value of in-force business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

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3.5.6 Solvency

The solvency level at the valuation date was 121% (2014: 100.0%). That is, assets representing life and non-life funds on the Group's balance sheet (₦13.8 billion) were 121% of the value of the actuarially calculated net liabilities (₦11.8 billion).

The assets backing the life and non-life fund are as follows:

	2015 ₦ million	2014 ₦ million
Government bonds	**1,386**	670
Treasury bills	**9,055**	7,208
Cash and bank balances	**1,970**	692
Commercial papers	**1,075**	-
Investment properties	**80**	80
Investment in quoted equity	**217**	24
Investment in unquoted equity	**-**	61
Total	**13,783**	8,735

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in section 25 of the 2003 Insurance Act were met. The life fund shows a surplus of ₦1.6 billion (2014: ₦490 million), while life and non-life shows a surplus of ₦1.9 billion (2014: ₦795 million).

3.6 Equity risk

The Group is exposed to equity price risk by holding investments quoted on the NSE and other non-quoted investments. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2015, the market value of quoted securities held by the Group is ₦3.73 billion (2014: ₦7.42 billion). If the all share index of the NSE moves by 1,600 basis points from the 28,642.25 position at 31 December 2015, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦596 million.

The Group holds a number of investments in unquoted securities with a market value of ₦61.37 billion (2014: ₦55.09 billion) of which investments in Airtel Nigeria Ltd (42%) and African Finance Corporation (AFC) (54%) are the significant holdings. These investments were valued at ₦20.24 billion (cost ₦2.9 billion) and ₦26.47 billion (cost ₦12.7 billion) respectively as at 31 December 2015. AFC is a private sector-led investment bank and development finance institution, which has the CBN as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments, see sensitivity analysis in Note 3.7.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

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3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

The following table presents the Group's assets and liabilities that are measured at fair value at reporting date.

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	15,990	-	-	15,990
Equity	1,438	2,083	3,685	7,206
Derivatives	-	3,230	-	3,230
Available-for-sale financial assets				
Investment securities - debt	718,411	23,556	-	741,967
Investment securities - unlisted equity	4,483	5,215	45,899	55,597
Investment securities - listed equity	2,288	-	-	2,288
Assets pledged as collateral	22,033	-	-	22,033
Financial liabilities at fair value through profit or loss				
Derivatives	-	12,121	367	12,488

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets at fair value through profit or loss				
Debt securities	13,426	300	-	13,726
Equity	3,927	-	-	3,927
Derivatives	-	9,948	-	9,948
Available-for-sale financial assets				
Investment securities - debt	443,916	50,659	-	494,575
Investment securities - unlisted debt				-
Investment securities - unlisted equity	319	6,731	48,035	55,085
Investment securities - listed equity	3,493	-	-	3,493
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities at fair value through profit or loss				
Derivatives	-	10,917	-	10,917

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Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Available-for-sale financial assets				
Investment securities – debt	4,183			4,183
Investment securities – unlisted equity	-	2,836	-	2,836
31 DECEMBER 2014				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	-	2,806	-	2,806

a. Financial instruments in level 1

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

b. Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:

i. quoted market prices or dealer quotes for similar instruments;

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

iii. other techniques, such as discounted cash flow analysis and sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 except for certain unquoted equities explained below.

c. Financial instruments in level 3

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

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The following table presents changes in level 3 instruments

Group	₦ million
At 1 January 2014	44,002
Transfer into level 3 due to change in observability of market data	67
Total gains/(losses) for the period:	
- Included in profit or loss	-
- Included in other comprehensive income	3,966
At 31 December 2014	48,035
Sales	(21)
Transfer out of level 3 due to change in observability of market data	(100)
Total gains/(losses) recognised through OCI	1,694
- Realised gain on sale	(3,709)
At 31 December 2015	**45,899**

Total gains or losses for the period included in profit or loss are presented in net gains/(losses) on investment securities.

Information about the fair value measurements using significant unobservable inputs (level 3)

Description	Valuation technique	Range of unobservable input (probability-weighted average)	Relationship of unobservable inputs to fair value
AIRTEL NIGERIA	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LTD	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
INTERSWITCH LTD	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFRICA FINANCE CORPORATION	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
MOORHOUSE PROPERTIES LTD	Income approach (discounted cash flow)	5% minority discount	the higher the minority discount the lower the fair value
MAIN ONE CABLE COMPANY LTD	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value

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

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

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

3.7.2 Group's valuation process

The Group's Asset and 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.

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3.7.3 Financial instruments not measured at fair value

a. The 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 2015				
Financial assets				
Cash and balances with central banks	500	715,371	-	715,871
Loans and advances to banks	-	385,769	-	385,769
Loans and advances to customers:				
- Overdrafts	-	-	316,571	316,571
- Term loans	-	46,000	1,356,123	1,402,123
- Staff loans	-	564	7,766	8,330
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Held-to-maturity investments	80,533	26,090	-	106,623
Asset pledged as collateral	79,888	2,132	-	82,020
Other assets	-	21,070	-	21,070
Financial liabilities				
Deposit from customers	-	2,970,921	-	2,970,921
Deposit from bank	-	144,652	-	144,652
Borrowing	152,434	103,682	-	256,116
Other liabilities	-	168,441	-	168,441
Investment contracts	-	10,157	-	10,157
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	500	697,604	-	698,104
Loans and advances to banks	-	460,911	-	460,911
Loans and advances to customers:				
- Overdrafts	-	-	314,114	314,114
- Term loans	-	30,017	1,747,075	1,777,092
- Staff loans	-	388	7,073	7,461
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	111,457	47,028	-	158,485
Asset pledged as collateral	47,920	1,360	-	49,280
Other assets	-	26,549	-	26,549
Financial liabilities				
Deposit from customers	-	3,050,853	-	3,050,853
Deposit from bank	-	171,151	-	171,151
Borrowing	141,819	227,888	-	369,707
Other liabilities	-	125,311	446	125,757
Investment contracts	-	60,617	-	60,617

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Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Loans and advances to banks	-	4,792	-	4,792
Loans and advances to customers:				
- Staff loans	-	-	63	63
Held-to-maturity investments	-	-	-	-
Other assets	-	4,454	-	4,454
Financial liabilities				
Other liabilities	-	5,751	-	5,751
31 DECEMBER 2014				
Financial assets				
Loans and advances to banks	-	3,261	-	3,261
Loans and advances to customers:				
- Staff loans	-	-	80	80
Investment securities:				
- Held-to-maturity investments	1,466	-	-	1,466
Other assets	-	14,111	-	14,111
Financial liabilities				
Other liabilities	-	7,950	-	7,950

b. The fair value of loans and advances to customers, (including loan commitments) and investment securities are as follows:

Group

	At 31 December 2015		At 31 December 2014	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers				
- Fixed rate loans	51,055	48,915	35,828	33,804
- Variable rate loans	1,766,217	1,811,618	2,143,152	2,188,220
Investment securities (held-to-maturity)	106,624	104,094	158,484	124,995
Asset pledged as collateral	82,020	82,020	86,443	30,649
Financial liability				
Borrowings	256,116	286,016	369,707	407,765

Investment securities have been fair valued using the market prices and are within level 1 of the fair value hierarchy, while the loans and advances to customers have been fair valued using unobservable inputs and are within level 3 of the fair value hierarchy.

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The carrying value of the following financial assets and liabilities for both the Company and Group approximate their fair values:
- cash and balances with central banks;
- loans and advances to banks;
- other assets (excluding prepayments);
- deposits from banks;
- deposits from customers; and
- other liabilities (excluding provisions and accruals).

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 capital requirement of 16% for Systemically Important Banks and 10% for Merchant Banks set by the Central Bank of Nigeria (CBN).

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an internal capital adequacy assessment process, which proactively evaluates capital needs vis-à-vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group's capital is divided into two tiers:

- Tier 1 capital: core equity tier 1 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 331/3% of tier 1 capital.

In 2014, Nigerian banks based on regulatory requirements issued by the Central Bank, migrated from Basel I to Basel II in terms of capital adequacy monitoring and reporting. Basel II introduced capital charges for operational risk and market risks which hitherto were unweighted, in addition to the credit risk.

The Central Bank of Nigeria (CBN) 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.

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The table below summarises the Basel II capital adequacy ratio (CAR) for 2015 and 2014. It shows the composition of regulatory capital and ratios for the years. During those years, the Bank complied with all the regulatory capital requirements to which it was subjected.

	FBN MERCHANT BANK		FIRST BANK OF NIGERIA	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
TIER 1 CAPITAL				
Share capital	4,302	4,000	16,316	16,316
Share premium	3,905	3,000	189,241	189,241
Statutory reserve	4,657	3,857	63,237	63,231
Deposit for shares	-	1,206	-	-
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	10,500	7,170	130,787	87,200
Less: Goodwill/deferred tax	(6,929)	(5,185)	(5,386)	(1,343)
Less: Loan to subsidiary	-	-	(29,181)	-
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 1 capital	16,435	14,048	333,883	316,687
TIER 2 CAPITAL				
Fair value reserve	289	(3,875)	54,090	16,126
Other borrowings	-	-	152,434	141,819
Total tier 2 capital	289	(3,875)	206,524	157,945
Tier 2 capital restriction	289	(3,875)	133,424	120,688
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 2 capital	289	(3,875)	96,216	91,195
Total regulatory capital	16,725	10,173	430,099	407,882
Total risk-weighted assets	67,313	45,270	2,518,285	2,585,214
Risk-weighted CAR	24.85%	22.47%	17.08%	15.78%
Tier 1 CAR	24.42%	31.03%	13.26%	12.25%

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a. Impairment charges on financial assets
The Group reviews its loan portfolios for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that have been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collateralised.

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Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See Note 3 for more information.

b. Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 for additional sensitivity information for financial instruments.

c. Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held-to-maturity investment portfolio was not tainted.

d. Retirement benefit obligation

For defined benefit pension plans, the measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See Note 44, Retirement benefit obligations, for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the Group.

e. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 36 for detailed information on impairment assessment performed on cash-generating units.

Impairment charges of ₦630 million and ₦242 million arose in FBNBank Gambia and FBNBank Senegal respectively during the course of 2015. Both entities form part of the Commercial Banking group segment. The impairment was attributable to the general economic downturn in both economies.

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6 SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The Group is divided into the following business units:

Commercial Banking business group
This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Merchant Banking and Asset Management business group* (MBAM)
This is the investment banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance business group
This includes the Group's legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South-African-based Sanlam Group.

Other Financial Services business group
This includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank Limited which provides microfinance services to the mass-market retail segment and SPVs established by the Group. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

As the Group Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Management Committee.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

* Following the acquisition of the Merchant banking licence in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

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Segment result of operations

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2015 is as follows:

	Commercial Banking group ₦ million	MBAM group ₦ million	Insurance group ₦ million	Other Financial Services group ₦ million	Total ₦ million
AT 31 DECEMBER 2015					
Total segment revenue	465,769	32,976	10,500	7,733	516,978
Inter-segment revenue	(6,571)	(35)	(345)	(4,836)	(11,787)
Revenue from external customers	459,198	32,941	10,155	2,897	505,191
Interest income	372,604	20,520	2,113	953	396,190
Interest expense	(119,680)	(11,428)	0	(59)	(131,167)
Profit/(loss) before tax	12,547	10,346	2,163	(3,544)	21,512
Income tax expense	(7,235)	1,151	(280)	0	(6,364)
Profit for the period	5,312	11,497	1,883	(3,544)	15,148
Impairment charge on credit losses	(117,037)	(257)	0	(276)	(117,570)
Impairment charge on doubtful receivables	(517)	(964)	(14)	(257)	(1,752)
Impairment charge on goodwill	(872)	-	-	-	(872)
Depreciation	(10,577)	(380)	(163)	(396)	(11,516)
AT 31 DECEMBER 2015					
Total assets	3,930,665	155,666	22,746	57,112	4,166,189
Other measures of assets:					
Loans and advances to customers	1,773,660	43,313	236	62	1,817,271
Expenditure on non-current assets	82,353	2,676	1,822	1,547	88,398
Investment securities	830,586	61,956	14,218	7,019	913,779
Total liabilities	3,451,319	113,961	13,144	8,965	3,587,389
AT 31 DECEMBER 2014					
Total segment revenue	455,475	23,560	6,539	23,639	509,213
Inter-segment revenue	(6,802)	(4,791)	(1,810)	(14,636)	(28,039)
Revenue from external customers	448,673	18,768	4,729	9,002	481,174
Interest income	343,306	15,075	1,334	2,863	362,579
Interest expense	(109,559)	(9,117)	0	(49)	(118,725)
Profit/(loss) before tax	90,067	3,529	706	(246)	94,056
Income tax expense	(9,526)	(2,727)	(195)	2,403	(10,045)
Profit for the period	80,541	802	511	2,157	84,011
Impairment charge on credit losses	(25,362)	18	-	(312)	(25,656)
Impairment charge on doubtful receivables	(17)	(258)	(7)	(4)	(286)
Impairment charge on goodwill	(501)	-	-	-	(501)
Share of profit/(loss) from associates	521	78	-	-	599
Depreciation	(10,531)	(373)	(156)	(315)	(11,375)
AT 31 DECEMBER 2014					
Total assets	4,080,258	100,455	17,505	145,519	4,343,737
Other measures of assets:					
Loans and advances to customers	2,150,086	1,878	74	26,948	2,178,986
Expenditure on non-current assets	83,404	854	1,764	2,535	88,557
Investment securities	598,904	45,812	12,011	54,912	711,639
Total liabilities	3,649,993	77,304	10,500	81,878	3,819,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Geographical information

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
REVENUES		
Nigeria	453,323	439,993
Outside Nigeria	51,868	41,181
Total	505,191	481,174
NON-CURRENT ASSET		
Nigeria	80,864	81,743
Outside Nigeria	7,534	6,814
Total	88,398	88,557

7 INTEREST INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Investment securities	100,979	92,153	306	2,760
Loans and advances to banks	23,463	19,216	292	122
Loans and advances to customers	271,748	251,210	16	4
	396,190	362,579	614	2,886

Interest income on loans and advances to customers for the Group includes interest income on impaired financial assets of ₦8.08 billion (2014: ₦0.598 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 INTEREST EXPENSE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Deposits from customers	105,411	98,017
Deposits from banks	10,483	2,713
Borrowings	15,273	17,995
	131,167	118,725

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Loans and advances to customers (refer to Note 23)		
Increase in collective impairment	24,200	4,149
Increase in specific impairment	95,658	23,768
	119,858	27,917
Net recoveries on loans previously written off	(2,288)	(2,261)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Other assets (refer to Note 27)		
Increase in impairment	**1,752**	286
	119,322	25,942

Included in the impairment charge for the year in the income statement is the impairment charge in loans and advances (collective: ₦67 million; specific: ₦210 million) in the books of FBN Microfinance Bank Limited, which was classified as held for sale in 2014 and its sale concluded in 2015.

10 INSURANCE PREMIUM REVENUE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross premium written	**11,848**	7,113
Unearned premium	**(538)**	(344)
	11,310	6,769
Change in insurance contract liabilities	**(2,862)**	(3,449)
	8,448	3,320

11a. FEES AND COMMISSION INCOME

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Credit-related fees (i)	**5,698**	2,492
Commission on turnover	**12,655**	15,289
Letters of credit commissions and fees	**3,826**	6,636
Electronic banking fees	**15,371**	11,465
Money transfer commission	**3,154**	2,195
Commission on bonds and guarantees	**1,488**	1,146
Commission on bills and ancillary services	**1,075**	588
Funds transfer and intermediation fees	**4,530**	5,086
Account maintenance	**3,333**	8,344
Brokerage and intermediations	**1,909**	2,163
Custodian fees	**4,182**	3,511
Financial advisory fees (ii)	**5,338**	6,538
Fund management fees (ii)	**1,499**	1,530
	64,058	66,983

(i) The credit-related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.
(ii) Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

11b. FEES AND COMMISSION EXPENSE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees and commission expense	9,583	6,205

Fees and commission expense relates primarily to charges raised by other banks on holders of FirstBank ATM cards, who make use of the other banks' machines while transacting business, and SMS alert-related expense.

12 NET GAINS ON FOREIGN EXCHANGE INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Revaluation gain (unrealised) on foreign currency balances	10,910	30,795	31	42
Foreign exchange trading income (realised)	11,316	14,110	-	-
	22,226	44,905	31	42

The revaluation gain arose from exchange rate movements on the Group's long foreign currency balance sheet position as at reporting date.

13 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Equity securities	5,935	(366)	-	-
Debt securities	731	136	35	-
	6,666	(230)	35	-

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

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Derivatives	830	(871)
Trading gain/(loss) on debt securities	1,059	(152)
Fair value gain/(loss) on debt securities	166	(239)
	2,055	(1,262)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 DIVIDEND INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
First Bank of Nigeria Limited	-	-	-	9,790
FBN Capital Limited	-	-	4,852	4,185
FBN Insurance Brokers Limited	-	-	235	188
FBN Insurance Limited	-	-	339	198
Other entities within the Group	-	-	206	109
Entities outside the Group	1,531	1,469	-	-
Withholding tax on dividend	-	-	(1,139)	(723)
	1,531	1,469	4,493	13,747

16 OTHER OPERATING INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit on sale of property, plant and equipment	-	435	-	-
VAT recovered	291	295	-	-
Gain on sale of properties (inventory)	1.262	184	-	-
Distribution from Capital Alliance Property Investment Company (CAPIC)	-	324	-	289
Net gain from fair value adjustment on investment properties	198	-	-	-
Private banking services and other activities	1,800	1,616	22	5
	3,551	2,854	22	294

17 PERSONNEL EXPENSES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Wages and salaries	77,474	76,678	671	1,147
Pension costs:				
- Defined contribution plans	2,639	2,954	14	12
- Defined benefit cost (refer to Note 44)	303	211	-	-
	80,416	79,843	685	1,159

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the present value (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
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The average number of persons employed by the Group during the period was as follows:

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Executive directors	**1**	1	**1**	1
Management	**214**	198	**5**	4
Non-management	**9,641**	10,265	**21**	19
	9,856	10,464	**27**	24

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	**912**	1,575	**3**	7
₦2,000,001–₦2,800,000	**214**	734	**1**	-
₦2,800,001–₦3,500,000	**897**	481	**2**	-
₦3,500,001–₦4,000,000	**96**	55	**1**	1
₦4,000,001–₦5,500,000	**2,114**	2,368	**2**	1
₦5,500,001–₦6,500,000	**1,963**	1,703	**1**	1
₦6,500,001–₦7,800,000	**1,363**	764	**2**	2
₦7,800,001–₦9,000,000	**935**	462	**-**	2
₦9,000,001 and above	**1,364**	2,322	**17**	12
	9,858	10,464	**29**	26

18 OPERATING EXPENSES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Auditors' remuneration	**752**	530	**25**	25
Directors' emoluments	**6,488**	6,795	**1,047**	751
Loss on sale of property, plant and equipment	**186**	-	**7**	-
Deposit insurance premium	**12,482**	13,027	**-**	-
AMCON resolution cost	**17,591**	17,132	**-**	-
Maintenance	**19,310**	19,949	**176**	86
Insurance premium	**1,220**	565	**26**	11
Rent and rates	**4,024**	4,394	**143**	171
Advert and corporate promotions	**8,465**	12,759	**77**	127
Legal and other professional fees	**6,153**	5,741	**585**	504
Donations and subscriptions	**1,424**	1,891	**6**	4
Stationery and printing	**2,436**	2,335	**73**	99
Communication, light and power	**6,942**	6,304	**5**	32
Cash handling charges	**3,522**	3,042	**-**	-
Operational and other losses	**2,194**	18,488	**-**	-
Passages and travels	**6,031**	5,134	**345**	192
Outsourced cost	**15,824**	12,939	**-**	-
Statutory fees	**153**	57	**44**	55
Underwriting expenses	**1,462**	1,539	**-**	-
Recruitment and training cost	**478**	106	**72**	19
WHT on retained dividend	**1,139**	723	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fines and penalties	1,901	393	-	-
Fair value loss on asset held for sale	-	1,599	-	-
Back duty tax assessment	929	1,886	-	-
Integration and branding project	1,387	2,619	-	-
Other operating expenses	3,718	3,253	65	41
	126,211	143,200	2,696	2,117

19 TAXATION – INCOME TAX EXPENSE AND LIABILITY

a. Income tax expense

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Corporate tax	7,951	8,031	-	-
Education tax	160	138	-	-
Technology tax	180	889	-	-
Capital gains tax	-	3	-	-
Under/(over) provision in prior years	1,250	(162)	-	-
Current income tax – current period	9,541	8,899	-	-
Origination and reversal of temporary deferred tax differences	(3,177)	1,146	-	-
Income tax expense	6,364	10,045	-	-

Group				
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Profit before income tax	21,512		94,056	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	6,454	30	28,217	30
Effect of tax rates in foreign jurisdictions	370	2	(129)	0
Non-deductible expenses	39,057	182	21,984	24
Effect of education tax levy	160	1	138	0
Effect of information technology	180	1	889	1
Effect of capital gains tax	-	0	3	0
Effect of minimum tax	2,984	14	211	0
Effect of excess dividend tax	767	4	403	0
Effect of national fiscal levy	82	0	22	0
Tax exempt income	(46,313)	(215)	(39,730)	(42)
Tax incentives	(109)	(1)	(201)	0
Tax loss effect	1,719	8	(2,220)	(2)
(Over)/under provided in prior years	1,250	6	436	0
Effect of prior period adjustment on deferred tax	(237)	(1)	22	0
Total income tax expense in income statement	6,364	30	10,045	11
Income tax expense	6,364	30	10,045	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

Company

	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Profit before income tax	2,180		5,683	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	654	30	1,705	30
Non-deductible expenses	410	19	2,339	41
Tax exempt income	(1,940)	(89)	(4,661)	(82)
Tax incentives	-	0	(13)	0
Tax loss effect	875	40	630	11
Total income tax expense in income statement	-	0	-	0
Income tax expense	-	0	-	0

b. Current income tax liability

The movement in the current income tax liability is as follows:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
At start of the period	11,829	34,167	-	-
Effect of adjustment on acquired entities	0	38	-	-
Reclassification to liabilities held for sale	0	(69)	-	-
Tax paid	(12,267)	(31,329)	-	-
Withholding tax credit utilised	(379)	(31)	-	-
Income tax charge	9,541	8,899	-	-
Effect of changes in exchange rate	49	154	-	-
At 31 December	8,773	11,829	-	-
Current	8,773	11,829	-	-

20 CASH AND BALANCES WITH CENTRAL BANKS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash	76,310	63,308
Balances with central banks excluding mandatory reserve deposits	162,145	71,059
	238,455	134,367
Mandatory reserve deposits with central banks	477,416	563,737
	715,871	698,104

Included in balances with central banks is a call placement of ₦7.5 billion for the Group (31 December 2014: ₦7.5 billion).

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. FBN Limited had restricted balances of ₦473.12 billion with CBN as at 31 December 2015 (December 2014: ₦560.08 billion). This balance is a CBN cash reserve requirement. The cash reserve ratio represents a mandatory 20% of qualifying deposits (December 2014: 15% non-government deposits and 75% government deposits), which should be held with the CBN as a regulatory requirement. FBNBank Ghana and FBNBank Guinea had restricted balances of ₦1.090 billion and ₦1.878 billion (December 2014: ₦0.968 billion and ₦1.407 billion) respectively with their respective central banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash (Note 20)	76,310	63,308	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	162,145	71,059	-	-
Loans and advances to banks excluding long-term placements (Note 22)	356,782	321,201	4,792	3,261
Treasury bills included in financial assets at fair value through profit or loss (Note 24)	3,985	7,240	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1 and 25.2)	67,146	69,648	-	1,466
	666,368	532,456	4,792	4,727

22 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current balances with banks within Nigeria	130,017	54,776	3,097	375
Current balances with banks outside Nigeria	117,664	156,595	-	-
Placements with banks and discount houses (short term)	109,101	109,831	1,695	2,886
	356,782	321,202	4,792	3,261
Long-term placement	28,987	139,709	-	-
Carrying amount	385,769	460,911	4,792	3,261

Included in loans to banks is non-current placement of ₦28.99 billion for the Group (31 December 2014: ₦139.7 billion), which does not qualify as cash and cash equivalent.

All other loans to banks are due within three months.

23 LOANS AND ADVANCES TO CUSTOMERS

Group					
	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2015					
Overdrafts	358,458	(39,089)	(2,798)	(41,887)	316,571
Term loans	1,499,397	(67,275)	(29,999)	(97,274)	1,402,123
Staff loans	8,400	-	(70)	(70)	8,330
Project finance	88,417	-	(137)	(137)	88,280
	1,954,672	(106,364)	(33,004)	(139,368)	1,815,304
Advances under finance lease	2,321	(322)	(32)	(354)	1,967
	1,956,993	(106,686)	(33,036)	(139,722)	1,817,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Overdrafts	329,578	(11,845)	(3,619)	(15,464)	314,114
Term loans	1,803,768	(15,932)	(10,744)	(26,676)	1,777,092
Staff loans	7,529	-	(68)	(68)	7,461
Project finance	77,709	-	(151)	(151)	77,558
	2,218,584	(27,777)	(14,582)	42,359	2,176,225
Advances under finance lease	3,043	(241)	(41)	(282)	2,761
	2,221,627	(28,018)	(14,623)	(42,641)	2,178,986

Company

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2015					
Staff loans	**63**	**-**	**-**	**-**	**63**
	63	**-**	**-**	**-**	**63**
31 DECEMBER 2014					
Staff loans	80	-	-	-	80
	80	-	-	-	80

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	**860,104**	1,166,344	**12**	13
Non-current	**957,167**	1,012,642	**51**	67
	1,817,271	2,178,986	**63**	80

CBN/Bank of Industry facilities

Included in loans and advances to customers are term loans granted to customers in line with the CBN ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agriculture Credit (CACS)

This relates to the balance on term loan facilities granted to customers under the CBN Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of seven years at 9% interest per annum. These balances are included in the loans and advances.

CBN/On-lending Bail-Out Fund

This relates to term loans granted to Osun and Ogun state governments in line with the CBN ₦338 billion special intervention funds for financing the payment of the backlog of staff salaries in states of the Federation. The facility to Osun State is for a period of 20 years at 9% per annum while the facility to Ogun State is for a period of 10 years at 9% per annum.

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CBN/Bank of Industry	**44,215**	14,514
CBN/Commercial Agriculture Credit	**11,998**	13,733
CBN On-lending Bail-Out Fund	**25,652**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 2015					
Specific impairment	11,845	15,932	241	0	28,018
Collective impairment	3,619	10,744	41	219	14,623
	15,464	26,676	282	219	42,641
Additional provision/(writeback)					
- Specific impairment	38,080	57,287	81	-	95,448
- Collective impairment	79	24,027	39	(12)	24,133
Loan write-off					
- Specific impairment	(10,789)	(6,220)	-	-	(17,009)
- Collective impairment	(796)	(4,776)	(48)	-	(5,620)
Exchange difference					
- Specific impairment	(47)	276	-	-	229
- Collective impairment	(104)	4	-	-	(100)
	41,887	97,274	354	207	139,722
Specific impairment	39,089	67,275	322	0	106,686
Collective impairment	2,798	29,999	32	207	33,036
At 31 December 2015	41,887	97,274	354	207	139,722

	Specific impairment ₦ million	Collective impairment ₦ million
Additional provision/(writeback)	95,448	24,133
Impairment charge by FBN Microfinance Bank (sold in 2015)	210	67
Impairment charge for the year (refer to Note 9)	95,658	24,200

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Group	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2014					
Specific impairment	10,465	9,480	696	31	20,672
Collective impairment	4,061	19,327	71	916	24,375
	14,526	28,807	767	947	45,047
Additional provision					
- Specific impairment	7,490	16,764	(455)	(31)	23,768
- Collective impairment	2,918	1,927	1	(697)	4,149
Loan write-off					
- Specific impairment	(6,445)	(10,317)	-	-	(16,762)
- Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
Acquisition through business combination					
- Specific impairment	335	77	-	-	412
- Collective impairment	-	2	-	-	2
Reclassification to asset held for sale					
- Specific impairment	-	(72)	-	-	(72)
- Collective impairment	-	(42)	-	-	(42)
	15,464	26,676	282	219	42,641
Specific impairment	11,845	15,932	241	-	28,018
Collective impairment	3,619	10,744	41	219	14,623
AT 31 DECEMBER 2014	15,464	26,676	282	219	42,641

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

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross investment in finance lease, receivable		
– No later than one year	12	168
– Later than one year and no later than five years	2,632	3,555
– Later than five years	-	-
	2,644	3,723
Unearned future finance income on finance leases	(323)	(680)
Impairment allowance on leases	(354)	(282)
Net investment in finance lease, receivable	1,967	2,761
Net investment in finance lease, receivable is analysed as follows:		
– No later than one year	12	151
– Later than one year and no later than five years	1,955	2,610
	1,967	2,761

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Nature of security in respect of loans and advances:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Legal mortgage/debenture on business premises, factory assets or real estates	470,279	535,263	-	-
Guarantee/receivables of investment grade banks and state government	902,208	746,557	-	-
Domiciliation of receivables	386,217	630,801	-	-
Clean/negative pledge	100,725	79,749	-	-
Marketable securities/shares	16,348	14,755	-	-
Otherwise secured	65,776	110,399	63	80
Cash/government securities	15,440	104,102	-	-
	1,956,993	2,221,626	63	80

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The Group did not take legal repossession of any collateral in the year.

24 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Treasury bills with maturity of less than 90 days	3,985	7,240
Treasury bills with maturity over 90 days	10,243	2,254
Bonds	1,763	4,232
Total debt securities	15,991	13,726
Listed equity securities	1,438	3,927
Unlisted equity securities	5,768	-
Total equity securities	7,206	3,927
Derivative assets (refer to Note 24a)	3,229	9,948
Total assets at fair value through profit or loss	26,426	27,601
Current	15,195	10,944
Non-current	11,231	16,657
	26,426	27,601

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The Group uses the following derivative strategies:

Economic hedges

The Group use of derivative instruments is very nascent and has been limited to hedging of risk exposures resulting from adverse movement in market risk factors. The Group's derivative transactions are principally in forward foreign exchange contracts entered into to hedge against foreign exchange risks arising from cross-currency exposures.

Customers' risk hedge needs

The Group offers its customers derivatives in connection with their risk-management objectives to transfer, modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently, all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to senior management.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

Derivatives

	Group – 31 December 2015		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Foreign exchange derivatives			
Currency swap	41,373	622	(766)
Put options	19,311	2,561	(11,722)
Equity derivatives			
Put options	-	46	-
	60,684	3,229	(12,488)
Current	43,760	967	(4,741)
Non-current	16,924	2,262	(7,747)
	60,684	3,229	(12,488)

	Group – 31 December 2014		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Foreign exchange derivatives			
Forward FX contract	281,325	1,451	(1,975)
FX accumulator contract	565	-	(133)
Currency swap	14,884	-	(1,062)
Put options	52,996	8,354	(7,747)
Equity derivatives			
Put options	-	143	-
	349,770	9,948	(10,917)
Current	296,774	1,451	(3,170)
Non-current	52,996	8,497	(7,747)
	349,770	9,948	(10,917)

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25 INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
25.1 Available-for-sale investments				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**65,034**	64,067	**-**	-
– Treasury bills with maturity of more than 90 days	**411,700**	277,514	**3,532**	-
– Bonds	**265,232**	152,995	**651**	-
Equity securities – at fair value:				
– Listed	**2,288**	3,493	**-**	-
Equity securities – at fair value:				
– Unlisted	**55,596**	55,085	**2,836**	2,806
	799,850	553,154	**7,019**	2,806
Current	**547,193**	435,395	**4,183**	-
Non-current	**252,657**	117,759	**2,836**	2,806
	799,850	553,154	**7,019**	2,806
25.2 Held-to-maturity investments				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**2,112**	5,581	**-**	1,466
– Treasury bills with maturity of more than 90 days	**7,894**	7,845	**-**	-
– Bonds	**96,617**	145,059	**-**	-
	106,623	158,485	**-**	1,466
Current	**10,006**	13,426	**-**	1,466
Non-current	**96,617**	145,059	**-**	-
	106,623	158,485	**-**	1,466
25.3 Loans and receivables				
Investment in commercial papers	**3,955**	-	**-**	-
Investment in promissory notes	**3,351**	-	**-**	-
	7,306	-	**-**	-
Current	**3,351**	-	**-**	-
Non-current	**3,955**	-	**-**	-
	7,306	-	**-**	-
Total investment securities	**913,779**	711,639	**7,019**	4,272

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26 ASSETS 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 collateral are as follows:

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Available-for-sale debt securities (Note 26.1)	23,626	19,203
Held-to-maturity debt securities (Note 26.2)	82,020	49,280
	105,646	68,483
26.1 Assets pledged as collateral (available for sale)		
Debt securities - at fair value		
– Treasury bills	22,033	19,203
– Bonds	1,593	-
	23,626	19,203
26.2 Assets pledged as collateral (held to maturity)		
Debt securities - at amortised cost		
– Treasury bills	1,602	3,963
– Bonds	80,418	45,317
	82,020	49,280
The related liability for assets held as collateral includes:		
Bank of Industry	44,477	14,791
CBN/Commercial Agriculture Credit Scheme Intervention fund	11,998	15,624
Borrowings from Deutsche Bank	6,224	6,731

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.

Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of ₦20.2 billion (2014: ₦40.24 billion) for which there is no related liability.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	23,635	23,166
Non-current	82,011	45,317
	105,646	68,483

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27 OTHER ASSETS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
FINANCIAL ASSETS				
Premium debtors	132	578	-	-
Accounts receivable	23,567	27,379	4,454	14,111
	23,699	27,957	4,454	14,111
Less specific allowances for impairment	(2,629)	(1,408)	-	-
	21,070	26,549	4,454	14,111
NON-FINANCIAL ASSETS				
Stock of consumables	2,253	1,884	-	-
Prepayments	12,160	12,207	216	250
	14,413	14,091	216	250
Net other assets balance	35,483	40,640	4,670	14,361

	Group		Company	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
RECONCILIATION OF IMPAIRMENT ACCOUNT				
At start of period	1,408	1,533	-	-
Acquisition of subsidiary	-	11	-	-
Write-off	(531)	(422)	-	-
Increase in impairment	1,752	286	-	-
At end of period	2,629	1,408	-	-

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

28 INVENTORY

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Work in progress	41,972	29,191
Stock of properties	7,677	8,614
	49,649	37,805
Current	7,677	8,614
Non-current	41,972	29,191
	49,649	37,805

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The inventory balance relates to the carrying amount of the real estate development project of Rainbow Town Development Limited. The project is a Public Private Partnership (PPP) between FBNHoldings and Rivers State Government to develop housing units, ancillary commercial buildings and infrastructure in Trans Amadi Layout of Port Harcourt.

The information of the professional used to determine the net realisable value of the inventory is as follows:
Name of the professional: Wilson Momah
Name of the professional firm/entity: WIM Associates
FRC registration number of the professional: FRC/2013/NIQS/00000003318

Also included is the stock of property of FBN Mortgages Limited.

29 INVESTMENT PROPERTIES

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
At start of period	2,826	2,826
Acquisition of subsidiary	-	343
Addition and capital improvement	1	13
Net gains/(losses) from fair value adjustment	198	(355)
	3,025	2,826

Included in investment properties are mainly land acquired by the Group for capital appreciation. As the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The investment properties fall into level 2 fair value hierarchy and the fair value is recurring.

No rental income (2014: ₦3.4 million) arose from the investment properties during the year. The rental income, as well as the fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties is as follows:

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	Lagos and 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

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30 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

i. Kakawa Discount House Limited (KDH)

As at 1 January 2014, FBNHoldings and its subsidiaries had 46% shareholding in KDH. During 2014, the Group acquired the balance 54% equity stake in KDH, thus becoming a fully owned subsidiary of FBNHoldings. Consequently, equity accounting was discontinued and the investment in KDH classified as investment in subsidiaries and consolidated accordingly.

ii. Seawolf Oilfield Services Limited (SOSL)

FBNHoldings holds 42% shareholding in SOSL. In 2014, Asset Management Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBNHoldings in the company.

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

iii. FBN Heritage Fund

FBNHoldings and its subsidiaries have 62% shareholding in FBN Heritage Fund, with FBNHoldings alone owning 36%.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. FBN Heritage Fund is not publicly traded. However, the fund manager publishes the daily unit price of the fund on the memorandum listing section of the NSE. The unit price of the fund as at reporting date was ₦108.51.

Due to the exercise of control over FBN Heritage Fund at group level, the entity is being accounted for as a subsidiary and consolidated accordingly.

	Group		Company	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
KDH				
Balance at beginning of year	-	7,029	-	-
Share of profit	-	599	-	-
Fair value loss from acquisition of control	-	(268)	-	-
Transfer to investment in subsidiaries	-	(7,360)	-	-
At end of year	-	-	-	-
SOSL				
Balance at beginning of year	-	-	-	7,781
Impairment loss	-	-	-	(7,781)
At end of year	-	-	-	-
FBN HERITAGE FUND				
Balance at beginning of year	-	-	1,500	1,500
At end of year	-	-	1,500	1,500
	-	-	1,500	1,500

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31 INVESTMENT IN SUBSIDIARIES

31.1 Principal subsidiary undertakings

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
DIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 31a)	**205,557**	205,557
FBN Capital Limited (Note 31b)	**4,300**	4,300
FBN Insurance Limited (Note 31c)	**4,724**	2,262
FBN Insurance Brokers Limited (Note 31d)	**25**	25
New Villa Limited (Rainbow Town Development Limited) (Note 31e)	**1,700**	2,550
FBN Merchant Bank Limited (Note 31f)	**17,206**	16,000
	233,512	230,694
INDIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
FBN Trustees Limited (Note 31g)	**25,533**	25,533
FBN Funds Limited (Note 31h)	**4,550**	4,550
	30,083	30,083
	263,595	260,777

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the Group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit, FBN Insurance Limited, New Villa Limited (Rainbow Town Development Limited) and FBN General Insurance Limited (formerly Oasis Insurance Plc) in which it owned 75%, 65%, 55% and 65% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is ₦3.68 billion (2014: ₦4.03 billion).

SUBSIDIARY	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the Group (%)	Statutory year end
First Bank of Nigeria Limited (Note 31a)	Banking	Nigeria	100	100	31 December
FBN Capital Limited (Note 31b)	Investment Banking and Asset Management	Nigeria	100	100	31 December
FBN Insurance Limited (Note 31c)	Insurance	Nigeria	65	65	31 December
FBN Insurance Brokers Limited (Note 31d)	Insurance	Nigeria	100	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 31e)	Investment and General Trading	Nigeria	55	55	31 December
FBN Merchant Bank Limited (Note 31f)	Merchant Banking	Nigeria	100	100	31 December
FBN Trustees Limited (Note 31g)	Trusteeship	Nigeria	100	100	31 December
FBN Funds Limited (Note 31h)	Investment Banking and Asset Management	Nigeria	100	100	31 December

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

b. FBN Capital Limited
FBN Capital Limited is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the SEC to undertake issuing house business. It is also involved in the business of asset management and financial advisory

c. FBN Insurance Limited (formerly FBN Life Assurance Limited)
In February 2010, NAICOM granted an operating licence to FirstBank to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, FirstBank incorporated a subsidiary, FBN Life Assurance Limited. FirstBank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited in 2014.

d. FBN Insurance Brokers Limited
The company was incorporated under the Companies and Allied Matters Act CAP C20 LFN 2004, as a limited liability company on 31 March 1994 with the name Trust Link Insurance Brokers Limited. The company prepared financial statements up to 31 March 1998 after which it became dormant. The company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the company is insurance brokerage business.

e. New Villa Limited (Rainbow Town Development Limited)
New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include investments and general trading.

f. FBN Merchant Bank Limited (formerly Kakawa Discount House Limited)
Kakawa Discount House Limited was incorporated in Nigeria as a limited liability company on 14 February 1995 and was granted a licence to carry on the business of a discount house and commenced operations on 16 November 1995. Recently, the Company has transformed into a merchant bank. The Central Bank of Nigeria (CBN) licence for merchant banking was obtained in May 2015, while merchant banking operations commenced on 2 November 2015.

g. FBN Trustees Limited (formerly First Trustees Nigeria Limited)
FBN Trustees Limited was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The company was established to engage in the business of trusteeship as well as portfolio management and financial/investment advisory services.

h. FBN Funds Limited (formerly First Funds Limited)
FBN Funds Limited was incorporated on 14 November 2002. It commenced operations on 1 April 2003. Its principal activities are to carry on venture capital and private equity business.

31.2 Condensed results of consolidated entities from continuing operations

31 December 2015	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
SUMMARISED INCOME STATEMENT													
Operating income	6,795	336,386	14,729	6,380	9,829	671	876	34	225	(2,875)	373,050	(8,609)	364,441
Operating expenses	(4,615)	(200,262)	(7,521)	(2,233)	(7,750)	(471)	(923)	30	(71)	(266)	(224,082)	475	(223,607)
Impairment charge for credit losses	-	(125,943)	(939)	(282)	-	(14)	(276)	-	-	(257)	(127,711)	8,389	(119,322)
Operating profit	2,180	10,181	6,269	3,865	2,079	186	(323)	64	154	(3,398)	21,257	255	21,512
Associate	-	-	280	-	-	-	-	-	-	-	280	(280)	-
Profit before tax	2,180	10,181	6,549	3,865	2,079	186	(323)	64	154	(3,398)	21,537	(25)	21,512
Tax	-	(7,235)	(1,549)	2,701	(219)	(61)	-	-	-	-	(6,364)	-	(6,364)
Profit/(loss) for the year	2,180	2,946	5,000	6,566	1,860	125	(323)	64	154	(3,398)	15,173	(25)	15,148
Other comprehensive income	(17)	38,667	(1,304)	4,194	236	(49)	-	(1,060)	86	-	40,753	11	40,764
Total comprehensive income	2,163	41,613	3,696	10,760	2,096	76	(323)	(996)	240	(3,398)	55,926	(14)	55,912
Total comprehensive income allocated to non-controlling interest	-	-	-	-	83	-	-	(1,060)	33	-	(944)		
Dividends paid to non-controlling interest	-	-	-	-	183	-	-	-	161	-	344		
SUMMARISED FINANCIAL POSITION													
Assets													
Cash and balances with central bank	-	715,092	1	277	500	-	-	-	-	-	715,871	-	715,871
Loans and advances to banks	4,792	374,511	11,820	7,962	1,971	797	-	332	668	327	403,180	(17,411)	385,769
Loans and advances to customers	63	1,816,045	6,314	36,650	159	76	-	-	349	-	1,859,656	(42,385)	1,817,271
Financial assets at fair value through profit or loss	-	5,049	7,305	10,696	2,157	-	-	-	1,219	-	26,426	-	26,426
Investment securities	7,019	830,586	10,328	41,042	14,138	80	-	8,239	2,347	-	913,779	-	913,779
Assets pledged as collateral	-	102,218	3,428	-	-	-	-	-	-	-	105,646	-	105,646
Other assets	4,670	26,802	2,406	866	1,156	92	-	-	1	538	36,531	(1,048)	35,483
Inventory	-	7,677	-	-	-	-	-	-	-	48,249	55,926	(6,277)	49,649
Investment properties	-	-	2,705	-	320	-	-	-	-	-	3,025	-	3,025

31 December 2015	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
Investment in associates accounted for using the equity method	1,500	-	1,191	-	-	-	-	-	-	-	2,691	(2,691)	-
Investment in subsidiaries	263,595	-	0	-	-	-	-	-	-	-	263,595	(263,595)	-
Property, plant and equipment	1,192	82,351	1,712	964	1,741	81	-	-	-	7	88,048	350	88,398
Intangible assets	-	9,274	100	20	284	2	-	-	-	7	9,687	-	9,687
Deferred tax assets	-	2,923	1,180	8,083	-	34	-	-	-	-	12,220	2,395	14,615
Assets held for sale	-	570	-	-	-	-	-	-	-	-	570	-	570
	282,831	3,973,098	48,490	106,560	22,426	1,162	-	8,571	4,584	49,128	4,496,848	(330,659)	4,166,189
Financed by													
Deposits from banks	-	139,052	-	5,600	-	-	-	-	-	-	144,652	-	144,652
Deposits from customers	-	2,905,070	11,475	71,631	-	-	-	-	-	-	2,988,176	(17,254)	2,970,922
Financial liabilities at fair value through profit or loss	-	12,121	-	367	-	-	-	-	-	-	12,488	-	12,488
Current income tax liability	-	5,789	2,500	128	259	90	-	-	-	6	8,773	-	8,773
Other liabilities	5,751	152,877	5,700	901	636	181	-	150	39	3,208	169,442	(1,001)	168,441
Liability on investment contracts	-	-	-	-	-	-	-	10,157	-	-	10,157	-	10,157
Liability on insurance contracts	-	-	-	-	11,837	-	-	-	-	-	11,837	-	11,837
Borrowings	-	249,891	6,224	-	-	-	-	-	-	51,115	307,230	(51,114)	256,116
Retirement benefit obligations	-	3,709	-	-	-	55	-	-	-	-	3,764	-	3,764
Deferred tax liabilities	-	64	-	89	86	-	-	-	-	-	239	-	239
	5,751	3,468,573	25,899	78,716	12,818	326	-	10,307	39	54,329	3,656,756	(69,367)	3,587,389
Equity and reserves	277,080	504,525	22,591	27,844	9,608	836	-	(1,736)	4,545	(5,201)	840,093	(261,293)	578,800
SUMMARISED CASH FLOWS													
Operating activities													
Interest received	604	369,734	4,571	14,105	197	116	0	777	0	0	390,104	(1,520)	388,584
Interest paid	-	(118,133)	0	(9,853)	-	0	0	(569)	0	0	(128,555)	0	(128,555)
Income tax paid	-	(11,157)	(1,590)	(50)	(214)	(72)	0	-	0	0	(13,083)	816	(12,267)

31 December 2015	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
Cash flow generated from operations	(1,533)	218,150	(2,052)	(13,154)	4,344	139	(748)	138	(65)	(1,292)	203,928	30,876	234,804
Net cash generated from operating activities	(929)	458,593	929	(8,952)	4,327	183	(748)	346	(65)	(1,292)	452,394	30,172	482,566
Net cash used in investing activities	4,257	(190,405)	(21,359)	14,369	(1,101)	(39)	(3,067)	(8,239)	0	1	(205,583)	(8,448)	(214,031)
Net cash used in financing activities	(3,263)	(113,753)	(5,538)	0	(522)	(234)	(41)	8,226	22	1,409	(113,694)	(25,193)	(138,887)
Increase in cash and cash equivalents	65	154,435	(25,968)	5,417	2,704	(91)	(3,856)	333	(42)	118	133,116	(3,468)	129,648
Cash and cash equivalents at start of year	4,727	486,279	38,535	5,854	6,389	881	3,856	0	711	208	547,440	(14,984)	532,456
Effect of exchange rate fluctuations on cash held	-	4,259	-	-	-	6	-	-	-	-	4,265	(1)	4,264
Cash and cash equivalents at end of year	4,792	644,973	12,567	11,271	9,094	797	0	332	668	325	684,819	(18,451)	666,368

31 December 2014	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
SUMMARISED INCOME STATEMENT													
Operating income	16,969	338,593	12,230	1,594	4,704	792	1,202	1,431	216	(1,123)	376,609	(20,366)	356,243
Operating expenses	(11,286)	(218,631)	(9,123)	(781)	(3,371)	(553)	(913)	(1,359)	(187)	(339)	(246,542)	9,698	(236,844)
Impairment charge for credit losses	-	(25,730)	(240)	(310)	(3)	(4)	(6)	-	-	-	(26,293)	351	(25,942)
Operating profit	5,683	94,232	2,867	503	1,330	234	283	72	29	(1,462)	103,774	(10,317)	93,457
Associate	-	136	-	-	-	-	-	-	-	-	136	463	599
Profit before tax	5,683	94,368	2,867	503	1,330	234	283	72	29	(1,462)	103,910	(9,854)	94,056
Tax	-	(9,526)	(2,727)	2,580	(242)	46	(176)	-	-	-	(10,045)	-	(10,045)
Profit/(loss) for the year	5,683	84,842	140	3,083	1,088	280	108	72	29	(1,462)	93,862	(9,851)	84,011
Other comprehensive income	291	4,818	(1,101)	(1,681)	(88)	(1)	-	(1,716)	(26)	-	495	2,082	2,577
Total comprehensive income	5,974	89,660	(961)	1,402	1,000	279	108	(1,644)	3	(1,462)	94,358	(7,770)	86,588
Total comprehensive income allocated to non-controlling interest	-	15	-	-	381	-	-	-	1	(657)	(260)		
Dividends paid to non-controlling interest	-	-	-	-	107	-	-	-	-	-	107		
SUMMARISED FINANCIAL POSITION													
Assets													
Cash and balances with central bank	-	697,601	1	1	500	-	90	-	-	-	698,194	(90)	698,104
Loans and advances to banks	3,261	430,053	34,991	1,896	755	881	3,619	24,452	711	209	500,827	(39,916)	460,911
Loans and advances to customers	80	2,193,563	1,872	26,867	-	74	1,594	-	-	0	2,224,050	(45,065)	2,178,986
Financial assets at fair value through profit or loss	-	10,708	7,897	7,366	48	-	-	5,718	1,582	-	33,320	(5,718)	27,601
Investment securities	4,272	598,904	44,613	50,641	11,903	107	149	29,083	2,375	-	742,047	(30,408)	711,639
Assets pledged as collateral	-	64,527	3,956	-	-	-	-	-	-	-	68,483	-	68,483
Other assets	14,361	39,457	7,509	525	1,484	114	158	239	57	1,325	65,229	(24,590)	40,640
Inventory	-	-	-	-	-	-	-	-	-	40,775	40,775	(2,970)	37,805
Investment properties	-	-	2,504	-	322	-	-	-	-	-	2,826	-	2,826

31 December 2014	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
Investment in associates accounted for using the equity method	1,500	-	990	-	-	-	-	-	-	-	2,490	(2,490)	-
Investment in subsidiaries	260,777	-	0	-	-	-	-	-	-	-	260,777	(260,777)	-
Property, plant and equipment	1,518	83,404	505	1,001	1,687	78	284	-	-	16	88,492	65	88,557
Intangible assets	-	8,104	125	27	301	3	2	-	-	9	8,572	(2)	8,569
Deferred tax assets	-	2,384	1,391	5,185	-	32	-	-	-	-	8,992	2,293	11,285
Assets held for sale	2,000	2,931	-	-	-	-	-	-	-	-	4,931	3,400	8,331
	287,769	4,131,636	106,355	93,509	17,000	1,289	5,896	59,492	4,725	42,334	4,750,005	(406,268)	4,343,737
Financed by													
Deposits from banks	-	163,710	1,212	6,229	-	-	1,950	-	-	-	173,101	(1,950)	171,151
Deposits from customers	-	2,989,735	1,133	68,819	-	-	1,291	-	-	-	3,060,979	(10,126)	3,050,853
Financial liabilities at fair value through profit or loss	-	9,915	-	1,002	-	-	-	-	-	-	10,917	0	10,917
Current income tax liability	-	8,529	2,836	85	271	100	69	-	-	7	11,898	(69)	11,829
Other liabilities	9,590	131,702	10,749	1,415	4,154	178	163	656	32	2,216	160,855	(28,221)	132,633
Liability on investment contracts	-	-	60,703	-	-	-	-	60,703	-	-	121,406	(60,789)	60,617
Liability on insurance contracts	-	-	-	-	8,260	-	-	-	-	-	8,260	-	8,260
Borrowings	-	362,976	6,731	-	-	-	-	-	-	41,913	411,620	(41,913)	369,707
Retirement benefit obligations	-	2,012	0	-	-	17	-	-	-	-	2,029	-	2,029
Deferred tax liabilities	-	38	-	81	68	-	29	-	-	-	216	(130)	87
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	1,592	1,592
	9,590	3,668,617	83,365	77,632	12,753	295	3,502	61,359	32	44,136	3,961,283	(141,608)	3,819,675
Equity and reserves	278,179	463,017	22,990	15,877	4,247	996	2,393	(1,866)	4,692	(1,802)	788,722	(264,661)	524,062
SUMMARISED CASH FLOWS													
Operating activities													
Interest received	1,917	342,481	9,633	13,584	1,060	114	0	7,554	268	15	376,628	(24,587)	352,041
Interest paid	-	(96,306)	(7,116)	(8,918)	-	0	0	(6,136)	0	0	(118,475)	25,159	(93,316)
Income tax paid	-	(30,276)	(764)	(104)	(63)	(98)	(88)	0	0	-	(31,393)	64	(31,329)

31 December 2014	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
Cash flow generated from operations	(4,023)	(676,144)	(4,606)	2,247	6,943	(133)	(2,357)	(12,969)	(322)	(6,405)	(697,769)	(18,509)	(716,279)
Net cash generated from operating activities	(2,106)	(460,245)	(2,853)	6,809	7,941	(117)	(2,445)	(11,551)	(54)	(6,390)	(471,010)	(17,873)	(488,883)
Net cash used in investing activities	41,210	(14,290)	21,465	(2,161)	(2,093)	(30)	(84)	23,873	776	5	68,671	(81,498)	(12,827)
Net cash used in financing activities	(35,895)	198,831	(3,911)	1,206	(305)	(188)	(31)	0	(58)	5,653	165,302	33,534	198,836
Increase in cash and cash equivalents	3,210	(275,704)	14,701	5,854	5,542	(335)	(2,560)	12,322	664	(731)	(237,036)	(65,838)	(302,874)
Cash and cash equivalents at start of year	1,476	762,421	23,833	0	846	1,209	6,416	12,130	47	940	809,318	25,373	834,691
Effect of exchange rate fluctuations on cash held	42	(438)	0			7		-			(389)	1,028	639
Cash and cash equivalents at end of year	4,728	486,279	38,534	5,854	6,389	881	3,856	24,452	711	208	571,893	(39,437)	532,456

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32 ACQUISITION OF SUBSIDIARY

The Group did not conclude any new acquisitions during the year. However, the final acquisition accounting for Kakawa Discount House Limited (now FBN Merchant Bank Limited) was concluded in 2015.

	Kakawa Discount House Limited 30 September 2014 ₦ million
Consideration	
Cash	8,640
Total consideration transferred	8,640
Fair value of equity interest in KDH held before the business combination	7,360
Total consideration	16,000

Recognised amounts of identifiable assets acquired and liabilities assumed	Final fair value ₦ million	Provisional fair value ₦ million	Changes ₦ million
Cash and balances with central banks	2,407	2	2,405
Investment securities	60,389	88,008	(27,619)
Loans and advances to banks	6,072	799	5,273
Loans and advances to customers	41,401	16,869	24,532
Deferred tax asset	4,816	2,523	2,293
Other assets	204	2,908	(2,704)
Property, plant and equipment	1,359	1,006	353
Intangible assets	26	30	(4)
Deposits	(97,504)	(95,841)	(1,663)
Derivative financial instrument	(324)	-	(324)
Current income tax liability	(74)	-	(74)
Deferred tax liability	-	(101)	101
Other liabilities	(1,600)	(1,728)	128
Total identifiable net assets	17,172	14,475	2,697
(Gain on bargain purchase)/goodwill	(1,172)	1,525	(2,697)
Cash and cash equivalents acquired from Kakawa Discount House Limited is made up of the following:			
Cash and balances with central banks	2,407	2	2,405
Treasury bills	18,563	26,241	(7,678)
Loans and advances to banks	6,072	799	5,273
	27,042	27,042	-
Net cash on acquisition of subsidiary	18,402	18,402	-

Total cash and cash equivalents acquired from subsidiaries in 2014	2014 ₦ million
Kakawa Discount House Limited	18,402
ICB entities	190
Oasis Insurance Plc	(1,658)
	16,935

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In 2014, the management account of Kakawa Discount House Limited was used for provisional accounting of the business combination due to the closeness of the acquisition completion date to the year end. In 2015, the fair values of identifiable assets and liabilities were determined. The identifiable assets and liabilities whose values changed from the provisional numbers are detailed in the table above. The resultant impact of these changes in value of the identifiable net assets and liabilities at date of acquisition have been adjusted in the 2014 numbers and detailed in Note 57.

33a. ASSET HELD FOR SALE: DISCONTINUED OPERATIONS

The assets classified as held for sale in 2014 included the assets and liabilities of FBN Microfinance Bank Limited (FBN MFB) and the Property Development Portfolio of FBN Mortgages Limited ('FBNM'). The assets and liabilities of FBN MFB were classified as such following the decision and resolution of the Board of Directors of FBN Holdings Plc. ('the company', 'FBNH' or 'Holdco') to divest from FBN MFB. The property development portfolio of FBN Mortgages Limited ('FBNM') was classified as held for sale following the commitment to sell the assets in compliance with the Central Bank of Nigeria's (CBN) regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which requires banks in Nigeria to concentrate on banking businesses.

The sale of FBN MFB was concluded in 2015, and its assets and liabilities previously classified as held for sale were transferred to the buyer (Letshego Holdings Limited). The net asset transferred was used in determining the gain on sale of subsidiary as presented in Note 34.

On the other hand, some of the inventory balance of the property development portfolio of FBN Mortgages Limited which was previously classified as held for sale was reclassified to Inventory. During the year, subscribers who purchased some of the properties in prior periods subsequently defaulted in their payment obligation to Group and opted to exchange the properties for the outstanding balance due from them. Following reassessment of the continued classification of some assets classified as held for sale at the end of the year, the Group has deemed it fit to reclassify portions of the assets to inventory because there is no firm agreement in respect of their sale despite its marketing effort (see Note 28). The reclassification was necessitated by the general economic slowdown and failure to conclude their sale for over 12 months.

The reclassification has not affected the Group's intention to sell the assets as mandated by regulatory pronouncements and its renewed marketing effort.

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Assets classified as held for sale				
Cash and balances with central banks	-	90	-	-
Loans and advances to banks	-	3,124	-	-
Loans and advances to customers	-	1,594	-	-
Investment securities	-	149	-	-
Other assets	-	157	-	-
Inventory	570	2,931	-	-
Investment in subsidiaries	-	-	-	2,000
Property, plant and equipment	-	284	-	-
Intangible assets	-	2	-	-
	570	8,331	-	2,000
Liabilities classified as held for sale				
Deposit from banks	-	46	-	-
Deposit from customers	-	1,291	-	-
Company income tax liability	-	69	-	-
Other liabilities	-	157	-	-
Deferred tax	-	29		
	-	1,592	-	-
Net asset	570	6,739	-	2,000

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33b. ASSET HELD FOR SALE: DISCONTINUED OPERATIONS

The analysis of inventory balance relating to the property development portfolio of FBN Mortgages is detailed below:

	₦ million
Balance as at 31 December 2014	2,931
Addition (recovery due to payment default)	5,930
Reclass to Inventory (Note 28)	(7,677)
Disposal during the year	(614)
Balance as at 31 December 2015	570

The fair value of the asset held for sale was determined using the sales comparison approach where the key input is price per square metre determined from recent sales of comparable property in the area (comparability is based on location and size). The fair value is within level 2 of the fair value hierarchy.

34 DISPOSAL OF SUBSIDIARY/LOSS OF CONTROL IN SUBSIDIARY

Following the Board's approval to dispose the Group's interest in FBN Microfinance Bank Limited on 12 August 2014, the Group's interest was classified as asset held for sale, having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount was expected to be recovered principally by a sale rather than through continuing use. The sale was completed in December 2015. The operating results of FBN Microfinance Bank Limited from 1 January 2015 to date of disposal is included in the Group's operating results from continuing operations because the disposal group does not meet the definition of discontinued operations.

Also, in accordance with the requirements of IFRS 10, the Group re-assessed its control of Ivory Trust Fund (comprising Liquidity Management Fund, Private Banking Fund, Africa Bond, Eurostructured Bond, NSIA I and NSIA II) and concluded that it no longer controls all the funds in Ivory Trust except NSIA II. In view of this loss of control, the Group discontinued consolidation of the affected entity effective January 2015.

The aggregate book value of the net assets for the subsidiaries disposed at the date of disposal is as follows:

Group	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Cash and balances with central banks	98	-	98
Loans and advances to banks	2,916	24,304	27,220
Loans and advances to customers	1,449	-	1,449
Financial assets at fair value through profit or loss	-	5,718	5,718
Investment securities	149	21,401	21,550
Other assets	117	240	357
Property, plant and equipment	244	-	244
Intangible assets	1	-	1
Deferred tax assets	-	-	-
Total assets	4,974	51,663	56,637

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Group

	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Deposits from banks	(1,379)	-	(1,379)
Deposits from customers	(1,430)	-	(1,430)
Current income tax liability	(11)	-	(11)
Other liabilities	(97)	(598)	(695)
Liability on investment contracts	-	(52,192)	(52,192)
Deferred tax liabilities	(29)	-	(29)
Total liabilities	(2,946)	(52,790)	(55,736)
Net assets of disposal group	2,028	(1,127)	901
Net assets of disposal group attributable to NCI	-	1,127	1,127
Net assets of disposal group attributable to parent	2,028	-	2,028
Proceeds on disposal	3,800	-	3,800
Less:			
Incidental cost (severance cost and professional fees)	(200)	-	(200)
Net proceeds on disposal	3,600	-	3,600
Gain from disposal of subsidiary	1,572	-	1,572

Company

	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Net proceeds on disposal	3,600	-	3,600
Cost of investment	(2,000)	-	(2,000)
Gain from disposal of subsidiary	1,600	-	1,600
Cash and cash equivalent lost on disposal of subsidiary/loss of control in subsidiary, net			
Cash and balances with central banks	98	-	98
Treasury bills	149	13,169	13,318
Loans and advances to banks	2,916	24,305	27,221
Less: net proceeds on disposal	(3,600)	-	(3,600)
	(437)	37,474	37,037

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35 PROPERTY, PLANT AND EQUIPMENT

Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Plant and machinery ₦ million	Work in progress* ₦ million	Total ₦ million
COST									
At 1 January 2014	37,799	18,199	9,177	29,808	8,172	7,066	58	7,117	117,396
Additions	1,557	2,658	2,484	4,728	2,333	782	13	2,361	16,916
Acquisition of new subsidiary	1,716	223	439	144	176	158	19	-	2,875
Reclassifications	1,773	456	-	1,669	173	377	-	(4,448)	-
Reclassification to assets held for sale	(125)	(58)	(64)	(120)	(92)	(39)	-	-	(498)
Disposals	-	(601)	(1,064)	(49)	(10)	(10)	(2)	(41)	(1,777)
Write-offs	-	-	(32)	(4)	(3)	(3)	-	(344)	(386)
Exchange difference	490	37	142	140	234	80	2	160	1,285
At 31 December 2014 (as previously reported)	43,210	20,914	11,082	36,316	10,983	8,411	90	4,805	135,811
Effect of final accounting of business combination (Note 57)	349	-	-	-	-	-	-	-	349
At 31 December 2014 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Accumulated depreciation									
At 1 January 2014	5,028	1,414	4,289	19,671	5,822	3,376	(10)	(3,493)	36,097
Charge for the year	1,143	6	2,152	4,944	1,884	1,233	13	-	11,375
Acquisition of new subsidiary	100	-	290	97	151	87	15	-	740
Reclassifications	(59)	(1,410)	(5)	(1,814)	(124)	(119)	37	3,493	-
Reclassification to assets held for sale	(13)	-	(32)	(68)	(74)	(27)	-	-	(214)
Disposals	-	-	(799)	(49)	(9)	(8)	-	-	(865)
Exchange differences	70	-	94	61	192	53	1	-	471
At 31 December 2014	6,269	10	5,989	22,842	7,842	4,595	56	0	47,603
Net book amount at 31 December 2014	36,941	20,904	5,093	13,474	3,141	3,816	34	4,805	88,208
Net book amount at 31 December 2014 (revised)	37,290	20,904	5,093	13,474	3,141	3,816	34	4,805	88,557
COST									
At 1 January 2015 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Additions	1,070	184	2,832	2,790	1,115	655	34	2,914	11,594
Reclassifications	397	52	-	1,157	404	115	-	(2,145)	(20)
Disposals	(34)	-	(1,843)	(79)	(15)	(104)	(3)	-	(2,078)
Write-offs	-	-	(12)	-	-	-	(2)	(180)	(194)
Exchange difference	380	(141)	54	67	125	43	28	189	745
At 31 December 2015	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Accumulated depreciation									
At 1 January 2015	6,269	10	5,989	22,842	7,842	4,595	56	0	47,603
Charge for the year	1,216	-	2,331	4,827	1,976	1,150	16	-	11,516

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Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Plant and machinery ₦ million	Work in progress* ₦ million	Total ₦ million
Reclassifications	(1)	(10)	-	-	(1)	1	-	-	(11)
Disposals	(26)	-	(1,354)	(56)	(15)	(93)	(1)	-	(1,545)
Write-offs	-	-	-	-	-	-	(2)	-	(2)
Exchange differences	53	-		22	97	15	22	-	248
At 31 December 2015	7,511	-	7,005	27,635	9,899	5,668	91	0	57,809
Net book amount at 31 December 2015	37,861	21,009	5,108	12,616	2,713	3,452	56	5,583	88,398

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

Exchange difference on property, plant and equipment

The exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the Group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBNBank UK and FBNBank Congo.

*Work in progress refers to capital expenditures incurred on items of property, plant and equipment that are however not ready for use and as such are not being depreciated.

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Company

	Improvement and buildings ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Work in progress* ₦ million	Total ₦ million
COST							
At 1 January 2014	-	169	20	1	212	717	1,119
Additions	-	87	2	2	7	578	676
Reclassifications	615	-	428	-	252	(1,295)	-
At 31 December 2014	615	256	450	3	471	-	1,795
ACCUMULATED DEPRECIATION							
At 1 January 2014	-	19	4	-	24	-	47
Charge for the year	61	52	47	1	68	-	229
At 31 December 2014	61	71	51	1	92	-	276
Net book amount at 31 December 2014	554	185	399	2	379	-	1,519
COST							
At 1 January 2015	615	256	450	3	471	-	1,795
Additions	-	112	1	2	1	-	115
Disposal	-	(94)	(5)	0	(17)	-	(116)
At 31 December 2015	615	274	446	5	455	-	1,794
ACCUMULATED DEPRECIATION							
At 1 January 2015	61	71	51	1	92	-	276
Charge for the year	123	76	90	1	94	-	384
Disposal	-	(46)	(3)	0	(9)	-	(58)
At 31 December 2015	184	101	138	2	177	-	602
Net book amount at 31 December 2015	431	173	308	3	278	-	1,192

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

*Work in progress refers to capital expenditures incurred on items of property, plant and equipment that are however not ready for use and as such are not being depreciated.

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36 INTANGIBLE ASSETS

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
COST						
At 1 January 2014	7,138	-	-	-	4,073	11,211
Additions	-	-	-	-	2,208	2,208
Write-off	-	-	-	-	(732)	(732)
Other changes	(1,081)	52	330	699	-	-
Acquisition of subsidiary	2,133	-	-	-	461	2,594
Exchange difference	(996)	-	-	-	126	(870)
At 31 December 2014 (as previously reported)	7,194	52	330	699	6,136	14,411
Effect of final accounting of business combination (Note 57)	(1,525)	-	-	-	-	(1,525)
At 31 December 2014 (revised)	5,669	52	330	699	6,136	12,886
Additions	-	-	-	-	4,371	4,371
Exchange difference	(141)	-	(4)	(11)	5	(151)
At 31 December 2015	5,528	52	326	688	10,512	17,106
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	552	-	-	-	1,911	2,463
Amortisation charge	-	20	207	139	1,018	1,384
Impairment charge	501	-	-	-	-	501
Write-off	-	-	-	-	(512)	(512)
Acquisition of subsidiary	-	-	-	-	393	393
Exchange difference	-	-	-	-	88	88
At 31 December 2014	1,053	20	207	139	2,898	4,317
Amortisation charge	-	26	61	144	1,926	2,157
Impairment charge	872	6	58	9	-	945
At 31 December 2015	1,925	52	326	292	4,824	7,419
NET BOOK VALUE						
At 31 December 2015	3,603	-	-	396	5,688	9,687
At 31 December 2014 (as previously reported)	6,141	32	123	560	3,238	10,094
At 31 December 2014 (revised)	4,616	32	123	560	3,238	8,569

The amortisation charge for the year is included in the income statement.

The goodwill balance of ₦3.60 billion includes ₦0.55 billion attributable to the acquisition of FBNBank DRC in the Democratic Republic of Congo concluded in 2013; ₦2.79 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and ₦0.26 billion attributable to the acquisition of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014.

Brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using a straight-line method over three years, five years and two years respectively. The brand and customer relationship intangible assets were written off due to a change in the name of the acquired entities.

The software is not internally generated.

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Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash-generating unit and segmented as part of the Commercial Banking business and Insurance business groups.

In the prior year, the value of goodwill in FBNBank Guinea (formerly ICB Guinea) was reduced to the recoverable amount by an impairment charge which was recognised in operating expenses in the income statement. The impairment in FBNBank Guinea arose as a result of the outbreak of Ebola, which has led to an adverse effect on the economy.

In the current year, the goodwill of FBNBank Senegal (formerly ICB Senegal) and FBNBank Gambia (ICB Gambia) has been fully impaired and the impairment recognised in the income statement. The impairment was attributable to the general economic downturn in both economies.

The recoverable amount of each cash-generating unit has been based on value in use and the weighted average cost of capital (WACC). These calculations use pre-tax cash flow projection covering five years. The discount rate used is pre-tax.

Impairment testing on cash-generating units containing goodwill

The cash-generating units with material goodwill balances relates to FBNBank Ghana (formerly ICB Ghana) and FBNBank DRC (formerly BIC) and the key assumptions used in the value-in-use calculation are as follows:

	2015		2014	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Terminal growth rate: %	6%	4%	6%	6%
Discount rate: %	24%	27%	24%	27%
Deposit growth rate: %	12%	6%	12%	15%
Recoverable amount of the cash-generating unit: (₦' million)	11,173	10,259	12,983	8,776

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

	2015		2014	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Goodwill (₦ million)	552	2,345	1,104	2,285
Net asset (₦ million)	7,771	5,826	6,158	5,272
Total carrying amount (₦ million)	8,323	8,172	7,262	7,557
Excess of recoverable amount over carrying amount	2,850	2,087	5,721	1,219

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37 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% (2014: 30%, 2013: 30%).

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:		
DEFERRED TAX ASSETS		
Property and equipment	**(7,842)**	(8,219)
Allowance for loan losses	**3,676**	3,426
Tax losses carried forward	**20,276**	17,871
Other assets	**1,472**	1,318
Other liabilities	**(7,491)**	(7,488)
Defined benefit obligation	**3,265**	3,265
Prior year adjustment	**987**	987
Effect of changes in exchange rate	**231**	125
Borrowings	**40**	-
	14,614	11,285
DEFERRED TAX LIABILITIES		
Property and equipment	**149**	15
Other assets	**7**	7
Other liabilities	**83**	65
	239	87
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	**13,123**	9,794
- Deferred tax asset to be recovered within 12 months	**1,491**	1,491
	14,614	11,285
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	**129**	86
- Deferred tax liability to be recovered within 12 months	**110**	1
	239	87

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Group

	1 Jan 2015 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Assets classified as held for sale ₦ million	31 Dec 2015 ₦ million
Movements in deferred tax assets during the year:						
Property and equipment	(8,219)	-	377	-	-	(7,842)
Allowance for loan losses	3,426	-	250	-	-	3,676
Tax losses carried forward	17,871	-	2,405	-	-	20,276
Other assets	1,318	-	154	-	-	1,472
Other liabilities	(7,488)	-	(3)	-	-	(7,491)
Defined benefit obligation	3,265	-	-	-	-	3,265
Prior year adjustment	987	-	-	-	-	987
Effect of changes in exchange rate	125	-	106	-	-	231
Borrowings	-	-	40	-	-	40
	11,285	-	3,329	-	-	14,614

Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Assets classified as held for sale ₦ million	Revised 31 Dec 2014 ₦ million
Movements in deferred tax assets during the year:						
Property and equipment	(500)	-	(7,719)	-	-	(8,219)
Allowance for loan losses	3,631	-	(205)	-	-	3,426
Tax losses carried forward	419	5,145	12,307	-	-	17,871
Other assets	(405)	-	1,723	-	-	1,318
Other liabilities	(629)	-	(6,859)	-	-	(7,488)
Defined benefit obligation	3,145	-	(2)	122	-	3,265
Prior year adjustment	1,459	-	(471)	-	-	987
Effect of changes in exchange rate	-	-	125	-	-	125
	7,120	5,145	(1,101)	122	-	11,285

Group

	1 Jan 2015 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Liabilities classified as held for sale ₦ million	31 Dec 2015 ₦ million
Movements in deferred tax liabilities during the year:						
Property and equipment	15	-	134	-	-	149
Other assets	7	-	-	-	-	7
Other liabilities	65	-	18	-	-	83
	87	-	152	-	-	239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Liabilities classified as held for sale ₦ million	Revised 31 Dec 2014 ₦ million
Movements in deferred tax liabilities during the year:						
Property and equipment	-	0	15	-	-	15
Other assets	-	-	36	-	(29)	7
Other liabilities	37	34	(6)	-	-	65
	37	34	45	-	(29)	87

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. Temporary difference relating to the Group's investment in subsidiaries is ₦79.0 billion (2014: ₦89.5 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

38 DEPOSITS FROM BANKS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Due to banks within Nigeria	**121,378**	78,859
Due to banks outside Nigeria	**23,274**	92,292
	144,652	171,151

Deposits from banks only include financial instruments classified as liabilities at amortised cost and have a remaining period to contractual maturity of less than 12 months.

39 DEPOSITS FROM CUSTOMERS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	**732,615**	747,627
Savings	**829,809**	728,728
Term	**970,418**	1,049,023
Domiciliary	**429,360**	515,476
Electronic purse	**8,720**	9,999
	2,970,922	3,050,853
Current	**2,822,847**	2,891,164
Non-current	**148,075**	159,689
	2,970,922	3,050,853

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

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40 OTHER LIABILITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Customer deposits for letters of credit	46,844	34,264	-	-
Accounts payable	66,117	52,313	-	-
Creditors	19,817	16,457	380	7,950
Bank cheques	15,290	14,964	-	-
Collection on behalf of third parties	4,621	7,759	-	-
Unclaimed dividend	4,187	-	4,187	-
Accruals	11,565	6,876	1,184	1,640
	168,441	132,633	5,751	9,590

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

41 LIABILITY ON INVESTMENT CONTRACTS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Long-term clients	10,157	-
Short-term clients	-	60,617
	10,157	60,617
Current	-	60,617
Non-current	10,157	-
	10,157	60,617

42 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Outstanding claims	757	556
Unearned premium	1,235	917
Short-term insurance contract - claims incurred but not reported (IBNR)	502	264
Liability on annuity fund	2	-
Liability on long-term insurance contract - life fund	9,341	6,523
	11,837	8,260
Current	2,494	1,737
Non-current	9,343	6,523
	11,837	8,260

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43 BORROWINGS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Long-term borrowings comprise:		
FBN eurobond (a)	**152,434**	141,819
Due to European Investment Bank (b)	**-**	565
Due to Deutsche Bank (c)	**6,224**	6,731
On-lending facilities from financial institutions (d)	**83,332**	32,449
Borrowing from correspondence banks (e)	**14,126**	188,143
	256,116	369,707
Current	**36,125**	206,299
Non-current	**219,991**	163,408
	256,116	369,707
At start of the year	**369,707**	126,302
Acquisition of subsidiary	**-**	2,497
Proceeds of new borrowings	**75,961**	315,792
Finance cost	**15,273**	17,995
Foreign exchange losses/(gains)	**7,722**	(9,721)
Repayment of borrowings	**(200,445)**	(71,308)
Interest paid	**(12,102)**	(11,850)
At end of year	**256,116**	369,707

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2014: nil).

a. FBN Eurobond:
Facilities represent dollar notes I and II issued by FBN Finance Company B.V. Netherlands on 7 August 2013 and on 18 July 2014 for a period of seven years. The notes I bear interest at 8.25% per annum up to the Bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the Bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States dollar swap transactions with a maturity of two years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

b. Due to European Investment Bank:
Facility represents a medium-term loan (callable notes) secured from the European Investment Bank. The loan is divided into tranche A of €35 million for a tenure of five years and tranche B of €15 million for a tenure of eight years, which qualifies it as tier 2 capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The loan was fully repaid in April 2015.

c. Due to Deutsche Bank:
Facility represents a medium-term loan secured from Deutsche Bank on 15 August 2014 for a period of five years to augment working capital. The loan bears interest at the rate of 2.68% per annum.

d. On-lending facilities:
Included in on-lending facilities from financial institutions are disbursements from other banks and financial institutions that are guaranteed by FBN for specific customers. These facilities include the Bank of Industry (BOI) funds and Commercial Agriculture Credit Scheme (CACS) intervention funds. See further notes below.

   i. CBN/BOI facilities
   The CBN, in a bid to unlock the credit market, approved the investment of ₦200 billion debenture stock to be issued by the BOI, which would be applied to the refinancing/restructuring of the Bank's loans to the manufacturing sector. During the year, the BOI disbursed an additional ₦31.6 billion (2014: ₦9.16 billion) to FirstBank. The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate of 7% per annum.

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ii. **CBN/CACS intervention funds**
The CBN in collaboration with the FGN represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the CACS. During the year, First Bank of Nigeria Limited received ₦4.2 billion (2014: ₦6.8 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven-year period at an interest rate of 9% per annum.

iii. **CBN on-lending bail-out fund**
During the year, First Bank of Nigeria Limited received ₦25.7 billion for on-lending to two state governments in line with the CBN special intervention fund. The loans granted are at an interest rate of 9%.

e. **Borrowings from correspondence banks:**
Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits for international trade.

44 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Defined benefits plan		
Gratuity scheme (i)	55	17
Defined benefits - pension (ii)	3,083	1,636
Gratuity scheme (iii)	626	376
	3,764	2,029

Plan liabilities are based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2015 and 31 December 2014.

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 five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity.

Movement in the present value of the defined benefit obligation (gratuity scheme (i)) in the current year is as follows:

Group	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Defined benefit pension obligations/value of plan assets at 1 January 2014	535	(55)	480
Transfer to defined benefits – pension (ii)	(343)	-	(343)
Service cost	45	-	45
Interest cost	8	(7)	1
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	-	2	2
- Change in demographic assumptions	(12)	-	(12)
Contributions:			
- Employer	-	(72)	(72)
Payments:			
- Benefit payment	(85)	1	(84)
Defined benefit pension obligations/value of plan assets at 31 December 2014	148	(131)	17
Transfer to defined benefits – pension (ii)	-	-	-

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Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Service cost	46	-	46
Interest cost	17	(15)	2
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	-	(28)	(28)
- Change in demographic assumptions	50	-	50
Contributions:			
- Employer		(32)	(32)
Payments:			
- Benefit payment	(20)	20	-
Defined benefit pension obligations/value of plan assets at 31 December 2015	**241**	**(186)**	**55**

Composition of plan assets

Group

	Quoted ₦ million	2015 Unquoted ₦ million	Total ₦ million	Quoted ₦ million	2014 Unquoted ₦ million	Total ₦ million
Debt instruments			186			131
- Government	-	144		-	103	
- Money market investments	-	42		-	27	
Others	-	-	-	-	1	-
Total	-	186	186	-	131	131

The weighted average duration of the defined benefit obligation is 11.81 years.

Defined benefit – pension (ii)

FirstBank 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 Pension Custodian Nigeria Limited (FPCNL), a direct subsidiary of FirstBank, has a non-contributory defined gratuity scheme for staff and directors. Staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of nine years. The Company discontinued the staff scheme in 2014 and individual members' benefits were calculated on a discontinuance basis. The directors' scheme is on a continuing basis.

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

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Defined benefit pension obligations at 1 January 2014	11,801	(10,690)	1,111
Transfer from gratuity scheme (1)	343	-	343
Interest expense/(income)	1,255	(1,190)	65
Service cost	69	-	69
Curtailment losses	23	-	23

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Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	1,861	1,861
- Change in demographic assumptions	(1,445)	-	(1,445)
Contributions:			
- Employer	-	(381)	(381)
Payments:			
- Benefit payment	(1,608)	1,598	(10)
Defined benefit pension obligations at 31 December 2014	10,438	(8,802)	1,636
Interest expense/(income)	1,328	(1,116)	212
Service cost	43	-	43
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(474)	(474)
- Change in demographic assumptions	1,756	-	1,756
Contributions:			
- Employer	-	(88)	(88)
Payments:			
- Benefit payment	(1,531)	1,531	-
Defined benefit pension obligations at 31 December 2015	12,034	(8,949)	3,085

Composition of plan assets

Group

	2015 Quoted ₦ million	2015 Unquoted ₦ million	2015 Total ₦ million	2014 Quoted ₦ million	2014 Unquoted ₦ million	2014 Total ₦ million
Equity instruments			949			1,556
- Banking	805			1,470		
- Oil service	6			53		
- Real estate	21			33		
- Manufacturing	117			-		
Debt instruments			7,738			7,179
- Government	5,616				5,737	
- Corporate bond	884				466	
- Money market investments		1,238			976	
Money on call		252	252		67	67
Others		10	10		-	-
Total	7,449	1,500	8,949	1,556	7,246	8,802

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

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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 assets that better match the liabilities. In the equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long-term objectives of the fund while taking advantage of selling off Government bonds to enter duration at attractive yields.

Changes in bond yields: a decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's 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 plan's 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 six years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the Group ensures that the investment positions are managed within the Asset and Liability Management (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation.

The weighted average duration of the defined benefit obligation is 6.58 years.

	31 Dec 2015 %	31 Dec 2014 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11	14
Inflation rate	9	9
Future pension increases	0	0

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

	Assumption	Defined benefit obligation ₦ million	Impact on liability %
Discount rate	14%	11,807	0
	15%	11,137	(5.7)
	13%	12,562	12.8
Life expectancy	Base	11,807	0.0
	Improved by 1 year	11,926	1.0
	Decreased by 1 year	11,683	(2.0)

The above sensitivity analysis is for FirstBank 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.

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Gratuity scheme (iii)
This relates to the schemes operated by the subsidiaries of FirstBank as follows:

FBNBank Congo (DRC) has a scheme whereby, on separation, staff who have spent a minimum of three years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the bank. FBN Mortgages provides gratuity benefit to eligible staff who are confirmed and have spent a minimum of five years and for directors who have spent minimum of two years.

FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receive a lump sum based on their qualifying basic salaries on the number of years spent. The aggregate balance on this scheme is deemed immaterial.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Defined benefit cost, charged to income statement (refer to Note 17)		
Gratuity scheme (i)	**48**	45
Defined benefits - pension (ii)	**255**	134
Gratuity scheme (iii)	**-**	32
	303	211
Defined benefit cost, charged to other comprehensive income		
Gratuity scheme (i)	**50**	(12)
Defined benefits - pension (ii)	**1,756**	(1,445)
Gratuity scheme (iii)	**(402)**	1,821
	1,404	364

The information of the professionals engaged by the entities within the Group for valuation of their respective retirement benefit obligations are as follows:

Entity:	FBN Limited	FBN Insurance Broker Limited
Name of the professional:	O. O. Okpaise	O. O. Okpaise
Name of the professional firm/entity:	HR Nigeria Limited	HR Nigeria Limited
FRC registration number of the professional:	FRC/2012/NAS/00000000738	FRC/2012/NAS/00000000738

45 SHARE CAPITAL

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
AUTHORISED		
50 billion ordinary shares of 50k each (2014: 50 billion)	**25,000**	25,000

Issued and fully paid

	Number of shares In millions	Ordinary shares ₦ million
MOVEMENTS DURING THE PERIOD		
At 31 December 2014	**32,632**	16,316
Issue during the year (bonus)	**3,263**	1,632
At 31 December 2015	**35,895**	17,948

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46 SHARE PREMIUM AND RESERVES

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

Share premium: premiums (i.e., excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: reserve arising from business restructuring.

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

SSI reserve: this reserve is maintained to comply with the 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 Guidelines (as prescribed by the CBN) is recorded in this reserve. This reserve is non-distributable.

Treasury share: this represents the purchase consideration of the shares of FBN Holdings Plc, held by one of its subsidiaries as at 31 December 2015 (2014: ₦0.18 billion) entities within the Group. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Foreign currency translation reserve (FCTR): records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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47 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit before tax from continuing operations	**21,512**	94,056	**2,180**	5,683
Adjustments for:				
- Depreciation and amortisation	**13,673**	12,758	**384**	229
- Impairment of intangible assets (Note 36)	**945**	501	**-**	-
- Loss/(profit) from disposal of property and equipment	**186**	(435)	**7**	-
- Foreign exchange gains	**7,443**	(9,721)	**-**	(42)
- Profit from disposal of subsidiaries	**(1,572)**	-	**(1,600)**	-
- Gain on bargain purchase	**-**	(1,172)	**-**	-
- (Profit)/loss from disposal of investment securities	**(6,666)**	230	**(36)**	-
- Net (gains)/losses from financial assets at fair value through profit or loss	**(2,055)**	1,262	**-**	-
- Impairment on loans and advances	**119,858**	27,917	**-**	-
- Write-off of property, plant and equipment and intangible assets	**212**	606	**-**	-
- Change in provision in other assets	**1,752**	286	**-**	-
- Change in provision for impairment of investments	**-**	-	**850**	7,781
- Change in retirement benefit obligations	**331**	(258)	**-**	-
- Share of profit from associates	**-**	(599)	**-**	-
- Dividend income	**-**	(1,469)	**(4,493)**	(13,747)
- Interest income	**(396,190)**	(362,580)	**(614)**	(2,886)
- Interest expense	**131,167**	118,725	**-**	-
Increase/(decrease) in operating assets:				
- Cash and balances with the Central Bank (restricted cash)	**86,420**	(222,526)	**-**	-
- Inventories	**(4,167)**	(7,551)	**-**	-
- Loans and advances to banks	**110,004**	(38,269)	**-**	-
- Loans and advances to customers	**249,462**	(406,121)	**17**	(8)
- Financial assets at fair value through profit or loss	**(5,744)**	(11,773)	**-**	-
- Other assets	**(8,261)**	12,464	**(420)**	210
- Pledged assets	**(37,163)**	(14,833)	**-**	-
- Assets held for sale	**2,787**	1,618	**-**	-
Increase/(decrease) in operating liabilities:				
- Deposits from banks	**(26,499)**	54,031	**-**	-
- Deposits from customers	**(67,270)**	50,199	**-**	-
- Financial liabilities	**1,571**	9,217	**-**	-
- Liability on investment contracts	**1,732**	(8,106)	**-**	-
- Liability on insurance contracts	**3,577**	3,776	**-**	-
- Liability held for sale	**1,354**	-	**-**	-
- Other liabilities	**36,405**	(18,510)	**2,192**	(1,244)
Cash flow generated from/(used in) operations	**234,804**	(716,277)	**(1,533)**	3,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

48 COMMITMENTS AND CONTINGENCIES

48.1 Capital commitments

At the balance sheet date, the Company had no capital commitments (2014: nil) in respect of authorised and contracted capital projects.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Authorised and contracted		
Group	527	375
Company	-	-

48.2 Operating lease rentals

At 31 December 2015, the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Within one year	262	257
Between two and five years	848	834
More than five years	2,302	2,265
	3,412	3,356

48.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations.

There were contingent liabilities in respect of legal actions against the Group, for which provisions amounting to ₦542.81 million have been made (2014: nil). The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystallise from these cases beyond the provision made in the financial statements.

48.4 Other contingent commitments

In the normal course of business the Group is a party to financial instruments that 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 2015 ₦ million	31 Dec 2014 ₦ million
Performance bonds and guarantees	295,469	429,279
Letters of credit	126,227	272,718
	421,696	701,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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48.5 Loan commitments

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Undrawn irrevocable loan commitments	**33,342**	90,379

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit-related commitments is disclosed in Note 3.7.3b.

48.6 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 that would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

FirstBank is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Management believes that FirstBank is in compliance with these covenants at 31 December 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

49 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The information shown below relates to FirstBank and FBN Insurance, 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:

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
31 December 2015	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(d)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	5,049	-	5,049	-	2,306	2,743
Reinsurance receivables	663	-	663	43	-	620
Total assets subject to offsetting, master netting and similar arrangements	5,712	-	5,712	43	2,306	3,363
LIABILITIES						
Financial derivatives	2,658	-	2,658	-	-	2,658
Trade payables	43	-	43	43	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	2,701	-	2,701	43	-	2,658

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
31 December 2014	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(d)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	9,258	-	9,258	-	5,983	3,275
Reinsurance receivables	558	-	558	28	-	530
Total assets subject to offsetting, master netting and similar arrangements	9,816	-	9,816	28	5,983	3,805
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Trade payables	28	-	28	28	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	7,974	-	7,974	28	-	7,946

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Group also made margin deposits with ICBC Standard Bank (2014: Merril Lynch and Goldman Sachs) as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined event 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.

50 RELATED-PARTY TRANSACTIONS

The Group is controlled by FBN Holdings Plc, which is the parent company, whose shares are widely held. FBN Holdings Plc is a financial holding company licensed by the CBN. In 2015, there were no related-party transactions other than a loan granted to a director.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

50.1 Loans and advances to related parties

The Company did not grant credit facilities to other companies that have common directors with the Company and those that are members of the Group.

COMPANY	Directors and other key management personnel and close family members ₦ million	Subsidiaries ₦ million
31 DECEMBER 2015		
Loans and advances to customers		
Loans outstanding at 1 January	**37**	**-**
Loans issued during the year	**-**	**-**
Loan repayments during the year	**(37)**	**-**
Loans outstanding at 31 December	**-**	**-**
31 DECEMBER 2014		
Loans and advances to customers		
Loans outstanding at 1 January	52	7,332
Loans issued during the year	-	969
Loan repayments during the year	(15)	(8,301)
Loans outstanding at 31 December	37	-

No impairment loss has been recognised in respect of loans given to related parties.

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 5% to 24%.

50.2 Deposits from related parties

The Company had no deposits from related parties in 2015 (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

50.3 Other transactions with related parties

	Subsidiaries ₦ million
31 DECEMBER 2015	
Interest income	-
Intercompany payable	-
Intercompany receivable	-
31 DECEMBER 2014	
Interest income	969
Intercompany payable	7,844
Intercompany receivable	(571)

50.4 Key management compensation

Key management includes executive directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Salaries and other short-term employee benefits	1,043	1,007	251	208
Post-employment benefits	931	389	190	6
	1,974	1,396	441	214

51 DIRECTORS' EMOLUMENTS

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

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees	68	49
Sitting allowances	11	8
Executive compensation	90	83
Retirement benefit costs	184	-
Other directors' costs and expenses	694	611
	1,047	751
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	48	45
Highest-paid director	90	83

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 Dec 2015	31 Dec 2014
₦3,000,001 and above	10	8
	10	8

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52 COMPLIANCE WITH REGULATIONS

No penalty was paid by the Company during the year.

53 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant event occurred after the reporting date.

54 DIVIDENDS PER SHARE

A cash dividend of ₦3.26 billion at ₦0.10 per share (2013: ₦35.9 billion) that relates to the period to 31 December 2014 was paid in May 2015. In addition, a bonus share of 1 for every 10 held was issued.

55 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 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Profit from continuing operations attributable to owners of the parent (₦ million)	**15,406**	84,231	**2,180**	5,683
Weighted average number of ordinary shares in issue (million)	**35,895**	35,895	**35,895**	35,895
Basic/diluted earnings per share (expressed in naira per share) - from continuing operations	**0.43**	2.35	**0.06**	0.16

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares. In line with requirements of IAS 33, earnings per share (EPS) for the year ended 31 December 2014 has been recalculated to account for the effect of bonus issue during the year ended 31 December 2015.

56 NON-AUDIT SERVICES

The external auditors of FBN Holdings Plc, PricewaterhouseCoopers, rendered services in respect of review of the financial statement of Kakawa Discount House Limited as at 30 September 2014 (acquisition date) and valuation of financial instruments. Payments made in respect of these services, amounting to ₦10.5 million, were included in legal and other professional fees.

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57 EFFECT OF FINAL ACCOUNTING FOR BUSINESS COMBINATION

The Group has revised its previously issued consolidated statements of financial position as at 31 December 2014 and the consolidated income statement for the year ended 31 December 2014 to recognise the impact of final accounting for the acquisition of 100% shareholdings in Kakawa Discount House Limited (now FBN Merchant Bank). In accordance with IFRS 3, the final accounting for the acquisition resulted in changes in the identifiable assets and liabilities acquired, hence the retrospective adjustment.

The retrospective adjustment impacts the following balances:

(i) Loans and advances to customers;
(ii) Other assets;
(iii) Intangible assets;
(iv) Property, plant and equipment;
(v) Deferred tax assets;
(vi) Deferred tax liabilities; and
(vii) Retained earnings.

This application of IFRS 3 did not have an impact on the statement of cash flows.

(i) Impact on consolidated statement of financial position

	As at 31 December 2014 previously reported ₦ million	Adjustment ₦ million	As at 31 December 2014 Revised ₦ million
ASSETS			
Loans and advances to customers	2,178,980	6	2,178,986
Other assets	40,692	(52)	40,640
Intangible assets	10,094	(1,525)	8,569
Property, plant and equipment	88,208	349	88,557
Deferred tax assets	8,992	2,293	11,285
LIABILITIES			
Deferred tax liabilities	188	(101)	87
EQUITY			
Retained earnings	**108,637**	**1,172**	**109,809**

(ii) Impact on the consolidated income statement

	As at 31 December 2014 previously reported ₦ million	Adjustment ₦ million	As at 31 December 2014 Revised ₦ million
Gain from bargain purchase	-	1,172	1,172

OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED

	Group			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	505,191		481,774	
Interest and fee expense	(140,750)		(124,930)	
	364,441		356,844	
Administrative overheads	(129,518)		(145,416)	
Value added	234,923	100	211,428	100
DISTRIBUTION				
Employees				
Salaries and benefits	80,416	34	79,843	38
Government				
Taxation	6,364	3	10,045	5
The future				
Asset replacement (depreciation)	11,516	5	11,375	5
Asset replacement (amortisation)	2,157	1	1,384	1
Asset replacement (provision for losses)	119,322	51	25,942	11
Expansion (transfers to reserves)	15,148	6	84,011	36
	234,923	100	211,428	100

	Company			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	6,794		16,969	
Interest and fee expense	-		-	
	6,794		16,969	
Administrative overheads	(2,695)		(2,117)	
Value added	4,099	100	14,852	100
DISTRIBUTION				
Employees				
Salaries and benefits	685	17	1,159	8
Government				
Company income tax	-	-	-	-
The future				
Asset replacement (depreciation)	384	9	229	2
Asset replacement (amortisation)	-	-	-	-
Asset replacement (provision for losses)	850	21	7,781	52
Expansion (transfers to reserves)	2,180	53	5,683	38
	4,099	100	14,852	100

OTHER NATIONAL DISCLOSURES
FIVE-YEAR FINANCIAL SUMMARY – GROUP
STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2011 ₦ million
ASSETS					
Cash and balances with central bank	**715,871**	698,104	594,234	300,532	199,228
Loans and advances to banks	**385,769**	460,911	430,586	439,853	463,328
Loans and advances to customers	**1,817,271**	2,178,986	1,769,130	1,541,377	1,252,154
Financial assets at fair value through profit or loss	**26,426**	27,601	10,287	6,112	5,964
Investment securities	**913,779**	711,639	824,064	718,040	694,826
Assets pledged as collateral	**105,646**	68,483	53,650	50,109	72,129
Other assets	**35,483**	40,640	45,640	45,992	63,061
Inventory	**49,649**	37,805	30,253	21,676	25,609
Investment in associates	**-**	-	7,029	6,321	7,489
Investment properties	**3,025**	2,826	2,413	4,003	4,055
Property, plant and equipment	**88,398**	88,557	81,299	75,407	65,889
Intangible assets	**9,687**	8,569	8,748	3,523	1,008
Deferred tax	**14,615**	11,285	7,120	8,201	6,954
Assets held for sale	**570**	8,331	4,549	5,221	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693
FINANCED BY					
Share capital	**17,948**	16,316	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524	254,524
Reserves	**304,285**	249,190	196,432	167,927	96,251
Non-controlling interest	**3,675**	4,033	4,505	2,548	964
Deposits from banks	**144,652**	171,151	82,032	89,430	183,500
Deposits from customers	**2,970,922**	3,050,853	2,929,081	2,395,148	1,951,011
Financial liabilities at fair value through profit or loss	**12,488**	10,917	1,701	1,796	2,857
Liabilities on investment contracts	**10,157**	60,617	68,723	54,995	49,440
Liabilities on insurance contracts	**11,837**	8,260	3,651	2,127	824
Borrowings	**256,116**	369,707	126,302	75,541	106,204
Retirement benefit obligations	**3,764**	2,029	1,924	19,380	15,081
Current income tax	**8,773**	11,829	34,167	23,389	24,328
Other liabilities	**168,441**	132,633	149,606	122,202	159,325
Deferred income tax liabilities	**239**	87	37	225	1,069
Liabilities held for sale	**-**	1,592	-	819	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693

OTHER NATIONAL DISCLOSURES
FIVE-YEAR FINANCIAL SUMMARY – GROUP
INCOME STATEMENT

	As reported under IFRS				
	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million
Gross earnings	**505,191**	481,774	396,235	370,167	273,811
Net operating income	**362,868**	356,243	296,426	301,072	237,027
Gain from disposal of subsidiary	**1,572**	-	-	-	-
Insurance claims	**(3,306)**	(1,043)	(488)	(498)	(81)
Operating expenses	**(220,300)**	(235,801)	(185,298)	(193,513)	(146,064)
Group's share of associate's results	**-**	599	1,006	(592)	(1,507)
Impairment charge for credit losses	**(119,322)**	(25,942)	(20,309)	(12,549)	(38,011)
(Loss) on sale of assets to AMCON	**-**	-	-	-	(15,501)
Profit before taxation	**21,512**	94,056	91,337	93,920	35,863
Taxation	**(6,364)**	(10,045)	(20,706)	(17,120)	(17,227)
Profit from continuing operations	**15,148**	84,011	70,631	76,800	18,636
Profit from discontinuing operations	**-**	-	-	-	-
Profit for the year	**15,148**	84,011	70,631	76,800	18,636
Profit attributable to:					
Owners of the parent	**15,406**	84,231	70,135	77,020	19,520
Non-controlling interest	**(258)**	(220)	496	(220)	(884)
	15,148	84,011	70,631	76,800	18,636
Earnings per share in kobo (basic/diluted)	**43**	235	216	237	57

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY – COMPANY

STATEMENT OF FINANCIAL POSITION

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS				
Loans and advances to banks	**4,792**	3,261	1,477	-
Loans and advances to customers	**63**	80	72	-
Investment securities	**7,019**	4,272	9,847	15,771
Investment in associates	**1,500**	1,500	9,281	11,875
Investment in subsidiaries	**263,595**	260,777	246,777	243,065
Other assets	**4,670**	14,361	43,285	236
Property, plant and equipment	**1,192**	1,519	1,072	30
Assets held for sale	**-**	2,000	-	-
	282,831	287,770	311,811	270,977
FINANCED BY				
Share capital	**17,948**	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524
Reserves	**6,240**	7,340	37,261	(947)
Other liabilities	**5,751**	9,590	3,710	1,084
	282,831	287,770	311,811	270,977

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY – COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	1 month ended 31 Dec 2012 ₦ million
Gross earnings	**6,794**	16,969	74,988	1
Net operating income	**5,195**	7,800	72,289	-
Gain from disposal of subsidiary	**1,600**	-	-	-
Operating expenses	**(4,615)**	(2,117)	(1,658)	(819)
Profit before taxation	**2,180**	5,683	70,631	(819)
Taxation	**-**	-	-	-
Profit after taxation	**2,180**	5,683	70,631	(819)
Earnings per share in kobo (basic/diluted)	**6**	16	216	(3)

SHAREHOLDER INFORMATION

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

SHAREHOLDER RESOURCES

Global depositary receipts (GDR) programme

FBNHoldings (previously FirstBank) commenced a USD100 million GDR programme in May 2007.

A global depositary receipt (GDR) is a negotiable certificate representing ownership of shares. It is held by a depositary bank and represents a specific number of shares of a stock traded on a stock exchange of many countries. GDRs are quoted and traded, and dividends are usually paid in US dollars. GDRs facilitate the trading and holding of non-US securities by foreign investors.

At inception of the programme, 7,700,400 units were created, with each unit represented by 50 units of FirstBank ordinary shares. Over the years, several investors in the programme have converted their holdings in GDR to nominal FBNHoldings shares for the purpose of trading in the Nigerian equity capital market.

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

As at 31 December 2015, there were 3,754 units outstanding.

Dividend history

FIRST BANK OF NIGERIA LTD

Payment no.	Year end	DIV type	Date payable	Total net DIV AMT (N)	DIV per share	Net DIV AMT unclaimed as at Dec 2015	% net DIV AMT unclaimed
46	31 Mar 2003	Final	04 Aug 2003	3,810,850,516.50	1.50	112,797,881.53	2.96
47	31 Mar 2004	Final	23 Aug 2004	4,886,322,044.71	1.55	100,433,217.06	2.06
48	31 Mar 2005	Final	29 Aug 2005	6,325,223,995.20	1.60	87,030,574.95	1.38
49	31 Mar 2006	Final	28 Aug 2006	4,714,802,449.20	1.00	82,995,656.10	1.76
50	31 Mar 2007	Final	03 Sep 2007	10,477,338,776.00	1.00	291,388,241.08	2.78
51	31 Mar 2008	Final	25 Aug 2008	21,481,234,960.68	1.20	263,986,135.12	1.23
52	31 Mar 2009	Final	24 Aug 2009	30,207,986,658.90	1.35	256,147,878.73	0.85
53	31 Dec 2009	Final	31 May 2010	2,610,566,748.54	0.10	292,400,820.33	11.20
54	31 Dec 2010	Final	06 Jun 2011	17,621,325,552.24	0.60	683,448,427.19	3.88
55	31 Dec 2011	Final	04 Jun 2012	23,495,100,736.32	0.80	672,439,475.96	2.86
Total				**125,630,752,438.29**		**2,843,068,308.05**	**2.26**

FBN HOLDINGS PLC

Payment no.	Year end	DIV type	Date payable	Total net DIV AMT (N)	DIV per share	Net DIV AMT unclaimed as at Dec 2015	% net DIV AMT unclaimed
1	31 Dec 2012	Interim	03 Jun 2013	29,434,858,173.90	1.00	1,279,064,236.28	4.30
2	27 May 2013	Final	26 May 2014	32,408,788,807.89	1.10	2,071,503,257.99	6.30
3	31 Dec 2014	Final	25 May 2015	2,963,937,941.94	0.10	567,375,487.18	19.10
Total				**64,807,584,923.73**		**3,917,942,981.45**	**6.05**

Shareholder resources

2016 FBNHoldings financial reporting calendar

Date	Event
Wednesday 13 April	FirstBank Annual General Meeting
Tuesday 26 April	Release of FY 2015 & Q1 2016 results on the floor of the NSE
Wednesday 27 April	FBNHoldings publication of FY 2015 & Q1 results in the national dailies
Wednesday 27 April	FY 2015 & Q1 2016 results conference call
Friday 29 April	FirstBank publication of Q1 2016 results in the national dailies
Thursday 26 May	FBNHoldings Annual General Meeting
Monday 25 July	Release of FBNHoldings H1 2016 on the floor of the NSE
Tuesday 26 July	FBNHoldings publication of H1 2016 results in the national dailies
Tuesday 26 July	FirstBank publication of H1 2016 results in the national dailies
Tuesday 26 July	H1 2016 results conference call
Friday 28 October	Release of 9M 2016 results on the floor of the NSE
Monday 31 October	FBNHoldings publication of 9M 2016 results in national dailies
Monday 31 October	9M 2016 results conference call

These dates are subject to change. Please ensure you refer to the Investor Relations website for updates.

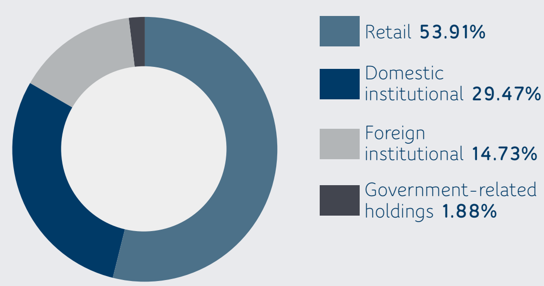
Share statistics

	2015	2014
Market indicators		
NSE all share index	**28,642.25**	34,663.92
Share price		
High for the year ₦	**10.54**	16.29
Low for the year ₦	**4.64**	7.79
Closing ₦	**5.13**	8.8
Share price		
Number of share (million)	**7,163.06**	620.15
Value of shares (₦ million)	**52,933.93**	4,676.47

Shareholder analysis as at 31 December 2015

Type of shareholding	Holdings	Holdings %
Retail	19,352,806,311	53.91
Domestic institutional	10,579,552,190	29.47
Foreign institutional	5,287,901,441	14.73
Government-related holdings	675,032,850	1.88
	35,895,292,792	**100**

BREAKDOWN OF SHAREHOLDERS BY TYPE



Credit rating summary

	Rated entity	Report date	National Long term	National Short term	International Long term	International Short term	Outlook
Standards & Poor's	FBNHoldings	March 2016	ngBB+	ngB	B-	C	Stable
	FirstBank	March 2016	ngA-	ngA-2	B+	B	Negative
Fitch	FBNHoldings	February 2016	A(nga)	F1(nga)	B	B	Negative
	FirstBank	February 2016	A+(nga)	F1(nga)	B+	B	Negative
Global Credit Rating (GCR)	FirstBank	August 2015	AA- (NG)	A1+(NG)	-	-	Stable
Agusto & Co	FirstBank	June 2015	Aa-	-	-	-	Stable

Shareholder resources

Share capitalisation history

Year	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (N)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 July 1976	-	15,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 July 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 July 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 July 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 July 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Holdings Plc shares issued in exchange for minority shares in FBN merchant bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Holdings Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Holdings Plc shares issued to majority shareholders in FBN merchant bank arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
1 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)
21 May 2015			-	3,263,208,435	35,895,292,792	Bonus (1 for 10)

NOTICE OF 4TH ANNUAL GENERAL MEETING

FBN HOLDINGS PLC
RC 916455

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Thursday, 26 May 2016 at 10a.m. to transact the following:

Ordinary Business

1. To receive the audited accounts for the financial year ended 31 December 2015 together with the reports of the Directors, Auditors and Audit Committee thereon
2. To declare a dividend
3. To elect Directors

3a. To elect Muhammad Kabiru Ahmad, OON, as Director

3b. To elect UK Eke, MFR, as Director

3c. To elect Dr Adesola Adeduntan as Director

4. To re-elect retiring Directors

4a. To re-elect Chidi Anya as Director

4b. To re-elect Dr Oba Otudeko, CFR, as Director

5. To authorise the Directors to fix the remuneration of the Auditors
6. To elect members of the Audit Committee

Special Business

To consider, and if thought fit, pass the following as special resolutions:

7a. To approve the write-down of the Company's Share Premium account, general reserves, or any other reserve account as may be deemed appropriate with the sum of ₦19.5 billion to recognise the write-off of the same amount in the capital reserves of FBN Capital Limited.

7b. To authorise the Directors to perform all such other acts and do all such other things as may be necessary for or incidental to effecting the above resolution, including without limitation, entering into any agreement and/or executing any documents necessary, and obtaining or complying with the directives and/or orders of any court and/or any regulatory authority.

Notes

1. PROXY

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy must be duly stamped at the Stamp Duties Office and deposited at the registered Office of the Company or the Office of the Registrar, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time for holding the meeting.

2. DIVIDEND WARRANTS

If the proposed dividend recommended by the directors is approved by members at the AGM, the Dividend Warrants will be posted on Monday, 30 May 2016 to members whose names appear in the Register of members at the close of business on 06 May 2016.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with section 89 of the Companies and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from 9–13 May 2016 (both dates inclusive) to enable the Registrar to update its records in preparation for the payment of dividend.

Notice of 4th annual general meeting

4. AUDIT COMMITTEE

In accordance with Section 359(5) of CAMA, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) respectively indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

Similarly, in line with Section C of Rule 2 of the Financial Reporting Council of Nigeria (FRCN) Rules, the Chairman of the Audit Committee must be a professional member of an accounting body established by Act of the National Assembly in Nigeria.

In view of the foregoing, we would therefore request that nominations must be accompanied by a copy of the nominee's Curriculum Vitae. The Curriculum Vitae of eligible candidates will be posted on the Company's website before the date of the meeting.

5. ELECTION/RE-ELECTION OF DIRECTORS

i. Election of Directors

Muhammad Kabiru Ahmad, OON, UK Eke, MFR, and Dr Adesola Adeduntan are being proposed for election as Directors. Muhammad Kabiru Ahmad, OON, was appointed on 28 July 2015, while UK Eke, MFR, and Dr Adesola Adeduntan were appointed as Directors on 1 January 2016 and 25 January 2016 respectively. The appointments are now being presented for shareholders' approval at the AGM.

ii. Retirement/Re-Election of Directors

Dr Oba Otudeko, CFR, and Chidi Anya are retiring by rotation at the current meeting in line with section 259 of CAMA. The retiring Directors, being eligible, are therefore offering themselves for re-election as Non-Executive Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

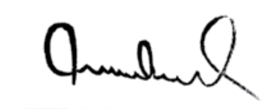
Re-Election of Director Aged 70 Years or More

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 72 years old.

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



Tijjani M Borodo
Company Secretary

FRC/2013/NBA/00000002367
35 Marina, Lagos

Dated 19 April 2016

PROXY FORM

FBN Holdings Plc (RC 916455)

4th Annual General Meeting to be held at the Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Thursday, 26 May 2016 at 10a.m.

*We ....
(Name of shareholder in block letters)

The undersigned, being a member of the above named Company

hereby appoint ....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26 May 2016 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 2016

Signature ....

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the office of FBNH's registrars: First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

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

Resolution	For	Against
1) To receive the consolidated Annual Report and Account		
2) To declare a dividend		
3a) To elect MK Ahmad as Director		
3b) To elect UK Eke, MFR, as Director		
3c) To elect Dr Adesola Adeduntan as Director		
4a) To re-elect Chidi Anya as Director		
4b) To re-elect Dr Oba Otudeko, CFR, as Director		
5) To fix remuneration of Auditor		
6) To elect members of the Audit Committee		
7a) To approve the write-down of Company's Share Premium Account with the sum of ₦19.5 billion		
7b) To authorise the directors to perform other incidental acts to give effect to item 7a above.		

Please indicate with 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

Admission Form
FBN Holdings Plc (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at the Zinnia Hall, Eko Hotel and Suites, Victoria Island on Thursday, 26 May 2016 at 10a.m.

*Name of shareholder ....

*Name of proxy .... (IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member. The above proxy form has been prepared to enable you to exercise your right to vote.

IMPORTANT

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person, whether a member of the Company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

You need not worry about the safety of your shares any more. Simply stay aboard with our e-products and services.

E-share notifier SMS alert on transactions that occur on your share account (AGM and EGM, dividend payments, bonuses, debits/credits etc.).

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars & 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 with a copy of the payment slip attached to this form upon submission.

FIRST REGISTRARS & INVESTOR SERVICES LTD ...connecting you to your wealth Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FBNHoldings

FirstRegistrars & INVESTOR SERVICES

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 **free of charge within 150 days spanning 14 April 2016 to 13 September 2016**, 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 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 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 80556 56430

Please fill in the e-dividend form overleaf.

Thank you.

FIRST REGISTRARS & INVESTOR SERVICES LTD ...connecting you to your wealth Website: www.firstregistrarsnigeria.com Email: ebusiness@firstregistrarsnigeria.com

E-DIVIDEND FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

FirstRegistrars & INVESTOR SERVICES

AFFIX PASSPORT

(To be stamped by bankers)

Write your name on the back of your passport photograph

INSTRUCTION

Only clearing banks are acceptable.

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars & Investor Services Ltd, 2 Abebe Village Road, Iganmu, PMB 12692, Lagos, Nigeria.

I/We hereby request that from now on, all my/our dividend payment(s) due to me/us from my/our holdings be paid directly to my/our bank named below:

Bank name.. Bank branch..

Bank address..

Bank account no..

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2

City State Country

Mobile telephone* Email address*

Signature(s)* Joint/Company's signatories* Company's seal

Branch sort code (very important)

Authorised signature of banker Authorised stamp of banker

FIRST REGISTRARS & INVESTOR SERVICES LTD ...connecting you to your wealth Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

STOCKBROKERS' E-LODGEMENT ACTIVATION FORM (FBN HOLDINGS PLC)

To:
The Registrar
First Registrars & Investor Services Limited
Plot 2, Abebe Village Road
Iganmu, PMB 12692
Marina, Lagos
Nigeria

E-LODGEMENT is a special product designed for stockbrokers. It is the electronic transfer of verified share certificates from First Registrars into the depository of CSCS. Here, stockbrokers are given access to view all lodgements made to CSCS on their behalf. It also allows stockbrokers to concentrate more on their core while saving time and money through E-LODGEMENT.

FOR STOCKBROKERS ONLY

Important! The form should be completed in CAPITAL LETTERS using a black or dark blue ballpoint/fountain pen.
Characters and numbers should be similar in style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5

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

Name of stockbrokers ....

Address ....

....

....

....

Mobile phone ....

Email ....

Authorised signatory/seal ....

NOTE: This service costs ₦25,000 per annum and all cheques should be made payable to First Registrars & Investor Services Limited, Account No 2013798363

Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

FBN HOLDINGS PLC
SHAREHOLDERS DATA UPDATE FORM

FBNHoldings

In our commitment to having up-to-date records of our shareholders, please complete this form below.

Surname ....

First name ....

Other names ....

Email address ....

Primary GSM Number ....

Clearing house number (CHN) ....

Bank verification number (BVN) ....

Preferred stockbroker's name ....

Date of birth ....

Bank name ....

Bank account number ....

Old address ....

....

....

New address (to be used for address update) ....

....

....

Next of kin ....

Next of kin phone number ....

I/We hereby authorise FBN Holdings Plc to update my/our shareholding accounts with the above information.

Individual shareholder signature .... Joint shareholder signature ....

Corporate shareholder .... Company seal ....

Kindly download the update form from our websites: **http://www.fbnholdings.com/** or **http://ir.fbnholdings.com/**

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Commercial Banking		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC S.A.	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBNBank Ghana	Meridian House, Ring Road Central, Private Mail Bag No 16, Accra North, Accra, Ghana	+233 302 23 6133, +233 302 23 5611
FBNBank Gambia	48 GIEPA House, KSMD, PO Box 1600, Banjul, the Gambia	+2207993502, +2204377889, +2209147426.
FBNBank Guinea	Ex-cite Chemin de Fer, Immeuble Mamou, BP 3547, Conakry, Republic of Guinea	+224 6571 23001
FBNBank Sierra Leone	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 99305600
FBNBank Senegal	Lot No 2, Mermoz Pyrotechnie, VDN Dakar, Senegal	+221 869 75 04
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2777800-1
FBN Mortgages Limited	76 Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
FirstBank representative offices		
South Africa Rep Office	The Forum Building, 10th Floor No 2 Maude Street, Sandton 2146, Johannesburg, South Africa	+27 11 7849922, +27 11 7849925
Beijing Rep Office	Unit 1431, Tower B COFCO Plaza No 8 Jianguomennei Street, Dong Cheing District, Beijing, China	+861 0652 86820, +861 5201 470057
UAE Rep Office	Salam HQ Plot No C6, Sector E, Abu Dhabi, UAE	+971 26445621
Merchant banking and asset management		
FBN Merchant Bank Limited	2 Broad Street, Lagos Island, Lagos	+234 1-2702290, +234 1-2702291, +234 1-2702292, +234 1-2702293, +234 1 2702294
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt.	+234 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja.	+234 9 2916757
FBN Capital Limited	16 Keffi Street, off Awolowo Road, S/W Ikoyi, Lagos	+234 1 2798300
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt	+243 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja	+234 9 2916757
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos	+234 1-4622673, +234 1-4622831-34, +234 1-4605120-24, +234 1-4605124, +2347080653100
	FirstBank Area Office, 3rd Floor, 22/24, Aba Road, Port Harcourt	+234 802 059 6019
	2nd Floor, Ahmadu Coommassie House, Plot 777, Mohammadu Buhari Way, Central Business District, Garki, Abuja	+234 701 045 5883
FBN Capital Asset Management Limited	16 Keffi Street, off Awolowo Road, S/W Ikoyi, Lagos	+234 1 2798300
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt	+243 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja	+234 9 2916757
FBN Funds Limited	10 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 2798300, +234 1 2707180-9
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
Insurance		
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4444, +234 1 905 4428, +234 1 9054364
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 4622176

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 (nonperforming loans coverage)	=	Total provision / Total NPL
Price to book	=	Share price / Total assets – intangible assets and liabilities
Price earnings	=	Market value per share / Earnings per share
Return on average assets	=	PAT / Average total assets x 100
Return on average equity	=	PAT / 8Average total equity x 100
Risk asset ratio	=	Total loans / Total assets
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	Total tier 1 capital / Risk-weighted assets
Tier 2 ratio	=	Total tier 2 capital / Risk-weighted assets
Total capital adequacy ratio	=	Total qualifying capital / Risk-weighted assets
Yield on interest earning assets	=	Interest income / Average interest earning assets

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AGM	Annual General Meeting
ALCO	Assets & 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 & Risk Assessment Committee
BCL	Basic Chain Ladder Method
BFIC	Board Finance & Investment Committee
BGNC	Board Governance & Nomination Committee
BIC	Banque Internationale de Crédit SARL
BU	Business Units
CAAP	Control Administrative and Accounting Procedure
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
CFP	Contingency funding plan
CFR	Commander of the Order of the Federal Republic
CGU	Cash generating unit
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
DMD	Deputy Managing Director
DPM	Deposit money banks
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
EAR	Earnings at risk
ECA	Export Credit Agencies
ECM	Equity capital markets
EPS	Earnings per share
ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
ETFs	Exchange traded funds
FCA	Fellow, Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of Chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRR	Facility risk rating
FSA	Financial Services Authority
FTNL	First Trustees Nigeria Ltd
FX	Foreign exchange
GDP	Gross Domestic Product
GDR	Global depositary receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GPI	Gross premium income
HCMD	Human Capital Management and Development
HNI	High net worth individual
HR	Human Resources
IBAM	Investment Banking and Asset Management
IBNR	Incurred but not reported
ICAFAS	Internal Control & Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRS	Internal Revenue Service
ISO	International Organization for Standardization
IT	Information technology
KPI	Key Performance Indicator
KRI	Key risk indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LGD	Loss given default
M&A	Mergers & Acquisitions
MANCO	Management Committee
MBAM	Merchant Banking and Asset Management
mb/d	Million barrels a day
MDAs	Ministries, departments and agencies
MDSA	My Daily Savings Account

Abbreviations

MFBs	Microfinance Banks
MIS	Management Information System
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary policy rate
MRPC	Market Risk Policy Committee
₦	Naira
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NGN	Nigerian naira
NGO	Non-governmental organisation
NIM	Net interest margins
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating expenditure
OPL	Open position limit
ORM	Operational Risk Management
ORR	Obligor risk rating
OTC	Over the counter
P&L	Profit and Loss Account
PAT	Profit after tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit before tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of Default
P/E	Price Earnings
PE	Private equity
PFA	Pension fund administrator
PFR	Pay for Role
P/L	Profit and loss
POS	Point of sale
PSQA	Process and service quality assurance
RCSA	Risk and control self-assessment
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
SEC	Securities and Exchange Commission
SLA	Service level agreement
SME	Small and Medium Enterprise
SMS	Short Message Service
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
TAT	Turnaround time
UAT	User acceptance testing
UPR	Unexpired Premium Reserve
VaR	Value at risk
WACC	Weighted average cost of capital

COMPLAINTS MANAGEMENT POLICY

CONTENT

1. Introduction

FBN Holdings Plc ('Group') is committed to delivering high standard of service to all stakeholders across the Group. Occasionally, the Group may not live up to stakeholders expectations and promises and without an appropriate feedback mechanism to manage stakeholders complaints and expectations, this commitment could be undermined, resulting in loss of customers, erosion of public confidence, and reputational damage to the Group.

Based on the aforementioned, it becomes necessary to establish a policy for managing stakeholder's complaint. Complaint for the purpose of this policy is defined as 'an expression of dissatisfaction made to an organisation, related to its products and or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected'.

In developing this Policy, we have endeavored to align the policy to relevant regulatory requirements as well as leading practices in complaints management. In particular, this Policy is designed to meet the requirements of the following regulations:

- Securities and Exchange Commission (SEC) – Rules Relating to Complaints Management Framework of the Nigerian Capital Market; and
- the Nigerian Stock Exchange (NSE) – Compliant Management Requirements for all Listed Companies.

Where necessary, the principles contained in this policy shall guide each business Group in developing their respective sector specific Complaints Management Policy and Guidelines.

2. Objective of the Policy

This Policy is aimed at ensuring prompt and efficient management of complaints brought to the attention of the Group. It is also intended to help improve the services offered by enabling the Group detect its weaknesses, remedy problematic or unfair situations, and enhance operating methods, while ensuring efficient, fair and prompt treatment of all complaint received.

Specific objectives of this policy are to ensure:

- Complainant is provided with access to an open and responsive Complaints-Management Policy;
- Complaints are resolved in a consistent, systematic and responsive manner, to the satisfaction of the complainant and the Group;
- Causes of complaints are identified and resolved/eliminated, trends are monitored, ultimately to improve the Group's operations; and
- Comply with sector specific regulations on complaints management, particular as it relates to SEC and NSE regulations on complaints management within the Capital Market and other relevant regulations on complaints management to be issued from time to time.

3. Scope of the Policy

This policy shall apply to:

- FBN Holdings Plc., Subsidiary companies and Staff within the Group;
- All customers/clients both internal and external;
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

3.1 COMPLAINTS TO BE HANDLED BY THIS POLICY

- The under listed are the various forms of complaints this policy is designed to manage:
- Customer/clients complaints which may include: complaints which may require formal or informal feedback, concerns, statements of issues/omissions and points of disagreement or dispute;
- Complaints by competitors in any of the business Group;Complaints by or through Regulators, such as Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Stock Exchange (NSE) and or self-regulatory organisations like, Financial Market Dealers Quotation (FMDQ); and
- Other Complaints which could be in form of; Trade manipulations, accounting frauds, Ponzi schemes etc.

All complaints to relevant entities in the Group shall be sent to the address contained on page 223, while complaints relating to the Group office (FBN Holdings Plc.) shall be sent to the address/media contained on page 230.

All complaints shall contain at the minimum the following:

a. Name of complainant
b. Full address
c. GSM number
d. Email address
e. Signature of the complainants
f. Date
g. Nature/Description of complaints
h. Other supporting documents.

3.2 COMPLAINTS NOT COVERED BY THIS POLICY

The under listed complaints are not covered by this policy:

- Complaints on matters that are sub-judice or in arbitration, including employee related dispute.
- Complaints falling outside the purview of the Group's business.
- Complaints which may not require a resolution or formal follow-up. While this type of feedback is valuable, the Policy does not apply to feedback of this nature.

4. Complaints Management Principles

In line with leading practices, the under listed principles shall guide FBN Holdings complaints management process:

GUIDING PRINCIPLES OF COMPLAINTS HANDLING

PRINCIPLE	APPLICATION
Visibility	The Complaints Management Policy is well publicised to customers, clients, staff and other stakeholders on FBNHoldings website, with extracts of the policy in the Annual Reports and Accounts.
Accessibility	The Complaints Management Policy is available to all customers/clients and other stakeholders, and user-friendly. Complaints are welcome from customers/clients who are dissatisfied with the Group member decisions, actions or services.
Responsiveness	· Complaints will be acknowledged and resolved promptly. · Complaints will be handled in an efficient and effective manner, and accorded the urgency it deserves. · Complainants will be treated courteously and kept informed of the progress of their complaint throughout the complaint-handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner through the complaints-management process.
Charges	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 accept responsibility for effective complaints handling, and units responsible for complaints management will ensure that, where appropriate, issues raised as a result of failure in the complaints handling process are adequately addressed.
Continual Improvement	The complaints management policy and process will be reviewed as and when required, to enhance its overall efficiency and delivery of effective outcomes.

5. Board and Management Commitment to the Policy

The Board and Management are highly committed to promoting an effective and efficient complaints handling across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.

Regular Complaints Management training across the group to ensure best in class complaints handling technique and strict adherence to the complaints handling policy and guide shall be encouraged.

Finally, all complaints received shall be acknowledged, and analysed towards aiding and ensuring informed continuous quality improvement initiatives, corrective and preventative management strategies.

6. Policy Statement

This policy is designed to provide guidance on how the Group manages complaints. FBNHoldings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

The Group encourages all stakeholders (complainant) to lodge their complaints, as these comments would allow the Group improve on its services and products. Also, the Group encourages staff to respect customers/clients and also endeavor to anticipate customer/clients' needs and expectations.

The Group is committed to ensuring the following:

a. Awareness of our stakeholders of the Group's complaint management process;

b. That both customers/clients and staff understand our complaints handling process;

c. Complaints are investigated impartially with a balanced view of available information or evidence;

d. Complaints are considered on their merits taking into account individual circumstances; and

e. Recognition of customer/clients' right to provide feedback and complain about product or services rendered.

Finally, the policy shall be made available to all stakeholders on the website of FBNHoldings and 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 and as fairly as possible. While it might not be possible to set a specified time limit for the resolution of complaints in view of the diverse nature of complaints, subsidiaries shall endeavor to resolve all complaints within the time limits specified by the respective sector specific regulator.

Where regulators require the Group office (FBN Holdings Plc) or entities within the Group to render regular reports on complaints, entities affected by such regulation shall be responsible for such regulatory returns, while the Compliance function of both the Group Office (FBN Holdings Plc) and affected entities shall monitor compliance with such regulatory reporting requirements, and also ensure implementation of this policy.

In line with SEC and NSE requirements, entities within the Group operating in the Capital Market (Capital Market Operators-CMO) and FBN Holdings Plc.(Compliance Department) shall be required to maintain an electronic complaints register which will be updated monthly with the under listed information:

a. Name of the complainant

b. Date of the complaints

c. Nature of complaints

d. Complaints details in brief

e. Status of resolution

f. Remark/comments

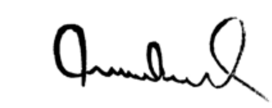
Finally all complaints from shareholders and other stakeholders relating to FBN Holdings Plc shall be directed to;

Company Secretariat or Investors Relations Department
FBN Holdings Plc
Samuel Asabia House
35 Marina, PO Box 5216
Lagos, Nigeria

Emails & Phone numbers:
companysecretariat@fbnholdings.com
Phone: +234 (1)9052222 and +234 (1)9052223

or investor.relations@fbnholdings.com
Phone: +234 (1)9052720, +234 (1)9051146, +234 (1)9051386 and +234 (1)9051086

Dr Oba Otudeko, CFR
Group Chairman
FBN Holdings Plc



Tijjani Borodo
Company Secretary
FBN Holdings Plc

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FBNHoldings

Shareholder enquiries

Email: info@firstregistrarsnigeria.com
Tel: +234 1 2799880
www.firstregistrarsnigeria.com

Head, Investor Relations

Oluyemisi Lanre-Phillips
Email: investor.relations@fbnholdings.com
Tel: +234 1 9052720

Customer enquiries

Email: firstcontact@firstbanknigeria.com
Tel: 0700 FIRSTCONTACT
Tel: +234 1 4485500
Tel: +234 708 0625000

Registered address

Samuel Asabia House
35 Marina, Lagos
PO Box 5216, Nigeria
Registration No. RC916455

www.fbnholdings.com
www.fbnholdings.com/annualreport/2015