FBN Holdings Plc.
Consolidated Financial Statements
for the year ended 31 December 2017

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Inde to the consolidated financial statements
for the year ended 31 December 2017

FBN Holdings Plc.

DIRECTORS AND ADVISORS

DIRECTORS

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

COMPANY SECRETARY: Oluseye Kosoko

REGISTERED OFFICE:
Samuel Asabia House
35 Marina
Lagos

AUDITOR:
PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers, Plot 5B, Water Corporation Road
Oniru, Lagos

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

BAN ERS:
First Bank of Nigeria Limited
35 Marina
Lagos

FBNQuest Merchant Bank Limited
10 Keffi Street, Ikoyi
Lagos

CORPORATE GOVERNANCE

Introduction

This section gives a summary of the Board's approach to governance for the 2017 financial year. As with recent years, 2017 was intensely challenging for all businesses in the country, as the economy had to deal with recession arising from low oil prices globally. The negative trends witnessed in 2016 abated in 2017. Notwithstanding macroeconomic volatility, the Board and Management of FBN Holdings Plc remain steadfast in the unified belief that good corporate governance practice remains the best tool to deliver increased shareholder value.

In the preceding year's report, we had discussed the peculiar challenges faced by the Group beyond the general macroeconomic difficulties relating to the significant drop in oil prices and its effect on the macroeconomic indices of Nigeria and other emerging economies were acknowledged. The high impairment charges on the loan book in the Commercial Banking business, which had sustained negative impact on performance, as well as efforts being made to address these challenges, have been extensively addressed.

Positively, the structures put in place to ensure reduced impairment charges and strengthen the Group's Risk Management practices have started yielding results as may be gleaned in the financial results and the rising share price of the Company. The focus of the Board in the incoming year is to further deepen these practices to ensure an effective credit risk management system. The Board, as well as Management, are committed to continually raise the bar on best governance practices and ethical dealings which will ultimately increase shareholder value in the institution.

The Group's oversight function has also been intensified in ensuring the extraction of synergy inherent in our diversified operations across markets and geographies, with over 13million active customers' accounts and within its extensive banking infrastructure. Considerable successes have been achieved in strengthening the structures of other non-banking operating entities, thereby diversifying our earnings base to minimise our reliance on the commercial banking business.

Additionally, the Group's cross-border Commercial Banking operations, led by FBNBank (UK) Limited, serves to substantially cushion against country-specific risks. The culmination of all these strategic objectives is the realisation of the Group's aspiration to become the foremost financial institution in Middle Africa.

Governance Structure

The following governance bodies are in place;

A. The Board of Directors

The FBNHoldings Board is a considered blend of diversity, 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 processes.

Since the last Annual General Meeting of FBNHoldings, there have been no changes to the Board's composition. The Board is comprised of the following members:

- Dr. Oba Otudeko, *CFR* - Group Chairman
- UK Eke, *MFR* - Group Managing Director
- Oye Hassan-Odukale, *MFR* - Non-Executive Director
- Omatseyin Ayida - Non-Executive Director
- Chidi Anya - Non-Executive Director
- Dr. Hamza Wuro Bokki - Non-Executive Director
- ‘Debola Osibogun - Non-Executive Director
- Oluwande Muoyo - Independent Non-Executive Director
- Cecilia Akintomide, *OON* - Independent Non-Executive Director
- Dr. Adesola Adeduntan - Non-Executive Director

Responsibilities of the Board of Directors
The Board’s principal responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value. The Board leads and provides direction for the Management by setting policy directions and strategy, and overseeing its implementation. The Board seeks to ensure that Management delivers on both its long-term growth and short-term objectives, striking the right balance between both goals. In setting and monitoring the execution of our strategy, consideration is given to the impact that those decisions will have on the Group’s obligations to various stakeholders, such as shareholders, employees, suppliers and the community in which the Group operates.

The Board is also responsible for ensuring effective systems of internal controls are maintained and that the Management maintains an effective risk management and oversight process across the Group, to ensure that growth is delivered in a controlled and sustainable way. In addition, the Board is responsible for determining and promoting the collective vision of the Group’s purpose, values, culture and behaviours. Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group’s strategy, approval of risk appetite, capital and liquidity matters, major acquisitions, mergers or disposals, Board membership, fi results and governance issues, including the approval of the corporate governance framework.

More specifically, some of the Board’s responsibilities as enumerated in the Board Charter are:

- building long-term shareholder value by ensuring that adequate systems, policies and procedures are in place to safeguard the assets of the Group;
- appointing and developing members and refreshing the overall competency of the Board as necessary from time to time;
- articulating and approving the Group’s strategy and financial objectives, and monitoring the implementation of those strategies and objectives;
- approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Directors (ED) in the Group;
- approving the criteria for assessing the performance of the GMD and the EDs;
- monitoring and evaluating the performance of the GMD against agreed key performance objectives and targets, and ratifying the evaluation of EDs as prepared by the GMD;
- reviewing, on a regular and continuing basis, the succession planning for the Board and Senior Management staff, and recommending changes where necessary;
- reviewing and approving the appointment, promotion and termination of Senior Management staff (Assistant General Manager (AGM) and above) on the recommendation of the relevant Board Committee;
- overseeing the implementation of corporate governance principles and guidelines;
- reviewing and approving the recommendations of the Governance Committee in relation to the remuneration of Directors;

- overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks facing the Group;
- articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Group; and
- overseeing the Group's corporate sustainability practices with regards to its economic, social and environmental obligations.

The Board of FBNHoldings met eight (8) times in 2017. The record of attendance is presented below:

Name	**an. 31**	**Apr. 6**	**Apr. 25**	**May 18**	**Aug. 1**	**Oct. 24**	**Nov. 2**	**Dec. 19**
Dr. Oba Otudeko, *CFR*	√	√	√	√	√	√	√	√
UK Eke, *MFR*	√	√	√	√	√	√	√	√
Oye Hassan-Odukale, *MFR*	√	√	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√	√	√
'Debola Osibogun	√	√	√	√	√	√	√	√
Oluwande Muoyo	√	√	√	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√	√	√	√
Dr. Adesola Adeduntan	√	√	√	√	√	√	√	√

B. Board Committees

The Board carries out its oversight function through its standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines to the Board. The Board monitors these responsibilities 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.

FBNHoldings has in place the following constituted Board Committees:

- Board Governance and Nomination Committee
- Board Finance and Investment Committee
- Board Audit and Risk Assessment Committee

In addition, there is an Independent Committee – The Statutory Audit Committee.

1. Board Governance and Nomination Committee

The Committee is comprised of the following members:

- 'Debola Osibogun - Chairman
- Dr. Hamza Wuro Bokki - Member
- Oluwande Muoyo - Member
- Omatseyin Ayida - Member

The responsibilities of the Committee are to:

- develop and maintain an appropriate corporate governance framework for the Group;
- develop and maintain an appropriate policy on remuneration of Directors, both Executive and Non-Executive;
- nominate new Directors to the Board;
- succession plan for key positions on the Board;

- nominate and endorse Board appointments for subsidiary companies;
- recommend Directors' remuneration for the Group;
- oversee Board performance and evaluation within the Group;
- at the request of the Board, identify individuals for consideration for Board appointment and present to the Board for ratification;
- recommend potential appointment and re-election of Directors (including the GMD) to the Board, in line with FBNHoldings approved Director selection criteria;
- ensure the Board composition includes at least two independent Directors who meet the independence criteria as defined in CBN circular;
- ensure adequate succession planning for Board of Directors and key Management staff across the Group;
- recommend candidates for directorship position in subsidiary companies to the Board for endorsement;
- make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification
- review and make recommendations to the Board on all retirement and termination payment plans to the Executive Directors;
- ensure proper disclosure of Directors' remuneration to stakeholders;
- ensure compliance with regulatory requirements and other international best practices in 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 may utilise the service of the independent consultant approved by the Board for the annual board appraisal as it deems fit. The evaluation process will be in line with the Groups Evaluation policy;
- perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- evaluate the role of the Board Committees and Boards of subsidiary companies, and ratify the performance appraisals of the Executive Directors as presented by the GMD;
- ensure proper succession planning for the Group; and
- ensure compliance with the SEC Code of Corporate Governance and other global best practices on corporate governance.

The Committee met six (6) times in 2017. The record of attendance is presented below:

Name	**an. 30**	**Feb. 17**	**Mar. 28**	**Apr. 24**	**May 18**	**Dec. 18**
'Debola Osibogun	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√
Oluwande Muoyo	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√

2. Board Finance and Investment Committee

The Committee is comprised of the following members:

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

Its responsibilities include the following amongst others:

- 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 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;
- ensure that an effective tax policy is implemented.

The Committee met four (4) times in 2017. The record of attendance is presented below:

Name	an. 24	Feb. 17	Aug. 1	Dec. 13
Oye Hassan-Odukale, *MFR*	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√
UK Eke, *MFR*	√	√	√	√

3. Board Audit and Ris Assessment Committee

The Committee is comprised of the following members:

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

Its responsibilities include the following amongst others:
- 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.

The Committee met six (6) times in 2017. The record of attendance is presented below:

Name	an. 24	Feb. 17	Apr. 3	Apr. 12	ul. 25	Oct. 17
Oluwande Muoyo	√	√	√	√	√	√
'Debola Osibogun	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√

4. Statutory Audit Committee

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

It is comprised of the following members:
- Ayodeji Shonubi - Chairman
- Ismail Adamu - Member
- Christopher Okereke - Member
- Oye Hassan-Odukale, *MFR* - Member
- Chidi Anya - Member
- Cecilia Akintomide, *OON* - Member

The statutory duties and role of the SAC are clearly encapsulated in Section 359 (3) and (4) of CAMA. In addition, the various Codes of Corporate Governance – the CBN, SEC and NAICOM Codes – set out the corporate governance role and responsibilities of the SAC to include the following:
- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on Management matters in conjunction with the external auditor and departmental responses thereon (Management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;

- make recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair the independent judgement of the external auditors;
- authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the committee; and
- assist in the oversight of the integrity of the Company's fi statements and establish and develop the internal audit function.

Financial Literacy and Independence of 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. The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Nigeria. The other members are Non- Executive Directors with extensive Board experience.

The independence of the SAC is fundamental to upholding public confidence in the reliability of the SAC's reports and the Company's financials. No Executive Director sits on the SAC. Of the six members of the Committee as statutorily required, three are shareholder representatives, including the Chairman. The shareholder representatives are independent and answerable to the shareholders.

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

The record of SAC attendance for the year 2017 is provided below:

Name	**Apr. 4**	**May 9**	**Aug. 15**	**Dec. 18**
Ayodeji Shonubi	√	√	√	√
Ismail Adamu	√	√	√	√
Christopher Okereke	√	√	√	√
Oye Hassan-Odukale, MFR	√	√	√	√
Chidi Anya	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√

C. Group E ecutive Committee

The Group Executive Committee (GEC) usually invites to its meetings any attendee, as may be required, and meets bi-annually, or as required. The Committee met four times in 2017.

The GMD of FBNHoldings serves as Chairman while other members are:
- MD/CEO, First Bank of Nigeria Limited and Subsidiaries;
- MD/CEO, FBNQuest Merchant Bank Limited;
- MD/CEO, FBNQuest Capital Limited;
- MD/CEO, FBN Insurance Limited;
- MD/CEO, FBN Insurance Brokers Limited;
- MD/CEO FBN General Insurance Limited;
- Chief Financial Officer, FBNHoldings;
- Company Secretary, FBNHoldings;
- Head, Strategy and Corporate Development, FBNHoldings;
- Chief Financial Officer, FirstBank;
- Chief Risk Officer, FirstBank; and
- Chief Strategy Officer, FirstBank.

Role and Focus
The role of this Committee is:

- ensuring overall alignment of Group strategy and plans;
- reviewing strategic and business performance against the approved plans and budget of the Group, and agreeing recommendations and corrective actions;
- promoting the identification of synergies and ensuring the implementation of synergy initiatives;
- monitoring the progress of Group synergy realisation initiatives and making recommendations in respect of them;
- discussing and monitoring compliance with Group policies such as risk management, internal audit and human resources; and
- reviewing and 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 the Group's auditable activities and entities and, on a quarterly basis, discuss the status of implementation of the internal audit plan;
- annually review and reassess the internal audit division's responsibilities and functions, making changes as necessary, and arrange an independent evaluation of the internal audit function's activities every three years in line with SEC Code of Corporate Governance; and
- oversee the establishment of whistleblowing procedures for the receipt, retention, and treatment of complaints received by the Group regarding accounting, internal controls, auditing matters, unethical activity and breaches of the corporate governance code, and ensure the confidentiality and anonymity of submissions received with respect to such complaints.

Roles of Group Chairman and Group Managing Director
The principal role of the Group Chairman of the Board is to manage and provide leadership to the Board of Directors of FBNHoldings. The Group Chairman is accountable to shareholders and responsible for the effective and orderly conduct of Board and general meetings. The roles of the Chairman and GMD are separate, so that the Group Chairman is independent of Management and free from any interest or other relationship that may interfere with his independent judgement other than interests resulting from Company shareholdings and remuneration.

The Group Managing Director (GMD) has overall responsibility for leading the development and execution of the Group's long-term strategy, with a view to creating sustainable shareholder value. The GMD's mandate is to manage the day-to-day operations of FBNHoldings and ensure that operations are consistent with the policies developed by the Board of Directors and are carried out effectively. The GMD's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Group's long and short-term plans.

Director Nomination Process
Relevant regulatory guidelines and laws guide our appointment philosophy. Our Directors are selected based on their skills, competencies and experience. The Board appointment process is transparent. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment. Thereafter, recommendations on candidates' suitability are made to the full Board, which then decides on the appointment of the candidate subject to the approval of the relevant regulatory authorities and ratification of the shareholders at the general meeting

Tenure of Directors

Non-Executive Directors

Non-Executive Directors are appointed for an initial term of four years and can be re-elected for a maximum of two subsequent terms of four years each, subject to satisfactory performance and approval of the members.

Executive Directors

Executive Directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to a satisfactory annual performance evaluation. Hence, the maximum tenure of an Executive Director is six years. The Board may grant a waiver of the tenure limit in the case of an Executive Director whose performance is deemed exceptional. This will, however, require formal justification and unanimous approval of the Board. Executive Directors are discouraged from holding directorships external to the Group.

Board Training

Regardless of the expected depth of knowledge and experience of those appointed to the Board, we ensure regular domestic and international training programmes are organised for Board members to improve their decision-making capacity, thereby contributing to the effectiveness of the Board. A training plan is usually agreed by the Board with the Company Secretariat tasked with ensuring implementation of the plan.

In some cases, in-planted programmes are organised to train Directors as a group, where it is considered that the training may be beneficial to all the members of the Board. The Board ensures that its knowledge base is constantly refreshed through continuous training and development programmes.

Board Compensation

Non-Executive Directors

In line with the CBN and SEC Codes, Non-Executive Directors receive fi annual fees and sitting allowances for their services on Boards and Board Committee meetings. There are no contractual arrangements for compensation for loss of office. Non-Executive Directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

Executive Directors

Remuneration for Executive Directors is performance-driven and restricted to base salaries, allowances, performance bonuses and share options. Executive Directors are not entitled to sitting allowances.

The Group continually ensures that its remuneration policies and practices remain competitive, and are in line with its core values to incentivise and drive performance.

Board Appraisal

In compliance with the Securities and Exchange Commission (SEC) Code of Corporate Governance (the Code) and in consonance with our commitment to strengthening the Group's corporate governance practices while enhancing the capacity of the Board in the effective discharge of its responsibilities, the Board engaged the services of an independent consultant, KPMG Professional Services, to conduct an appraisal of the Board of Directors and individual Director peer appraisal for the year ending 31 December 2017.

The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities.

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

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

Thereafter, Committee shall define the competency requirements for the key positions. The competency requirements provide 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 provide the basis to assess potential successors for the identified key positions and to identify skills gaps and developmental needs.

On conclusion of this phase, the Committee thereafter identifies a Talent Pool, following which the Committee determines the Skills and Competency Gaps. For the Chairman's Position, the existing Chairman of the Board will articulate developmental needs of each individual Non-Executive Director on the Board to develop a plan to bridge that gap and position them as potential successors.

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

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

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

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

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

without any fear of harassment, intimidation, victimisation or reprisal of anyone for raising concern(s) under the Policy.

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

The culture of whistleblowing

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

Internal whistleblowing procedure

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

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

Where the concern is received by staff other than the GMD or the Head, Internal Audit, the recipient is required to immediately pass same 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 and Risk Assessment Committee.

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

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

Disciplinary measures in line with the staff handbook shall be taken against any employee that receives a whistleblowing report and fails to escalate or an internal whistleblower that acts out of malice.

External whistleblowing procedure

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

- By a formal letter to the Group Managing Director, FBN Holdings Plc and/or Head, Internal Audit FBN Holdings Plc;
- Dedicated phone number as contained on the website; www.fbnholdings.com; 0817 597 8505;
- Dedicated email address; FBNHoldingsWhistleBlowing@fbnholdings.com;
- Electronically log onto www.fbnholdings.com;
- Directly to the Group Managing Director, FBNHoldings; and
- Directly to the Head, Internal Audit, FBNHoldings.

Protection and compensation for whistleblowers
The policy of the Group is 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.

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

FBN HOLDINGS PLC

Directors' Report
For the year ended 31 December 2017

The Directors present their report on the affairs of FBN Holdings Plc (ñthe Companyò) together with the financial statements and auditors' report for the period ended 31 December 2017.

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 Companyôs shares were listed on the floor of the Nigerian Stock Exchange on November 26, 2012 after the shares of First Bank of Nigeria Plc were delisted on November 23, 2012.

b. Principal Activity and Business Review

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

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

The Company consists of three groups namely:

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

The Company prepares separate and consolidated financial statements.

c. Directors' Shareholding

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

DIRECTORS' SHAREHOLDING

S/N	Name	Direct holding	Indirect holding
1.	Dr Oba Otudeko, CFR	5,895,264	532,075,839
2.	Mr. Oye Hassan-Odukale, MFR	1,854,003	299,176,554
3.	Mr. Chidi Anya	-	52,168
4.	Dr. Hamza Sule Wuro Bokki	3,389,061	-
5.	Otunba (Mrs.) Adebola Osibogun	1,171,612	-
6.	Mr. Omatseyin Akene Ayida	1,100,000	-
7.	Mr. Urum Kalu Eke, MFR	14,575,178	-
8.	Dr. Adesola Kazeem Adeduntan	10,942,189	-
9.	Mrs. Oluwande Muoyo	674,043	798,596
10.	Ms. Cecilia Akintomide, OON	5,500	-

d. ***Operating Results***

The Directors recommend for approval a dividend of 0.25 kobo per share, amounting to ₦8,973,823,198.00. Highlights of the operating results for the period under review are as follows:

	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	N' million	**N' million**	**N' million**	**N' million**
Gross Earnings	595,444	581,831	13,715	12,715
Profit Before Tax	56,825	22,948	9,382	7,611
Taxation	(9,040)	(5,807)	(107)	(104)
Profit for the year from continuing operations	47,785	17,141	9,275	7,507
Total Profit for the year	40,011	12,243	9,275	7,507
Appropriation:				
Transfer to statutory reserves	7,877	9,579	-	-
Transfer to statutory credit reserve	19,176	21,207	-	-
Transfer to contingency reserves	530	289	-	-
Transfer to retained earnings reserve	12,428	(18,832)	9,275	7,507

e. ***Directors interests in contracts***

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

f. ***Property and equipment***

Information relating to changes in property and equipment is given in Note 32 to the Accounts. In the Directorsô opinion, the market value of the Companyφs properties is not less than the value shown in the financial statements.

g. ***Shareholding Analysis***

Shareholding Range Analysis as at 31 December 2017

RANGE	No of Holders	% Holders	Units	% Units
1 - 1000	288,173	23.71	211,720,768	0.59
1001 - 5000	495,403	40.76	1,192,738,913	3.32
5001 - 10000	173,452	14.27	1,192,851,018	3.32
10001 - 50000	212,863	17.51	4,335,714,996	12.08
50001 - 100000	22,207	1.83	1,545,536,512	4.31
100001 - 500000	18,779	1.54	3,744,625,897	10.43
500001 - 1000000	2,273	0.19	1,585,614,049	4.42
1000001 - 5000000	1,953	0.16	3,723,645,738	10.37
5000001 - 10000000	213	0.02	1,502,030,493	4.18
10000001 - 50000000	185	0.02	3,578,186,131	9.97
50000001 - 100000000	27	0.00	1,792,666,365	4.99
100000001 - 35895292791	35	0.00	11,489,961,911	32.01
	1,215,563	**100.00**	**35,895,292,791**	**100.00**

Shareholdings Class Analysis as at 31 December 2017

Shareholder analysis as at 31 December 2017		
Type of shareholding	Holdings	Holdings %
Retail	19,431,555,848	54.14%
Domestic Institutional	12,014,373,652	33.47%
Foreign Institutional	3,791,823,464	10.56%
Government- related holdings	657,539,828	1.83%
	35,895,292,792	100%

h. Substantial interest in shares

According to the register of members as at 31 December 2017, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Human Resources

Employment of Disabled Persons

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

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

j. Health, Safety and Welfare at Work

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

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

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

k. Employee Involvement and Training

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

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

l. Auditors

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

BY ORDER OF THE BOARD

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

FBN Holdings Plc.

Responsibility for annual financial statements

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

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

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

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

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

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

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

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

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

FBN Holdings Plc.

Statement of Compliance with Nigerian Stock Exchange (NSE) Lisiting Rules on Securities Trading Policy

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

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

Dr. Oba Otudeko, CFR	Oluseye Kosoko
Group Chairman	Company Secretary
FRC/2013/ICAN/00000002365	FRC/2013/NBA/00000002006

FBN Holdings

Company Secretary Department
Samuel Asabia House, 35 Marina,
P. O. Box 5216, Lagos, Nigeria
Web: www.fbnholdings.com

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 (6) of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended December 31, 2017 and hereby state as follows:

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

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

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

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

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

Dated March 23, 2018

Mr. Ayodeji Shonubi, FCA
Chairman, Audit Committee
FRC/2013/ICAN/00000001532

Members of the Committee
Mr. Ayodeji Shonubi, FCA
Alhaji Ismail Adamu
Dr. Christopher O. Okereke, FCA, mni
Mr. Oye Hassan-Odukale MFR
Mr. Chidi Anya
Ms. Cecilia Akintomide OON

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Independent auditor's report

To the Members of FBN Holdings Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FBN Holdings Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2017, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate income statements for the year ended 31 December 2017;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

pwc

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers – (refer to notes 2.12a, 5a and 23) Impairment of loans and advances to customers is a highly subjective area due to the level of judgement applied by management in the measurement of impairment provisions. Management performs an impairment assessment on all significant loans. Loans that were not specifically tested for impairment and significant loans deemed to be unimpaired are assessed collectively on a portfolio basis. Key assumptions in the portfolio assessment include the determination of the probability of default and the Loss Given Default (LGD). Management makes assumptions about discount rate and timing of cash flows from collaterals held for impaired loans. Management uses external valuers to determine the fair value of collateral. This matter is considered a key audit matter in the consolidated financial statements only.	We evaluated the design and tested the operating effectiveness of the controls over loan loss impairment assessment across the Group. We tested the basis for management's classification of loans and advances to customers into impaired and un-impaired in the significant and non-significant portfolio. For significant loans which management had not identified as impaired, we applied a risk based target testing approach in selecting a sample of customers for detailed checking of customer information and account history, and assessing whether events or changes have occurred that may affect the performance and classification of the loans. With respect to estimated future cash flows from collaterals and other sources of repayment for impaired loans, we: - reviewed the valuations provided by management to support the calculation of the impairment; - assessed the competence, independence and objectivity of management valuation experts used for the valuation of collaterals; and - assessed the reasonableness of the discount rate and discount period applied to the fair values of collateral in the determination of the present value of the estimated future cash flows from the collateral. Where the estimated future cash flows of the collateral held against significant impaired loans exceeded the carrying value of the loan, we reviewed the impairment computation to determine that this category of facilities was assessed for collective impairment. We understood and assessed the collective impairment model used by management for facilities assessed for impairment on a portfolio modelled basis. We specifically focused on the principal assumptions such as the probability of default and the Loss Given Default (LGD). We evaluated the reasonableness of the LGD and probability of default by comparing it with the historical data and supporting documents. We also checked the accuracy of the inputs into the model and recalculated the collective impairment amount based on the incurred loss model.

Valuation of insurance contract liabilities – (refer to notes 2.24, 5f and 39)

We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management makes in determining the reserve for insurance contract liabilities.

Determination of the fair value of the contracts is an area that involves exercise of significant judgement and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes such as mortality, morbidity, lapse and surrender, and also economic assumptions relating to inflation rates, discount rates and future growth rates. These are the key inputs used to estimate these long-term liabilities.

An in-house actuary assesses on a periodic basis, an estimate of the insurance liabilities for the various portfolios. At the end of each financial year, management employs the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation.

This matter is considered a key audit matter in the consolidated financial statements only.

Our procedures included the following:

- We reviewed the methodology and processes adopted by management for making reserves in the books;
- We tested controls around the reserving process and maintenance of data for valuation of insurance contract liabilities;
- We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate. Our work on the liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of industry experience and specific product features;
- We checked the data used in the valuation of the insurance contract liabilities for consistency with internal records;
- With the assistance of our expert, we reviewed the operating assumptions relating to mortality, morbidity lapse and surrender and economic assumptions around inflation rates, discount rates and future growth rates; and
- We checked the figures disclosed in the financial statements to the amounts stated in the actuarial valuation report.

Disclosure of the quantitative impact of the adoption of IFRS 9 (refer to note 2.2.2 (ii))

We focused on this area because of the significant judgement applied in estimating the impairment allowances on financial assets for the purpose of IFRS 9 disclosures in the financial statement.

Significant judgement was applied in estimating the impairment allowances under the new expected credit loss (ECL) model. ECL models incorporate forward looking

We obtained the IFRS 9 Expected Credit Loss (ECL) model, and used our credit modelling experts in our assessment of the judgements and assumptions supporting the ECL requirements of the standard.

We re-performed certain model calculations to confirm the risk parameter outputs. We assessed reasonableness of forward looking information incorporated into the impairment calculations. We also evaluated the appropriateness of the economic scenarios chosen and the probability weightings assigned to the scenarios.

information, reflecting management's view of potential future economic environments.

This matter is considered a key audit matter in the consolidated financial statements only.

On a sample basis, we tested the integrity of the data used in the ECL model.

We assessed the reasonableness of the disclosures included in the financial statements.

Other information

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

v) except for the contraventions disclosed in Note 49 to the consolidated and separate financial statements, the company has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ACCURACY & INTEGRITY
A1522548

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

23 April 2018

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

INCOME STATEMENT

	Note	GROUP 31 December 2017 N 'million	GROUP 31 December 2016 N 'million	COMPANY 31 December 2017 N 'million	COMPANY 31 December 2016 N 'million
Continuing operations					
Interest income	7	469,586	405,281	2,215	885
Interest expense	8	(138,064)	(100,839)	-	-
Net interest income		**331,522**	**304,442**	**2,215**	**885**
Impairment charge for credit losses	9	(150,424)	(226,037)	-	-
Net interest income after impairment charge for credit losses		**181,098**	**78,405**	**2,215**	**885**
Insurance premium revenue	10	12,973	9,606	-	-
Insurance premium revenue ceded to reinsurers		(2,739)	(1,175)	-	-
Net insurance premium revenue		**10,234**	**8,431**	**-**	**-**
Fee and commission income	11	74,453	71,360	-	-
Fee and commission expense	11b	(12,117)	(11,073)	-	-
Net gains on foreign exchange	12	21,062	89,077	8	105
Net gains/(losses) on investment securities	13	2,610	3,930	16	(12)
Net gains/(losses) from financial instruments at fair value through profit or loss	14	11,117	(6)	-	-
Loss from disposal of subsidiary			(8)	-	-
Gain from disposal of investment in associates		-	-	-	144
Dividend income	15	2,053	897	11,437	11,559
Other operating income	16	3,901	2,868	38	34
Insurance claims		(4,041)	(2,190)	-	-
Personnel expenses	17	(85,678)	(83,805)	(982)	(702)
Depreciation of property, plant and equipment	32	(11,600)	(11,584)	(398)	(381)
Amortisation of intangible assets	33	(4,201)	(3,324)	-	-
Impairment loss on investment		-	-	-	(1,700)
Operating expenses	18	(132,496)	(120,030)	(2,952)	(2,321)
Operating profit		**56,395**	**22,948**	**9,382**	**7,611**
Share of profit of associates		430	-	-	-
Profit before ta		**56,825**	**22,948**	**9,382**	**7,611**
Income tax expense	19a	(9,040)	(5,807)	(107)	(104)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**47,785**	**17,141**	**9,275**	**7,507**
Discontinued operations					
Loss for the year from discontinued operations	31	(7,774)	(4,898)	-	-
PROFIT FOR THE YEAR		**40,011**	**12,243**	**9,275**	**7,507**
Profit (loss) attributable to:					
Owners of the parent		43,631	14,122	9,275	7,507
Non-controlling interests		(3,620)	(1,879)	-	-
		40,011	**12,243**	**9,275**	**7,507**
Earnings per share for profit attributable to o ners of the parent					
Basic/diluted earnings/ loss per share (in Naira):	52				
From continuing operations		1.43	0.53	0.26	0.21
From discontinued operations		(0.22)	(0.14)	-	-
From profit for the year		1.21	0.39	0.26	0.21

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	GROUP 31 December 2017 N 'million	GROUP 31 December 2016 N 'million	COMPANY 31 December 2017 N 'million	COMPANY 31 December 2016 N 'million
PROFIT FOR THE YEAR		**40,011**	**12,243**	**9,275**	**7,507**
Other comprehensive income:					
Items that may be subse uently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
-Unrealised net gains/(losses) arising during the year		50,899	(17,800)	163	2
-Net reclassification adjustments for realised net gains		-	(13,517)	-	-
Share of other comprehensive income of associates		(65)	-	-	-
Exchange difference on translation of foreign operations		13,362	26,724	-	-
Items that ill not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme	41	744	1,494	-	-
Income tax relating to components of other comprehensive income		(784)	-	-	-
Other comprehensive income (loss) for the year		**64,156**	**(3,099)**	**163**	**2**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**104,167**	**9,144**	**9,438**	**7,509**
Total comprehensive income (loss) attributable to:					
Owners of the parent		107,426	13,630	9,438	7,509
Non-controlling interests		(3,259)	(4,486)	-	-
		104,167	**9,144**	**9,438**	**7,509**
Total comprehensive income (loss) attributable to o ners of the parent arises from :					
Continuing operations		110,223	16,505	9,438	7,509
Discontinued operations		(2,797)	(2,875)	-	-
		107,426	**13,630**	**9,438**	**7,509**

FBN Holdings Plc.

STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2017 N 'million	GROUP 31 December 2016 N 'million	COMPANY 31 December 2017 N 'million	COMPANY 31 December 2016 N 'million
ASSETS					
Cash and balances with central banks	20	641,881	690,165	-	-
Loans and advances to banks	22	742,929	444,871	7,585	645
Loans and advances to customers	23	2,001,223	2,083,894	108	65
Financial assets at fair value through profit or loss	24	83,713	46,711	-	-
Investment securities					
-Available-for-sale investments	25	1,122,757	921,753	9,842	12,350
-Held to maturity investments	25	108,283	108,479	-	-
-Loans and receivables	25	17,568	20,356	-	-
Asset pledged as collateral	26	208,925	197,420	-	-
Other assets	27	132,731	47,786	9,011	10,599
Investment properties	28	1,993	3,003	-	-
Investments in associates accounted for using the equity method	29	1,357	1,114	-	-
Investment in subsidiaries	30	-	-	242,395	242,395
Property, plant and equipment	32	88,263	88,315	680	849
Intangible assets	33	16,211	15,328	-	-
Deferred tax assets	34	18,554	17,278	-	-
		5,186,388	4,686,473	269,621	266,903
Assets held for sale	31	50,149	50,332	-	-
Total assets		**5,236,537**	**4,736,805**	**269,621**	**266,903**
LIABILITIES					
Deposits from banks	35	665,366	416,078	-	-
Deposits from customers	36	3,143,338	3,104,221	-	-
Financial liabilities at fair value through profit or loss	24a	9,404	37,137	-	-
Current income tax liability	19b	10,194	8,897	104	84
Other liabilities	37	261,725	235,388	7,553	7,114
Liability on investment contracts	38	13,399	9,440	-	-
Liability on insurance contracts	39	21,734	10,287	-	-
Borrowings	40	420,919	316,792	-	-
Retirement benefit obligations	41	2,203	2,662	-	-
Deferred tax liabilities	34	606	813	-	-
		4,548,888	4,141,715	7,657	7,198
Liabilities held for sale	31	9,457	12,515	-	-
Total liabilities		**4,558,345**	**4,154,230**	**7,657**	**7,198**
EQUITY					
Share capital	42	17,948	17,948	17,948	17,948
Share premium	43	233,392	233,392	233,392	233,392
Retained earnings	43	170,775	161,631	10,104	8,008
Other reserves					
Statutory reserve	43	84,103	76,226	-	-
Capital reserve	43	1,223	1,223	10	10
Small scale investment reserve	43	6,076	6,076	-	-
Available for sale fair value reserve	43	77,981	27,507	510	347
Contingency reserve	43	1,257	727	-	-
Statutory credit reserve	43	42,816	23,640	-	-
Foreign currency translation reserve	43	48,115	34,753	-	-
		683,686	583,123	261,964	259,705
Non-controlling interest		(5,494)	(548)	-	-
Total equity		**678,192**	**582,575**	**261,964**	**259,705**
Total equity and liabilities		**5,236,537**	**4,736,805**	**269,621**	**266,903**

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2018 and signed on its behalf by:

Dr. Oba Otudeko, CFR	**U. K. Eke, MFR**	**Oyewale Ariyibi**
Group Chairman	Group Managing Director	Chief Financial Officer
FRC/2013/ICAN/00000002365	FRC/2013/ICAN/00000002352	FRC/2013/ICAN/00000001251

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN E UITY

	Attributable to e uity holders of the parent												
	Share capital	Share premium	Retained earnings	Capital reserve	Statutory reserve	Small scale investments reserve	Available for sale fair value reserve	Contingency reserve	Statutory credit reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total e uity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 anuary 2016	17,948	252,892	163,198	1,223	66,647	6,076	56,241	438	2,433	8,029	575,125	3,675	578,800
Profit/(loss) for the year	-	-	14,122	-	-	-	-	-	-	-	14,122	(1,879)	12,243
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	26,724	26,724	-	26,724
Fair value movements on available for sale financial assets, net of t	-	-	-	-	-	-	(28,710)	-	-	-	(28,710)	(2,607)	(31,317)
Remeasurement of defined benefit pension scheme, net of tax	-	-	1,494	-	-	-	-	-	-	-	1,494	-	1,494
Total comprehensive income	-	-	15,616		-	-	(28,710)	-	-	26,724	13,630	(4,486)	9,144
Transactions ith o ners													
Dividends	-	-	(5,384)	-	-	-	-	-	-	-	(5,384)	(1,243)	(6,627)
Loss of control in NSIA II and FBN Heritage Fund	-	-	(224)	-	-	-	(24)	-	-	-	(248)	1,558	1,310
Business restructuring	-	(19,500)	19,500	-	-	-	-	-	-	-	-	-	-
Other changes	-	-		-	-	-	-	-	-	-	-	(52)	(52)
Transfer between reserves	-	-	(31,075)	-	9,579	-	-	289	21,207	-	-	-	-
Total transactions ith O ners	-	(19,500)	(17,183)	-	9,579	-	(24)	289	21,207	-	(5,632)	263	(5,369)
At 31 December 2016	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123	(548)	582,575
Balance at 1 anuary 2017	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123	(548)	582,575
Profit/(loss) for the year	-	-	43,631	-	-	-	-	-	-	-	43,631	(3,620)	40,011
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	13,362	13,362	-	13,362
Fair value movements on available for sale financial assets, net of t	-	-	-	-	-	-	50,539	-	-	-	50,539	360	50,899
Income tax relating to components of other comprehensive income	-	-	(784)	-	-	-					(784)		(784)
Remeasurement of defined benefit pension scheme	-	-	744	-	-	-	-	-	-	-	744	-	744
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	-	(65)	-	-	-	(65)	-	(65)
Total comprehensive income	-	-	43,591		-	-	50,474	-	-	13,362	107,427	(3,260)	104,167
Transactions ith o ners													
Dividends	-	-	(7,179)		-	-	-	-	-	-	(7,179)	(760)	(7,939)
Acquisition of Non controlling interest	-	-	-	-	-	-	-	-	-	-	0	(611)	(611)
Transfer to retained earnings	-	-	315		-	-	-	-	-	-	315	(315)	-
Transfer between reserves	-	-	(27,583)	-	7,877	(0)	-	530	19,176	-	-	-	-
Total transactions ith O ners	-	-	(34,447)	-	7,877	(0)	-	530	19,176	-	(6,864)	(1,686)	(8,550)
At 31 December 2017	17,948	233,392	170,775	1,223	84,103	6,076	77,981	1,257	42,816	48,115	683,686	(5,494)	678,192

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN E UITY

	Attributable to e uity holders of the parent					
	Share capital	**Share premium**	**Retained earnings**	**Capital reserve**	**Available for sale fair value reserve**	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Balance at 1 anuary 2016	17,948	252,892	5,885	10	345	277,080
Profit for the year	-	-	7,507	-	-	7,507
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	2	2
Total comprehensive income	-	-	7,507	-	2	7,509
Transactions ith o ners						
Dividends	-	-	(5,384)	-	-	(5,384)
Business restructuring	-	(19,500)	-	-	-	(19,500)
Total transactions ith O ners	-	(19,500)	(5,384)	-	-	(24,884)
At 31 December 2016	17,948	233,392	8,008	10	347	259,705
Balance at 1 anuary 2017	17,948	233,392	8,008	10	347	259,705
Profit for the year	-	-	9,275	-	-	9,275
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	163	163
Total comprehensive income	-	-	9,275	-	163	9,438
Transactions ith o ners						
Dividends	-	-	(7,179)	-	-	(7,179)
	-	-	-	-	-	-
Total transactions ith O ners	0	0	(7,179)	-	-	(7,179)
At 31 December 2017	17,948	233,392	10,104	10	510	261,964

STATEMENT OF CASH FLO S

	Note	GROUP 31 December 2017 N 'million	GROUP 31 December 2016 N 'million	COMPANY 31 December 2017 N 'million	COMPANY 31 December 2016 N 'million
Operating activities					
Cash flow (used in)/generated from operations	44	116,302	(64,780)	(3,609)	(1,728)
Income taxes paid	19	(6,761)	(7,889)	(87)	(20)
Interest received		459,401	388,128	2,110	538
Interest paid		(138,939)	(84,173)	-	-
Net cash flo generated from (used in) operating activities		430,003	231,285	(1,586)	(1,209)
Investing activities					
Disposal of subsidiaries, net of cash disposed		-	801	-	3,420
Disposal of associates		-	1,644	-	1,644
Purchase of investment securities		(1,036,882)	(1,536,213)	(13,142)	(16,441)
Proceeds from the sale of investment securities		895,237	1,339,055	15,934	11,439
Dividends received		2,054	897	13,139	2,319
Purchase of investment properties		-	(12)	-	-
Proceeds from the disposal of investment property		-	265		
Purchase of property, plant and equipment	32	(12,816)	(12,844)	(235)	(39)
Purchase of intangible assets	33	(6,114)	(6,161)	-	-
Proceeds on disposal of property, plant and equipment		576	857	1	-
Proceeds on disposal of intangible assets		-	55	-	-
Net cash flo (used in) generated from investing activities		(157,945)	(211,656)	15,697	2,341
Financing activities					
Dividend paid		(7,939)	(5,986)	(7,179)	(5,384)
Proceeds from new borrowings	40	92,800	34,516	-	-
Repayment of borrowings	40	(17,596)	(59,306)	-	-
Interest paid on borrowings	40	(23,416)	(15,879)	-	-
Acquisition of NCI/(disposal) by NCI		(611)	(52)	-	-
Net cash flo used in financing activities		43,238	(46,707)	(7,179)	(5,384)
Increase (decrease) in cash and cash e uivalents		315,296	(27,078)	6,932	(4,252)
Cash and cash e uivalents at start of year		746,231	666,368	645	4,792
Effect of e change rate fluctuations on cash held		104,920	106,941	8	105
Cash and cash e uivalents at end of year	21	1,166,447	746,231	7,585	645

1 General information

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

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

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 23 March 2018.

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.

The Group's consolidated financial statements for the year 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

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

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

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

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

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

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available for sale financial assets are measured at fair value through equity.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Assets and liabilities held to maturity are measured at amortised cost.
- Loans and receivables are measured at amortised cost.

Changes in accounting policy and disclosures

Ne 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 2017.

(i) **Amendments to IFRS 12 - Disclosure of Interest in Other Entities (effective 1 anuary 2017)**
The amendments to this standard clarify that all disclosure requirement of IFRS 12 other than summarised financial information as contained in paragraphs B10-B16, also apply to any interests that are classified as held for sale, held for distribution to owners or discontinued operations in accordance with IFRS 15.

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

(ii) **Amendments to IAS 12 - Income Ta es (effective 1 anuary 2017)**
The amendment to IAS 12 sheds more light on the position regarding unrealized loss on debt instruments measured at fair value and the recognition of deferred tax assets for such items. Unrealized losses on debt instruments measured at fair value in the financial statements but measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt by sale or by use. Further clarification was made that the carrying amount of an asset does not limit the estimation of probable future taxable profits. Also, when comparing deductible taxable difference with future taxable profits, the future taxable profits should exclude tax deductions resulting from the reversal of those deductible temporary differences. Moreover, an entity is required to assess a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, as long as the tax base remains at the original cost of the asset, there is a temporary difference. This now makes it possible for an entity to recognize deferred tax asset on debt instruments carried at fair value, where the carrying amount is less than the nominal value because of market changes but where the entity expects to collect all contractual cash flows. Also, deferred tax asset can be recognized on items of property, plant and equipment measured at cost and where the entity expects to generate benefits exceeding that cost. However, there must be sufficient evidence to show that it is probable that the entity will recover an asset for more than its carrying amount.

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

(iii) **Amendments to IAS 7 - Statement of Cash Flo s (effective 1 anuary 2017)**

The aim of the amendment is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. As such, entities are required to provide further information on changes in liabilities and/or assets arising from financing activities such as changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; effect of changes in foreign exchange rates; changes in fair values; and other changes. Entities are also not required to provide comparatives in the first year of adoption

Ne standards, interpretations and amendments to e isting standards that are not yet effective

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

(i) **IFRS 15 - Revenue from Contracts ith Customers (effective 1 anuary 2018)**

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group will adopt IFRS 15 with effect from the accounting period beginning on 1 January 2018.
The Group is currently evaluating the impact of this new Standard on its Financial Statements.

(ii) **IFRS 9 - Financial instruments (effective 1 anuary 2018)**

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

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

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. This requirement of IFRS 9 is expected to significantly impact the banking businesses in the Group.

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

The Group is still assessing the impact of IFRS 9 on the entire Group. However FBN Limited which is the most material entity in the Group accounts for a significant portion of the Group's financial instruments has completed its initial assessment.
Having completed its initial assessment, FBN Limited has made the following decisions:

FBN Limited has grouped its loans and debt securities into 3 stages, based on the applied impairment methodology, as described

• Stage 1 - No significant changes in credit quality of exposure since initial recognition. The Bank recognises an allowance based on 12-month expected credit losses.

• Stage 2 - The credit risk of the exposure has increased significantly since initial recognition. The Bank records an allowance for the lifetime expected credit loss.

• Stage 3 - The credit risk of the exposure has increased significantly since initial recognition and there is objective evidence of impairment. The Bank recognises the lifetime expected credit losses for these loans.

In comparison to IAS 39, FBN Limited expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances of approximately N49.8billion.

(iii) **IFRS 16 – Leases (effective 1 January 2019)**

IFRS 16 has been issued to replace IAS 17.

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

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

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

Consolidation

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

a. Subsidiaries

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

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

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

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

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

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

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

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

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

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

b. Changes in ownership interests in subsidiaries without change of control.
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

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

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

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

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

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

2.4 Segment reporting

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

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

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

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

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

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

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

c. *Group companies*

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

• assets and liabilities of each foreign operation are translated at the rates of exchange ruling at the reporting date;

• income and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case income and expenses are translated at the exchange rate ruling at transaction date; and

• all resulting exchange differences are recognised in other comprehensive income.

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

2.7 Income ta ation

a. Current income tax

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

b. Deferred tax

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

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

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

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

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

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

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

2.8 Inventories

The Group purchases and constructs properties for resale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

Derivative financial instruments

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

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.

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.

Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

De-recognition of financial instruments

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

Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

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.

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

(b) Assets classified as available for sale

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

2.13 Impairment of non-financial assets

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

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

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

2.14 Collateral

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

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

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

2.15 Discontinued operations

The Group presents discontinued operations in a separate line in the income statement if an entity or a component of an entity has been disposed or is classified as held for sale and:
i. represents a separate major line of business or geographical area of operations;
ii. is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
iii. is a subsidiary aquired exlusively with a view to resale.

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

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

2.16 Leases

Leases are divided into finance leases and operating leases.

a. The group is the lessee

(i) Operating lease

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

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

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party.

(ii) Finance lease

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

b The group is the lessor

(i) Operating lease

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

(ii) Finance lease

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

2.17 Investment Properties

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

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

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

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

Transfer to, or from, investment property is recognized only when there is a change in use, evidenced by one or more of the following:
i. commencement of owner-occupation (transfer from
ii. commencement of development with the view to sale
iii. end of owner-occupation (transfer from owner-occupied
iv. commencement of an operating lease to another party
v. end of construction or development (transfer from property

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

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

2.18 Property, Plant and E uipment

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

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

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

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer equipment	33 1/3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for under 50 years
Land	Not depreciated

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

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

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

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

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

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain/ loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statementin 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 which is recognised as an asset is reviewed at least annually for impairment. Any impairment loss is immediately recognised in profit or loss.

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

Goodwill on acquisitions of associates is included in the amount of the investment.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

b. Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

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

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

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

c. Brand, customer deposits and customer relationships

Brand, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively.

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 e uivalents

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

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

2.22 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution

a. Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

b. Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the Estimated future cash outflows using interest rates of Federal government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

(ii) Short-term benefits

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

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

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

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

(ii) *terms*

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. *Insurance contract liabilities*

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

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

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

2.25 Fiduciary activities

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

2.26 Issued debt and e uity securities

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

2.27 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

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

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

c. *Earnings per share*

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

c. *Treasury shares*

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

d. *Statutory credit reserve*

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

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

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.

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

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

2.28 Financial guarantees

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

3. Financial ris management

3.1 Introduction and overvie

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

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

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

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

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

3.2 Credit ris

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 ris measurement

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

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

3.2.1 Credit ris   measurement continued

(a) Obligor Risk Rating (ORR system)

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

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

(b) Collateral Risk Rating (CRR)/Facility Risk Rating (FRR)

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

The Facility Risk Rating approximates a 'loss norm' for each facility, and is the product of two components:
- The Default Probability of the Obligor, i.e. the ORR
- The Loss Given Default i.e. a measure of the expected economic loss if the obligor defaults, and includes write offs, recoveries, interest income, and legal costs.

• The Collateral Risk Rating (CRR) grid indicates the acceptable collateral types rated 1–8 from best to worst in order of liquidity.

CRR (rating bucket)	Collateral type
1	Cash
2	Treasury Bills/Govt Securities
3	Guarantee/receivables of investment grade banks
4	Legal And Equitable Mortgage
4	Debenture Trust Deed/Fixed Debenture & Mortgage Debenture
4	Legal Mortgage on residential business real estate in prime locations A & B
4	Legal Mortgage or debenture on business premises, factory assets or commercial real estates in locations A & B
5	Domiciliation of receivables from acceptable Corporates
5	Enforceable lien on fast moving inventory in bonded warehouses
6	Equitable Mortgages on real estates in any location
6	Negative Pledge/Clean lending
6	Domiciliation of other receivables
7	Letters Of Comfort Or Awareness, Guarantee Of Non - Investment Grade Banks And Corporates
8	Letter Of Hypothecation, Personal Guarantee

3.2.2 Ris   limit control and mitigation policies

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

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

(a) Portfolio limits

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews macro-economic, regulatory and political factors, identifies sectors/industries with opportunity as well as the Group's business targets to determine appropriate portfolio and sub-portfolio limits.

The Group's Portfolio limit includes:
• Maintain aggregate large exposure of not more than 400% of Bank's shareholders' funds.
• Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'BB'
• Maintain minimum weighted average facility risk rating (facility-WARR) of 'BB'

3.2.2 Ris limit control and mitigation policies continued

(a) Portfolio limits continued

• The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
– The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
– No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
– No more than 10% of the Group's portfolio in any single industry rated 'B' or worse

(b) Geographical limits

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

(c) Single obligor limits

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

For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:
– No single retail loan should amount to more than 0.2% of total retail portfolio.

The Group also sets internal credit approval limits for various levels in the credit process and these are shown in the table below.

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

STANDARD CREDIT APPROVAL GRID FOR HOLESALE AND RETAIL LENDING (FIRSTBAN)

	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	Board of Directors	>25,000, 000 but not more than 15% of SHF or 75% of SOL/legal lending limit	>10,000,000 but not more than 5% of SHF
2	Board Credit Committee	25,000,000	10,000,000
3	Management Credit Committee	10,000,000	5,000,000
4	Managing Director + Chief Risk Officer + Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	5,000,000	2,000,000
5	Chief Risk Officer + Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	1,000,000	500,000
6	Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	250,000	100,000
7	Risk Senior Credit Officer 2 + SCO3 + Business Senior Credit Officer 1/SCO2	100,000	50,000
8	Risk Senior Credit Officer 3 + SCO4 + Group Head + Business Development Manager	50,000	25,000

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

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

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

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cashflows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness re-assessed if there is observable evidence of distress of the borrower, this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

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

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

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

3.2.4 E posure Management

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

3.2.5 Delin uency Management Loan or out

The Group's delinquency management process involves effective and timely management of accounts showing signs of delinquency to reduce the crystallisation of impairment loss. In line with the Group's delinquency management process, all activities are geared towards resuscitating delinquent loans and includes restructuring and loan work-out arrangements.

3.2.6 Credit Recovery

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

3.2.7 Management of concentration ris

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

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

3.2.8 Impairment and provisioning policies

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

3.2.9 Measurement basis of financial assets and liabilities

GROUP

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
31 December 2017					
Financial assets					
Cash and balances with central banks	-	-	641,881	-	641,881
Loans and advances to banks	-	-	742,929	-	742,929
Loans and advances to customers:					
- Overdrafts	-	-	296,135	-	296,135
- Term loans	-	-	1,670,334	-	1,670,334
- Staff loans	-	-	7,947	-	7,947
- Project finance	-	-	26,296	-	26,296
- Advances under finance lease	-	-	511	-	511
Financial assets at fair value through profit or loss	83,713	-	-	-	83,713
Investment securities:					
- Available-for-sale investments	-	1,122,757	-	-	1,122,757
- Held to maturity investments	-	-	-	108,283	108,283
- Loans and receivables	-	-	17,568	-	17,568
Asset pledged as collateral	-	134,513	-	74,412	208,925
Other assets	-	-	63,462	-	63,462
Total Financial Assets	83,713	1,257,270	3,467,064	182,696	4,990,743

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Deposits from banks	-	665,366	665,366
Deposits from customers	-	3,143,338	3,143,338
Financial liabilities at fair value through profit or loss	9,404	-	9,404
Other liabilities	-	226,410	226,410
Liability on investment contracts	-	13,399	13,399
Borrowings	-	420,919	420,919
Total Financial Liabilities	9,404	4,469,432	4,478,837

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
GROUP					
31 December 2016					
Financial assets					
Cash and balances with central banks	-	-	690,165	-	690,165
Loans and advances to banks	-	-	444,871	-	444,871
Loans and advances to customers:					
- Overdrafts	-	-	282,687	-	282,687
- Term loans	-	-	1,687,703	-	1,687,703
- Staff loans	-	-	7,417	-	7,417
- Project finance	-	-	104,783	-	104,783
- Advances under finance lease	-	-	1,304	-	1,304
Financial assets at fair value through profit or loss	46,711	-	-	-	46,711
Investment securities:					
- Available-for-sale investments	-	921,753	-	-	921,753
- Held to maturity investments	-	-	-	108,479	108,479
- Loans and receivables	-	-	20,356	-	20,356
Asset pledged as collateral	10,412	103,328	-	83,680	197,420
Other assets	-	-	34,602	-	34,602
Total Financial Assets	57,123	1,025,081	3,273,887	192,158	4,548,251

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Deposits from banks	-	416,078	416,078
Deposits from customers	-	3,104,221	3,104,221
Financial liabilities at fair value through profit or loss	37,137	-	37,137
Other liabilities	-	235,388	235,388
Liability on investment contracts	-	9,440	9,440
Borrowings	-	316,792	316,792
Total Financial Liabilities	37,137	4,081,919	4,119,056

3.2.9 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L Held for trading	Fair Value through OCI Available for sale	Amortised cost Loans and Receivables	Amortised cost Held to maturity	Total
	N'million	*N'million*	*N'million*	*N'million*	*N'million*
COMPANY					
31 December 2017					
Financial assets					
Loans and advances to banks	-	-	7,585	-	7,585
Loans and advances to customers					
- Staff loans	-	-	108	-	108
Investment securities:					
- Available-for-sale investments	-	9,842	-	-	9,842
- Held to maturity investments					-
Other assets	-	-	8,832	-	8,832
Total Financial Assets	-	9,842	16,524	-	26,367

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	7,553	7,553
Total Financial Liabilities	-	7,553	7,553

	Fair Value through P/L Held for trading	Fair Value through OCI Available for sale	Amortised cost Loans and Receivables	Amortised cost Held to maturity	Total
	N'million	*N'million*	*N'million*	*N'million*	*N'million*
31 December 2016					
Financial assets					
Loans and advances to banks	-	-	645	-	645
Loans and advances to customers					
- Staff loans	-	-	65	-	65
Investment securities:					
- Available-for-sale investments	-	12,350	-	-	12,350
Asset pledged as collateral					-
Other assets	-	-	10,260	-	10,260
Total Financial Assets	-	12,350	10,970	-	23,320

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	7,114	7,114
Total Financial Liabilities	-	7,114	7,114

3.2.10 Ma imum e posure to credit ris before collateral held or credit enhancements

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

	GROUP		COMPANY	
	31 Dec 2017 N'million	**31 Dec 2016 N'million**	**31 Dec 2017 N'million**	**31 Dec 2016 N'million**
Balances with central banks	472,848	588,910	-	-
Loans and advances to banks	742,929	444,871	7,585	645
Loans and advances to customers				
- Overdrafts	296,135	282,687	-	-
- Term loans	1,670,334	1,687,703	-	-
- Staff loans	7,947	7,417	108	65
- Project finance	26,296	104,783	-	-
- Advances under finance lease	511	1,304	-	-
Financial assets at fair value through profit or loss	75,157	41,183	-	-
Investment securities - Debt				
-Available-for-sale investments	1,026,739	862,009	6,989	9,516
-Held to maturity investments	108,283	108,479	-	-
-Loans and receivables	17,568	20,356	-	-
Asset pledged as collateral	208,925	197,420	-	-
Other assets	63,462	34,602	8,832	10,260
	4,717,137	4,381,723	23,513	20,486
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	8,263	14,203	-	-
Letter of credit and other credit related obligations	530,969	470,624	-	-
	539,232	484,827	-	-
TOTAL MA IMUM E POSURE	5,256,369	4,866,550	23,513	20,486

3.2.11 Concentration of ris s of financial assets ith credit ris e posure

(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 2017 and 31 December 2016. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	458,273	-	-	14,377	198	-	472,848
Loans and advances to banks	236,597	-	-	48,582	308,276	149,474	742,929
Loans and advances to customers							
- Overdrafts	159,842	44,437	12,936	43,495	28,154	7,271	296,135
- Term loans	1,220,248	201,162	54,942	83,451	47,813	62,718	1,670,334
- Staff loans	6,049	-	20	1,837	41	-	7,947
- Project finance	6,092	5,503	14,700	-	-	-	26,296
- Advances under finance lease	233	275	3	-	-	-	511
Financial assets at fair value through p	68,753	-	-	2,238	4,166	-	75,157
Investment securities							
- Available-for-sale investments	593,590	3,233	1,933	17,131	56,263	354,589	1,026,739
- Held to maturity investments	65,661	2,016	-	40,606	-	-	108,283
- Loans and receivables	17,568	-	-	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	5,100	-	-	208,925
Other assets	49,757	6,693	318	5,961	732	-	63,462
31 December 2017	3,086,492	263,319	84,852	262,778	445,643	574,052	4,717,137

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

Loan commitments	4,962	1,073	-	2,228	-	-	8,263
Letters of credit and other credit related obligations	303,807	45,271	32,858	2,354	143,417	3,262	530,969
31 December 2017	308,769	46,344	32,858	4,582	143,417	3,262	539,232

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	573,072	-	-	15,526	312	-	588,910
Loans and advances to banks	178,607	0.08	0	40,494	168,388	57,382	444,871
Loans and advances to customers							
- Overdrafts	153,687	67,650	19,408	40,457	620	865	282,687
- Term loans	1,212,318	190,685	57,318	102,969	13,180	111,233	1,687,703
- Staff loans	5,324	-	20	2,030	43	-	7,417
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets at fair value through profit or loss	39,148	-	-	449	1,586	-	41,183
Investment securities							
- Available-for-sale investments	592,323	3,953	1,950	16,170	18,486	229,127	862,009
- Held to maturity investments	87,479	3,184	-	17,816	-	-	108,479
- Loans and receivables	20,356	-	-	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	10,043	-	-	197,420
Other assets	21,303	3,746	919	5,100	3,534	-	34,602
31 December 2016	3,129,242	269,825	95,493	276,162	212,393	398,607	4,381,722

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

Loan commitments	8,116	2,939	6	3,142	-	-	14,203
Letters of credit and other credit related obligations	300,439	122,341	15,410	6,931	11,736	13,767.00	470,624
31 December 2016	308,555	125,280	15,416	10,073	11,736	13,767	484,827

3.2.11 Concentration of ris s of financial assets ith credit ris e posure continued

COMPANY

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	**Total N 'million**
Loans and advances to banks	7,585	-	-	-	-	-	7,585
Loans and advances to customers							
- Staff loans	108	-	-	-	-	-	108
Investment securities							
- Available-for-sale investments	6,989	-	-	-	-	-	6,989
Other assets	8,832	-	-	-	-	-	8,832
31 December 2017	23,513	-	-	-	-	-	23,513

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	**Total N 'million**
Loans and advances to banks	645	-	-	-	-	-	645
Loans and advances to customers							
- Staff loans	65	-	-	-	-	-	65
Investment securities							
- Available-for-sale investments	9,516	-	-	-	-	-	9,516
Other assets	10,260	-	-	-	-	-	10,260
31 December 2016	20,486	-	-	-	-	-	20,486

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 N 'million	Loans and advances to banks N 'million	Financial assets at fair value through profit or loss N 'million	Investment Securities (Debt) - Available for N 'million	Investment Securities - Held to maturity N 'million	Investment Securities - Loans and receivables N 'million	Asset pledged as collateral N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	10,266	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	981	4,859	3,903	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	472,850	742,903	11,772	435,659	16,718	-	12,250
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	(2)	26	52,137	586,221	87,662	17,568	196,675
Total at 31 December 2017	472,848	742,929	75,157	1,026,739	108,283	17,568	208,925

3.2.11 Concentration of ris s of financial assets ith credit ris e posure continued

		Loans to customers					
	Other assets	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	5,264	49,932 -	1	-	-	55,195
Oil and gas	-	58,959	672,194	-	8,369	-	739,522
Consumer credit	-	6,361	92,875	5,704	-	2	104,942
Manufacturing	-	78,163	250,611	-	-	-	328,774
Real estate	-	59,576	56,025	1,815	-	-	117,416
Construction	-	13,012	49,807	-	14,700	8	77,527
Finance and insurance	57,635	340	43,697	39	-	-	44,076
Transportation	-	358	12,442	-	-	-	12,800
Communication	-	16,457	39,202	-	3,227	-	58,886
General commerce	5	29,947	35,958	-	-	-	65,905
Utilities	5,512	3,617	123,696	-	-	-	127,313
Retail services	-	23,910	51,649	388	-	501	76,448
Public sector	310	171	192,246	-	-	-	192,417
Total at 31 December 2017	63,462	296,135	1,670,334	7,947	26,296	511	2,001,222

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities- Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	104	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	588,910	444,871	7,107	274,324	5,280	20,356	10,043
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	34,076	587,581	103,199	-	187,377
Total at 31 December 2016	588,910	444,871	41,183	862,009	108,479	20,356	197,420

		Loans to customers					
	Other assets	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	2,285	7,632	108,397	-	-	1	116,030
Oil and gas	0	78,915	569,995	-	50,415	-	699,325
Consumer credit	0	5,964	112,932	5,410	-	-	124,306
Manufacturing	0	45,797	308,501	-	18,304	179	372,781
Real estate	0	29,630	117,349	1,717	-	-	148,696
Construction	968	40,246	18,376	-	15,859	9	74,490
Finance and insurance	24,917	638	7,922	-	4,121	-	12,681
Transportation	-	1,818	11,833	-	9,080	13	22,744
Communication	-	12,790	62,388	-	6,185	-	81,363
General commerce	2,687	25,501	27,282	-	-	3	52,786
Utilities	2,790	4,392	99,573	-	-	-	103,965
Retail services	457	29,173	44,031	290	-	1,099	74,593
Public sector	500	191	199,124	-	819	-	200,134
Total at 31 December 2016	34,603	282,687	1,687,703	7,417	104,783	1,304	2,083,894

3.2.11 Concentration of ris s of financial assets ith credit ris e posure continued

b) Industry sectors

	Balances with central bank	Loans and advances to banks	Investment Securities - Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral	Other assets N 'million
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY							
Finance and insurance	-	7,585	-	-	-	-	8,832
Public sector	-	-	6,990	-	-	-	-
Total at 31 December 2017	-	7,585	6,990	-	-	-	8,832

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Consumer credit	-	-	62	-	-	62
Real estate	-	-	46	-	-	46
Total at 31 December 2017	-	-	108	-	-	108

	Balances with central bank	Loans and advances to banks	Investment Securities - Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral	Other assets N 'million
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY							
Finance and insurance	-	645	-	-	-	-	10,260
Public sector	-	-	9,517	-	-	-	-
Total at 31 December 2016	-	645	9,517	-	-	-	10,260

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Consumer credit	-	-	19	-	-	19
Real estate	-	-	46	-	-	46
Total at 31 December 2016	-	-	65	-	-	65

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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
	N 'million	**N 'million**	**N 'million**	**N 'million**
		GROUP		
Agriculture	-	5,169	-	11,331
Oil and gas	1,080	57,869	8,539	44,141
Consumer credit	79	-	-	118
Manufacturing	18	131,730	3,437	116,774
Real estate	-	167	157	878
Construction	12	54,140	0	76,244
Finance and insurance	35	168,407	30	113,326
Transportation	-	2,752	522	444
Communication	76	2,006	618	1,880
General commerce	1,949	48,570	879	55,379
Utilities	4,897	21,582	0	24,295
Retail services	113	11,581	21	25,814
Public sector	4	26,996	-	-
TOTAL	8,263	530,969	14,203	470,624

3.2.12 Loans and advances to customers

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

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP						
December 2017						
Neither past due nor impaired	241,404	1,340,167	8,223	26,775	375	1,616,946
Past due but not impaired	34,281	109,016	14	-	110	143,421
Individually impaired	67,565	422,698	6	-	533	490,802
Collectively impaired	2,378	26,794	-	-	54	29,226
Gross	345,628	1,898,675	8,243	26,775	1,072	2,280,395
Less: allowance for impairment (note 23)	(49,493)	(228,341)	(296)	(479)	(561)	(279,170)
Net	296,135	1,670,334	7,947	26,296	511	2,001,225
Individually impaired	44,205	185,326	4	-	533	230,068
Portfolio allowance	5,288	43,015	292	479	28	49,102
Total	49,493	228,341	296	479	561	279,170

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
December 2016						
Neither past due nor impaired	201,193	1,278,563	7,436	83,040	1,059	1,571,291
Past due but not impaired	38,489	191,541	6	8,998	256	239,290
Individually impaired	152,773	393,568	15	23,885	497	570,738
Collectively impaired	1,415	11,972	45	-	27	13,459
Gross	393,870	1,875,644	7,502	115,923	1,839	2,394,778
Less: allowance for impairment (note 23)	(111,183)	(187,941)	(85)	(11,140)	(535)	(310,884)
Net	282,687	1,687,703	7,417	104,783	1,304	2,083,894
Individually impaired	106,323	156,756	3	10,837	497	274,416
Portfolio allowance	4,860	31,185	82	303	38	36,468
Total	111,183	187,941	85	11,140	535	310,884
COMPANY						
December 2017						
Neither past due nor impaired	-	-	108	-	-	108
Net	-	-	108	-	-	108
December 2016						
Neither past due nor impaired	-	-	65	-	-	65
Net	-	-	65	-	-	65

GROUP

(a) Loans and advances to customers - neither past due nor impaired

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Grades:						
AAA	257	10,888	482	1	1	11,629
AA	994	51,303	-	-	-	52,297
A	16,174	57,603	3	-	-	73,780
BBB	39,264	249,526	1,615	-	-	290,405
BB	68,379	329,896	1,865	18,109	203	418,452
B	55,972	426,890	4,060	8,665	171	495,757
CCC	29	387	-	-	-	416
CC	56	1,424	138	-	-	1,618
C	60,279	212,249	59	-	-	272,587
	241,404	1,340,167	8,223	26,775	375	1,616,946

3.2.12 Loans and advances to customers continued

		Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
		N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b)	**Loans and advances past due but not impaired**						
	Past due up to 30 days	21,881	61,599	9	-	110	83,599
	Past due by 30 - 60 days	11,313	20,852	5	-	-	32,170
	Past due 60-90 days	1,087	26,565	-	-	-	27,652
	Gross amount	34,281	109,016	14	0	110	143,421
(c)	**Collectively impaired loans**						
		2,378	26,794	-	-	54	29,226
(d)	**Loans and advances individually impaired**						
	Gross amount	67,565	422,698	6	-	533	490,802
	Specific impairment	(44,205)	(185,326)	(4)	-	(533)	(230,068)
	Net amount	23,360	237,372	2	-	-	260,734
(a)	**Loans and advances to customers - neither past due nor impaired**						
a)	**Grades:**						
	AAA	860	5,241	587	-	-	6,688
	AA	2,227	59,787	80	-	-	62,094
	A	3	59,359	41	-	-	59,403
	BBB	8,919	102,409	131	-	-	111,459
	BB	71,884	501,917	2,145	16,840	679	593,465
	B	83,832	259,627	2,855	4,429	380	351,123
	CCC	11,982	25,902	1,554	-	-	39,438
	CC	-	1,700	-	-	-	1,700
	C	21,486	262,621	43	61,771	-	345,921
		201,193	1,278,563	7,436	83,040	1,059	1,571,291
(b)	**Loans and advances past due but not impaired**						
	Past due up to 30 days	16,112	143,171	4	8,581	186	168,054
	Past due by 30 - 60 days	18,175	25,850	2	-	70	44,097
	Past due 60-90 days	4,202	22,520	-	417	-	27,139
	Gross amount	38,489	191,541	6	8,998	256	239,290
(c)	**Collectively impaired loans**						
	These represent insignificant impaired loans which are assessed on a collective basis.						
		1,415	11,972	45	-	27	13,459
(d)	**Loans and advances individually impaired**						
	Gross amount	152,773	393,568	15	23,885	497	570,738
	Specific impairment	(106,323)	(156,756)	(3)	(10,837)	(497)	(274,416)
	Net amount	46,450	236,812	12	13,048	0	296,322

3.2.12 Loans and advances to customers continued

(e) Sensitivity analysis on impairment

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

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

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

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

Scenario 1
The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2
The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realizing collaterals pledged.

Outcome of the sensitivity analysis is sho n belo as ell as the impact on profit or loss

	Impairment charge in profit or loss		
	Current year	**Scenario 1**	**Scenario 2**
	N'million	**N'million**	**N'million**
31 December 2017			
- Overdrafts	10,259	11,033	11,105
- Term loans	121,411	128,290	129,658
- Staff loans	11	11	11
- Project finance	(1,189)	(1,078)	(1,078)
- Advances under finance lease	26	28	31
Total	130,518	138,284	139,727
31 December 2016			
- Overdrafts	80,694	81,375	81,424
- Term loans	76,945	82,956	83,502
- Staff loans	0	12	12
- Project finance	1,531	1,591	1,591
- Advances under finance lease	181	188	189
Total	159,351	166,122	166,718

3.2.13 Loans and advances to ban s

Credit uality of loans to ban s is summarised as follo s:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Agusto's rating (credit rating agency) and the internal rating system at 31 December 2017 and 31 December 2016.

	Group
31 December 2017	**Loans to ban s**
	N'million
A+ to A-	158,919
B+ to B-	238,042
Unrated	345,968
	742,929
31 December 2016	
A+ to A-	112,514
B+ to B-	69,709
Unrated	262,646
	444,871

3.2.14 Credit uality of investment in debt securities and other assets is summarised as follo s:

All investments in debt instruments are neither past due nor impaired.
The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2017 and 31 December 2016.

Group

31 December 2017	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Loans and receivables	Other assets
	N'million	N'million	N'million	N'million	N'million	N'million
A+ to A-	275,050	203,397	1,302	3,390	-	34,675
B+ to B-	504,203	164,630	11,240	123,955	-	4,792
Unrated	8,125	5,848	40,847	1,961	17,568	23,995
	787,378	373,875	53,389	129,305	17,568	63,462
31 December 2016						
A+ to A-	257,808	69,976	-	16,994	-	10,952
B+ to B-	513,163	122,326	-	138,545	-	715
Unrated	2,064	-	31,387	5,233	20,356	22,936
	773,035	192,302	31,387	160,772	20,356	34,602

Company

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Loans and receivables	Other assets
31 December 2017	N'million	N'million	N'million	N'million	N'million	N'million
A+ to A-	6,297	693	-	-	-	-
Unrated	-	-	-	-	-	8,832
	6,297	693	-	-	-	8,832
31 December 2016						
A+ to A-	8,862	654	-	-	-	-
Unrated	-	-	-	-	-	10,260
	8,862	654	-	-	-	10,260

3.2.15 Collateri ed 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 2017 and 31 December 2016 are as shown below

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2017	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	742,929	5,426
Financial assets at fair value through profit or loss	-	-	83,713	2,452
Total Financial Assets	-	-	826,642	7,878

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2016	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	444,871	24,552
Financial assets at fair value through profit or loss	-	-	46,711	1,596
Total Financial Assets	-	-	491,582	26,148

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

The underlisted financial assets are not collaterised:

Cash and balances with Central Banks
Investment securities:
- Available-for-sale investments
- Held to maturity investments

Asset pledged as collateral
Other assets
The Group's investment in risk-free government securities and its Cash and balances with Central Banks are not considered to require collaterals given their sovereign nature.

3.3 Li uidity ris

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

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

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

3.3.1 Management of li uidity ris

The Group's liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

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

3.3.3 Non-derivative financial liabilities and assets held for managing li uidity ris

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.

3.3.3 Non-derivative financial liabilities and assets held for managing li uidity ris continued

GROUP

(a) TABLE A - LI UIDITY ANALYSIS ON A CONTRACTUAL BASIS

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	11,798	2,414	45,471	-	-	668,180
Deposits from customers	2,308,573	322,019	175,699	156,664	173,416	15,709	3,152,079
Financial liabilities at fair value through profit or loss	-	-	33	-	-	-	33
Borrowings	18,050	20,431	10,262	21,466	418,819	13,515	502,543
Other liabilities	98,850	54,190	62,529	999	81	-	216,649
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	3,033,970	409,921	251,900	226,237	600,786	30,070	4,552,882
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,537	31,147	98,625	307,773	65,890	-	530,972
Total commitments	28,452	31,277	99,300	308,304	67,004	4,897	539,234
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599
31 December 2016							
Financial liabilities							
Deposits from banks	321,275	78,833	638	15,417	-	-	416,163
Deposits from customers	2,288,499	324,768	156,242	120,199	198,247	24,038	3,111,993
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	72,930	112,112	3,469	2,754	5,812	-	197,076
Investment contracts	-	-	-	-	9,440	-	9,440
Total financial liabilities	2,690,038	528,661	162,548	153,243	558,300	48,477	4,141,265
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,021	200,236	470,624
Total commitments	20,560	42,575	80,551	72,295	68,601	200,246	484,827
Assets held for managing liquidity risk	756,315	330,440	188,456	388,002	339,075	125,890	2,128,177

COMPANY

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2017							
Financial liabilities							
Other liabilities	-	-	-	7,553	-	-	7,553
Total financial liabilities	-	-	-	7,553	-	-	7,553
Assets held for managing liquidity risk	7,585	-	-	8,832	-	-	16,418
31 December 2016							
Financial liabilities							
Other liabilities	-	-	-	7,114	-	-	7,114
Total financial liabilities	-	-	-	7,114	-	-	7,114
Assets held for managing liquidity risk	645	-	-	10,260	-	-	10,906

3.3 Li uidity ris continued

3.3.3 Non-derivative financial liabilities and assets held for managing li uidity ris continued

(b) Table B below presents the undiscounted cashflows payable by the Group based on their behavioral patterns. In managing its liquidity risk, the Group profiles its cashflows statistically using historical observations, to ensure that projections are in tune with demonstrated behavioral trends. The Group adopts a Behavioral run-off model in estimating Core and Volatile components of its non-maturing liabilities, complemented by qualitative factors e.g. changes in collection sweep cycles, effect of new fiscal or monetary policies etc. The objective is to determine the proportion of the non-contractual balances to be spread across the Group's maturity bands.

TABLE B - LI UIDITY ANALYSIS ON A BEHAVIOURAL BASIS
GROUP

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	11,798	2,414	45,471	-	-	668,180
Deposits from customers	359,473	340,645	303,117	323,176	500,877	1,324,790	3,152,077
Borrowings	18,050	20,431	10,262	21,466	418,819	13,515	502,543
Other liabilities	98,850	54,190	62,529	999	81	-	216,649
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	1,084,870	428,547	379,284	392,749	928,247	1,339,151	4,552,847
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,539	31,147	98,625	307,773	65,888	-	530,972
Total commitments	28,454	31,276	99,300	308,304	67,002	4,897	539,234
Assets held for managing li uidity ris	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2016							
Financial liabilities							
Deposits from banks	256,830	78,838	65,078	15,417	-	-	416,163
Deposits from customers	304,971	379,190	265,423	289,409	578,608	1,276,844	3,094,445
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	72,930	109,269	7,874	2,754	5,812	-	198,638
Investment contracts	9,440	-	-	-	-	-	9,440
Total financial liabilities	651,505	580,245	340,573	322,453	929,221	1,301,283	4,125,279
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,419	42,515	78,180	71,256	58,017	200,236	470,624
Total commitments	20,564	42,575	80,551	72,295	68,597	200,246	484,827
Assets held for managing li uidity ris	756,315	330,440	188,456	388,002	339,075	125,890	2,128,177

3.3.4 Assets held for managing li uidity ris

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

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

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term.On an actuarial basis, the bank's demand deposits exhibit much longer duration, with 75.53% of the bank's current account balances and 67.48% of savings account balances being deemed core.

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

3.3.5 Derivative liabilities

(a) Derivatives settled on a net basis

The put options and the accumulator forex contract will be settled on a net basis.

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

GROUP	Up to 1 month N 'million	1-3 months N 'million	3-6 months N 'million	6 - 12 months N 'million	1-5 years N 'million	Over 5 years N 'million	Total N 'million
At 31 December 2017							
Derivative liabilities							
Put Options	(346)	2,275	3,244	5,680	6,932	-	17,785
	(313)	2,434	3,248	5,699	6,932	-	17,999
Derivative assets							
Forward Contract	371	2,320	3,939	7,087	7,848	-	21,565
	403	2,466	3,943	7,106	7,848	-	21,766
	90	4,900	7,190	12,805	14,780	-	39,764
At 31 December 2016							
Derivative liabilities							
Put Options	(295)	(364)	(468)	(917)	(1,458)	-	(3,502)
	(295)	(364)	(468)	(917)	(1,458)	0	(3,502)
Derivative assets							
Cross-Currency Swap	-	-	-	-	-	-	-
Forward Contract	286	350	436	865	1,457	-	3,394
	286	350	436	865	1,457	-	3,394
	(9)	(14)	(32)	(52)	(1)	-	(108)

(b) Derivatives settled on a gross basis.

The Group's derivatives that will be settled on a gross basis are foreign exchange derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2017 (N' million)							
Liabilities held for trading							
FX Swap - Payable	28,353	14,672	12,265	-	-	-	55,290
FX Swap - Receivable	33,102	16,501	13,480	-	-	-	63,083
Forward Contract - Payment	369	-	-	-	-	-	369
Forward Contract - Receipt	92,212	42,600	40,312	8,062	-	-	183,186
	154,036	73,773	66,057	8,062	-	-	301,928
At 31 December 2016							
Liabilities held for trading							
FX Swap - Payable	(10,675)	(4,575)	(21,350)	-	-	-	(36,600)
FX Swap - Receivable	11,177	4,995	23,182	-	-	-	39,354
Forward Contract - Payment	(120,887)	(115,327)	(103,918)	(120,978)	-	-	(461,111)
Forward Contract - Receipt	-	28,640	2,211	-	-	-	30,851
Put option	-	-	-	-	-	-	-
	(120,385)	(86,267)	(99,875)	(120,978)	-	-	(427,506)

3.4 Mar et ris

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

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio, and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and or income statement.
Through the financial year, the Bank was exposed to market risk in its trading, and non-trading activities mainly as a result of:
• interest rate movements in reaction to monetary policy changes by the Central Bank of Nigeria, fiscal policies changes, and market forces;
• foreign exchange fluctuations arising from demand and supply as well as government policies; and
• equity price movements in response to market forces and changing market dynamics, such as market making on the Nigerian Stock Exchange.

3.4.1 Management of mar et ris

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

• formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
• management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls.;
• an independent market risk management function reporting directly to the Bank's Chief Risk Officer;
• a Group-wide market risk management process to which all risk-taking units are subjected;
• alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk methodology (VaR), stress testing and scenario analysis;
• a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
• continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
• the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products and;
• where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

3.4.2 Mar et ris measurement techni ues

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

(a) Value at ris (VAR)

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

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

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

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

The table below shows the trading VaR of the Bank. The major contributors to the trading VaR are Treasury Bills and Foreign Exchange due to volatility in those instruments impacting positions held by the Bank during the period.

The assets included in the VAR analaysis are the held for trading assets.

The treasury bill trading VaR is NGN787 million as at 31st December 2017 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 N27 million as at 31st December 2017, reflecting the new regulatory Trading Open Position of 0.5% of Shareholders' Fund stipulated by the CBN.

VAR summary	**GROUP**		
	12 months to 31 December 2017		
	Average	**High**	**Lo**
Foreign exchange risk	58	280	4
Interest rate risk	1,493	5,870	34
Total VAR	**1,551**	**6,150**	**38**
	12 months to 31 December 2016		
	Average	**High**	**Lo**
Foreign exchange risk	32	118	-
Interest rate risk	943	3,241	219
Total VAR	**975**	**3,359**	**219**

3.4.2 Mar et ris measurement techni ues continued

(b) Stress tests

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

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

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

Non-trading portfolio

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

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

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:
• interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
• forecasting and simulating interest rate margins;
• market value sensitivity;
• calculating earnings at risk (EaR) using various interest rate forecasts; and
• re-pricing risk in various portfolios and yield curve analysis.
See note 3.4.5 for interest rate sensitivity disclosures.

Hedged non-trading mar et ris e posures

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

3.4.3 Foreign e change ris

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016 and 31 December 2015. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2017						
Financial assets						
Cash and balances with Central Banks	514,992	99,284	1,759	7,565	18,281	641,881
Loans and advances to banks	186,112	260,089	268,516	19,729	8,483	742,929
Loans and advances		-	-	-	-	
- Overdrafts	154,324	96,780	12,932	27,799	4,300	296,135
- Term loans	576,675	1,017,184	48,950	16,771	10,755	1,670,334
- Staff loans	6,069	1,416	41	1	420	7,947
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities		-	-	-	-	
- Available-for-sale investments	646,143	476,614	-	-	-	1,122,757
- Held to maturity investments	67,688	-	-	-	40,595	108,283
- Loans and receivables	- 458	18,026	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	-	5,100	208,925
Financial assets at fair value through profit or loss	60,570	23,143	-	-	-	83,713
Other assets	55,143	4,843	356	336	2,784	63,462
	2,489,162	2,006,109	332,554	72,201	90,718	4,990,743
Financial liabilities						
Customer deposits	2,193,814	473,512	384,477	26,510	65,025	3,143,338
Deposits from banks	6,140	623,893	19,031	9,843	6,459	665,366
Financial liabilities at fair value through profit or loss	20	9,375	-	10	-	9,404
Borrowings	58,324	359,541	6	386	2,662	420,919
Other liabilities	100,752	109,276	946	14,095	1,341	226,410
Investment contracts	13,399	-	-	-	-	13,399
	2,372,449	1,575,596	404,460	50,844	75,487	4,478,837

3.4.3 Foreign e change ris continued

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2016						
Financial assets						
Cash and balances with Central Banks	631,916	5,476	610	16,115	36,048	690,165
Loans and advances to banks	85,874	43,650	16,028	281,821	17,497	444,871
Loans and advances		-	-	-	-	
- Overdrafts	163,822	105,351	1,102	7,128	5,283	282,687
- Term loans	580,231	1,009,017	56,769	30,563	11,123	1,687,703
- Staff loans	5,345	1,489	43	8	532	7,417
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities		-	-	-	-	
- Available-for-sale investments	626,686	295,067	-	-	-	921,753
- Held to maturity investments	90,662	-	-	-	17,816	108,479
- Loans and receivables	19,898	458	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	-	10,043	197,420
Financial assets at fair value through profit or loss	31,534	15,177	-	-	-	46,711
Other assets	21,690	4,625	1,567	1,618	5,102	34,602
	2,466,627	1,560,659	76,119	341,401	103,445	4,548,251
Financial liabilities						
Customer deposits	2,083,708	552,946	381,545	35,679	50,342	3,104,221
Deposits from banks	34,568	352,217	17,387	8,142	3,763	416,078
Financial liabilities at fair value through profit or loss	(0)	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	102,446	116,512	1,727	9,202	5,501	235,388
Investment contracts	9,440	-	-	-	-	9,440
	2,283,890	1,318,209	400,659	53,231	63,067	4,119,056

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

The following table details the Group's sensitivity to a 25% increase and decrease in Naira against the US dollar and EURO. In view of the significant devaluation experienced in 2016, management believe that a 25% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and EURO denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 25% against the US dollar and EURO. For a 25% strengthening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2017	31 Dec 2016
Naira strengthens by 25% against the US dollar (2016:25%) Profit/(loss)	(107,628)	(60,613)
Naira weakens by 25% against the US dollar (2016:25%) Profit/(loss)	107,628	60,613
Naira strengthens by 25% against the EURO (2016:25%) Profit/(loss)	(5,339)	(72,043)
Naira weakens by 25% against the EURO (2016:25%) Profit/(loss)	5,339	72,043

3.4.4 Interest rate ris

Interest rate risk is the risk of loss in income or portfolio value as a result of changes in market interest rates. The Group is exposed to interest rate risk in its fixed income securities portfolio, as well as on the interest sensitive assets and liabilities in the course of banking and or trading. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the Asset and Liability Committee.

The table below summarises the Group's interest rate gap position showing its exposure to interest rate risks. Value at risk exposure is disclosed in Note 3.4.2.

	Carrying amount N' million	Variable interest N' million	Fi ed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2017				
Financial assets				
Cash and balances with central banks	641,881	79,084	500	562,297
Loans and advances to banks	742,929	316,533	288,563	137,833
Loans and advances to customers				
- Overdrafts	296,135	296,135	-	-
- Term loans	1,670,334	1,649,377	20,957	-
- Staff loans	7,947	-	7,947	-
- Project finance	26,296	26,296	-	-
- Advances under finance lease	511	511	-	-
Financial assets at fair value through profit or loss	83,713	-	52,413	31,300
Investment securities:				
- Available-for-sale investments	1,122,757	-	1,029,274	93,483
- Held to maturity investments	108,283	-	108,283	-
- Loans and receivables	17,568	-	17,568	-
Assets pledged as collateral	208,925	11,865	197,060	-
Other assets	63,462	-	-	63,462
	4,990,743	**2,379,800**	**1,722,564**	**888,374**
Financial liabilities				
Deposits from customers	3,143,338	1,419,166	1,146,392	577,780
Deposits from banks	665,366	547,665	117,701	-
Financial liabilities at fair value through profit or loss	9,404	-	33	9,352
Other liabilities	226,410	-	-	226,410
Liability on investment contracts	13,399	13,399	-	-
Borrowings	420,919	77,707	343,212	-
	4,478,837	**2,057,936**	**1,607,337**	**813,542**
Interest rate mismatch		**321,864**	**115,227**	**74,833**

	Carrying amount N' million	Variable interest N' million	Fi ed interest N' million	Non interest-bearing N' million
31 December 2016				
Financial assets				
Cash and balances with Central Banks	690,165	15,255	8,000	666,910
Loans and advances to banks	444,871	192,410	67,121	185,340
Loans and advances				
- Overdrafts	282,687	282,687	-	-
- Term loans	1,687,703	1,673,368	14,335	-
- Staff loans	7,417	1	7,416	-
- Project finance	104,783	104,783	-	-
- Advances under finance lease	1,304	1,304	-	-
Financial assets at fair value through profit or loss	46,711	-	31,534	15,177
Investment securities:				
- Available-for-sale investments	921,753	-	862,007	59,746
- Held to maturity investments	108,479	-	108,479	-
- Loans and receivables	20,356	-	20,356	-
Assets pledged as collateral	197,420	-	197,420	-
Other assets	34,602	-	-	34,602
	4,548,250	**2,269,808**	**1,316,669**	**961,773**
Financial liabilities				
Customer deposits	3,104,221	1,520,178	1,107,766	476,277
Deposits from banks	416,078	263,854	151,943	281
Financial liabilities at fair value through profit or loss	37,137	0	-	37,137
Other liabilities	235,388	-	-	235,388
Liability on investment contracts	9,440	9,440	-	-
Borrowings	316,792	5,824	310,968	-
	4,119,056	**1,799,296**	**1,570,678**	**749,083**
Interest rate mismatch		**470,512**	**(254,009)**	**212,692**

3.4.5 Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31st December 2017. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries' is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

Figures in N'bn	30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEARS ABOVE	Rate Sensitive
Treasury Bills	38	53	136	203	-	-	**431**
Government Bonds	-	-	9	-	15	80	**103**
Corporate Bonds	-	-	-	-	-	1	**1**
Loans and advances to ban s	-	21	-	-	-	-	**21**
Pro ect Finance	-	-	15	-	-	12	**26**
Term Loans	57	5	6	54	100	1,206	**1,428**
Overdraft	1	-	182	16	-	-	**199**
E uipment on Lease	-	-	-	-	-	-	**-**
Staff Loans	-	-	-	-	-	5	**5**
TOTAL ASSETS	**95**	**80**	**348**	**273**	**115**	**1,303**	**2,215**
Deposits from customers	306	227	152	218	328	537	**1,767**
Deposits from ban s	13	4	-	42	-	-	**59**
Medium term loan	9	21	-	-	-	-	**30**
TOTAL LIABILITIES	**328**	**252**	**152**	**260**	**328**	**537**	**1,856**
	(232)	**(172)**	**196**	**13**	**(213)**	**766**	**360**

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.

The sensitivity analyses below for FirstBank Nigeria Limited has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 7% increase or decrease is used when reporting interest rate risk for Nibor and 3% is used when reporting interest rate risk for USD Libor or EURIBOR. 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.

Interest rate sensitivity gap analysis

Management believe that the following movements in either direction (per currency) are reasonably possible at the balance sheet date

Reasonable possible movement

	31 Dec 2017	31 Dec 2016
Nibor Increase by 7%		
Profit/(loss)	38,753	52,357
Nibor decrease by 7%		
Profit/(loss)	(24,331)	(37,566)
USD Libor increases by 3%		
Profit/(loss)	(11,722)	11,649
USD Libor decreases by 3%		
Profit/(loss)	8,802	(13,825)
EURIBOR increases by 3%		
Profit/(loss)	621	(47)
EURIBOR decreases by 3%		
Profit/(loss)	680	(16)

Statement of financial position interest rate sensitivity (fair value and cash flo interest rate ris)

	GROUP		COMPANY	
	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions
Decrease				
Asset	23,044	16,705	14,464	11,388
Liability	-	-	-	-
Increase				
Asset	(22,099)	(16,328)	(13,519)	(11,011)
Liability	-	-	-	-

The aggregate figures presented above are further segregated into their various components as shown below:

Financial assets held for trading				
Treasury bills	7,352	7,623	7,352	7,623
Government bonds	2,732	694	2,732	694
Total	10,084	8,317	10,084	8,317

Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	311	78	311	78
Favourable change @ 2% increase in interest rates	(281)	(72)	(281)	(72)
Available-for-sale investment securities:				
Treasury bills	663,357	633,145	503,159	512,927
Government bonds	300,462	168,139	152,171	98,622
Total	963,819	801,284	655,330	611,549
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	22,733	16,627	14,153	11,310
Favourable change @ 2% increase in interest rates	(21,818)	(16,256)	(13,238)	(10,939)

3.5 Management of insurance ris

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 Under riting ris

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

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

3.5 Management of insurance ris continued
3.5.1 Under riting ris continued

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

• All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.

• The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.

• Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.

• The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.

• The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.

• Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

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

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

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

3.5.2 Fre uency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information are not readily available.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than N10 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:

3.5 Management of insurance ris continued

	31 December 2017			31 December 2016		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Individual traditional	8,677	-	8,677	5,702	-	5,702
Individual linked contracts	13,399	-	13,399	9,440	-	9,440
Group credit life	219	-	219	481	-	481
Group Life – UPR incl AURR	356	(146)	210	152	(13)	139
General business – UPR incl AURR	906	0	906	751	(308)	443
Group Life - IBNR	1,670	(326)	1,344	362	(21)	341
Annuity	7,432		7,432	1,519		1,519
Additional reserves	221	0	221	94	0	94
Claims reserve - Life business	375	(37)	338	363	(37)	326
General business - IBNR	211	89	300	252	(104)	148
Claims reserve - General business	863	349	1,212	611	(406)	205
Total	**34,329**	**(70)**	**34,259**	**19,727**	**(889)**	**18,838**

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

	31 December 2017			31 December 2016		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Group Life	748	(808)	(60)	694	(130)	565
Group Credit Life	230	-	230	208	-	208
Annuity	556		556	108		108
Individual Life	1,369	-	1,369	1,184	-	1,184
Bancassurance	0		0	2		2
General business	1,210	(454)	756	917	(647)	270
Total	**4,113**	**(1,262)**	**2,851**	**3,113**	**(776)**	**2,336**

3.5.3 Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behavior.

The insurance business offers varying products, from which the group is exposed. The main products on offer and the associated risks are:

Product	**Types of insurance**	**Product Features**	**Ris**
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in 4 equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the Sum Assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of NGN100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a max. of NGN5million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lumpsum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no claim on the policy.	Death only
Family Income Protection Plan	Individual traditional	Pays a lumpsum to the beneficiary should any of the coverered events happens to the policyholder, dependiong on the option chosen at inception.	Death with either Permanent Disability & Critical Illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of NGN500,000.00 (subjected to NGN1 million for a maximum of 2 lines) for a registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution from on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the bank. 2. The scheme pays a maximum of 6 months instalment after loss of job by the borrower to the bank.	Death and loss of job.
General Business-Short Term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured	Accident-motor & general accident, fire outbreak, burglary and other hazards

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

The insurance liabilities have been made on the following principles:

Type of Business	Valuation Method
Individual Risk Business	Gross premium valuation approach
Individual deposit based business	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Fergusion method

A gross premium method was used for individual risk business. This is a monthly cashflow projection approach taking into account the incidence of all expected future cashflows including office premiums, expenses and benefit payments satisfying the Liability Adequacy Test.

For the endowment plans, the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The Flexi save Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. Flexi save is an embedded product having components of insurance and financial risk. The product has not be unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cashflows including expenses.

Interest is allocated to policyholder Flexisave accounts at a rate of 2% below the Monetary Policy Rate (MPR). In order to accurately consider the potential cost of the life cover to the Group from this product (and hence the reserves that should be held) the policyholder funds was projected; this enabled a comparison of the expected future income to the Group from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgo (death benefits and expenses). A reserve is then set up to meet any shortfalls.

Life cover is only available for "active" policies, being those that paid a premium in the year. The risk reserves will allow for future life cover on policies that are active at the valuation date. Policyholders are able to reinstate their life cover by paying any outstanding premiums. Allowance for reinstated policies are made within the additional reserves.

Reserves for Group Life business comprise an unexpired premium reserve (UPR) and where necessary, a reserve for Incurred But Not Reported Claims (IBNR) to make an allowance for the delay in reporting of claims.

The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR has been tested by comparing against an Additional Unexpired Risk Reserve (AURR), which has been calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach has been used for IBNR reserving, which considers the pattern of claims emerging.

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

Due to the limited nature of data captured for credit life business, the cashflow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The Basic Chain Ladder Method (BCL), a Loss ratio method adjusted for assumed experience to date and in more recent years and where the claim development seems different than in the past a Bornheutter – Ferguson Method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to sub-divide claims between large and small claims. Sub – dividing the data would reduce the volume of the data in the triangles and compromise the credibility. Extreme large claims however were removed from the triangulations to avoid distorting development patterns.

3.5.4 Process used to decide on assumptions

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 13.5% pa was adopted for all long term business excluding annuity and 13% per annum for annuity business, which has been applied as a single long term rate of return. As at 31 December 2017, the average yield on 20 year FGN bond yield was 15.1%. By comparison long term bonds were yielding 11.5% at December 2016.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long term yield to arrive at a gross valuation interest rate of 14.85%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Ris	**Annuity**
Long Term FGN bond yield	14.00%	14.00%
Less 0.25% risk adjustment	-0.25%	-0.25%
Less reinvestment risk margin	0.00%	-0.25%
Less 6% tax	-0.81%	0.00%
Net valuation rate	12.94%	13.50%
Rates adopted	13.00%	13.50%

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

Type of Business	**Current Valuation**	**Previous valuation**
Risk products	13.00%	14.65%
Risk reserves for deposit-based policies	13.00%	14.65%
Pension Annuity	13.50%	14.60%

The Group makes provisions for expenses in its mathematical reserves of an amount which is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

Future maintenance expenses

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

(1) Per policy maintenance charges
(2) Allocated operating expenses

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

The Group performed an expense analysis in during the year, which suggests actual expense experience over the year of:

(1) Individual life: N5,000 per policy
(2) Credit life: N1,540 per policy
(3) Family shield: N620 per policy
(4) Group life: 42% of premium

The Group adopted a valuation expense assumption of N5,000 per policy on risk policies excluding family shield and N1,540 per policy for credit life while expense per policy for family shield is set at N620. The analysis is based on the number of active policies at the valuation date.

3.5.4 Process used to decide on assumptions continued

The valuation expense assumptions are as follows:

Type of Business	Current valuation	Previous valuation
Individual Life	N5,000 pp	N4,200 pp
Credit Life	N1,540 pp	N550 pp
Family Shield	N620 pp	N770 pp

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2017 was 15.37%. We do not expect the current high inflation levels to persist, moreso, we expect internal efficiencies to be put in place - hence our assumed low inflation rate.

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Group"s experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A67/70 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data which demonstrated a good fit to the A67/70 table.

Annuity valuation and Future mortality improvements
For annuity, we have adopted the UK Pensioner table PA (90) with age rating of -1.

Withdrawals 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.

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 Cashflo	Lapse Rate p.a	Surrender Rate p.a
Year 1	25.0%	-
Year 2	-	10.0%
Year 3	-	3.5%
Year 4	-	3.5%
Year 5+	-	3.5%

i. For individual policies the valuation age has been taken as Age Last Birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.

ii. The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

iii. No specific adjustment has been made for immediate payment of claims.

iv. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies.

vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% pa for the Cashflow Endowment.

Unexpired premium reserves (UPR) are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred.

Acquisition expense ratio of 20% of gross premium was adopted. Group Life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, stamp duty of 0.15% and management expenses.

3.5.4 Process used to decide on assumptions continued

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.
(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided
(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission. Commission is currently payable at 40% of premium.

(iv) The IBNR was estimated based on an average claims notification delay period of 3 months, which was derived from the claims experience data.

No additional contingency reserves was made in addition to those provided for long term business to be held. Other liabilities such as expense and data contingencies reserves has been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	2017	2016
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

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

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

3.5.5 Insurance and Mar et ris sensitivities

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

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

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

a) Valuation interest (discount) rate +/-1%
b) Expenses +/- 10%
c) Expense inflation +/-2%
d) Mortality +/-5% (including Group Life)

2017	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	9,341	7,526	11,617	9,736	8,953	9,706	9,058
PRA Regulated Annuities	7,431	7,028	7,885	7,446	7,418	7,469	7,405
Investment linked contracts	13,399	13,399	13,399	13,399	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554	554	554	554	554
Group Life - IBNR	21	21	21	21	21	21	21
Additional reserves	1,670	1,670	1,670	1,670	1,670	1,670	1,670
Reinsurance	222	222	222	222	222	222	222
Net Liability	33,820	31,602	36,550	34,230	33,419	34,223	33,511
% change in Net Liability		-6.6%	8.1%	1.2%	-1.2%	1.2%	-0.9%
Assets	7,620	7,620	7,620	7,620	7,620	7,620	7,620
Surplus	(26,200)	(23,982)	(28,930)	(26,609)	(25,798)	(26,602)	(25,891)

3.5.5 Insurance and Mar et ris sensitivities continued

2017	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	9,341	9,420	9,262
PRA Regulated Annuities	7,431	7,457	7,408
Investment linked contracts	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554
Group Life - IBNR	21	21	21
Additional reserves	1,670	1,670	1,670
Reinsurance	222	222	222
Net Liability	33,819	33,925	33,719
% change in Net Liability		0.3%	-0.3%
Assets	7,620	7,620	7,620
Surplus	(26,200)	(26,305)	(26,098)

2016	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	6,207	5,147	7,700	6,494	5,860	7,007	5,864
PRA Regulated Annuities	1,519	1,441	1,607	1,522	1,517	1,526	1,515
Investment linked contracts	9,440	9,440	9,440	9,440	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003	1,003	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152	152	152	152	152
Group Life - IBNR	362	362	362	362	362	0	362
Additional reserves	0	0	0	0	0	0	0
Reinsurance	35	35	35	35	35	35	35
Net Liability	18,719	17,580	20,299	19,008	18,368	19,163	18,371
% change in Net Liability		-6.4%	8.9%	1.6%	-2.0%	4.6%	-2.0%
Assets	26,769	26,773	26,773	26,773	26,773	26,773	26,773
Surplus	8,051	9,193	6,474	7,765	8,405	7,611	8,402

2016	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	6,207	6,282	6,134
PRA Regulated Annuities	1,519	1,524	1,515
Investment linked contracts	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152
Group Life - IBNR	362	362	362
Additional reserves	0	0	0
Reinsurance	35	35	35
Net Liability	18,718	18,798	18,642
% change in Net Liability		0.4%	-0.4%
Assets	26,769	26,773	26,773
Surplus	8,051	7,975	8,132

The expense sensitivity result shows the impact of reducing and increasing maintenance & acquisition expenses rates to 90% and 110% respectively of the base rates. Valuation interest rate sensitivity result shows the impact of reducing and increasing valuation interest rate to 99% and 101% respectively of the base rates.

3.5.6 Solvency

The solvency level at the valuation date was 280% (2016: 115%). That is, assets representing life and non-life fund on the Group's balance sheet (N43.95b) were 125% of the value of the actuarially calculated net liabilities (N35.13b).

The assets backing the life and non-life fund are as follows:

	2017 N'million	2016 N'million
Government Bonds	21,364	7,955
Treasury Bills	21,075	13,984
Cash and bank balances	1,403	766
Commercial papers	0	33
Investment properties	100	-
Investment in quoted equity	5	162
Total	**43,947**	**22,900**

The assets adequately match the liabilities. In particular asset admissibility requirements and localization rules in section 25 of 2003 Insurance Act were met. The life fund shows a surplus of N5.7billion (2016: N2.2billion), while life and non-life shows a surplus of N807million (2016: N478million).

3.6 E uity ris

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2017, the market value of quoted securities held by the Group is N2.49 billion (2016: N1.65 billion). If the all share index of the NSE moves by 11,369 basis points from the 26,875 position at 31 December 2017, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N283 million.

The Group holds a number of investments in unquoted securities with a market value of N94.28 billion (2016: N63.46 billion) of which investments in Airtel Nigeria Ltd and African Finance Corporation (AFC) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments , see sensitivity analysis in note 3.7.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

The following table presents the group's assets and liabilities that are measured at fair value at reporting date.

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	50,529	1,634	-	52,163
Equity	5	1,979	5,538	7,522
Derivatives	203	22,791	-	22,993
Available-for-sale financial assets				
Investment securities - debt	1,940,230	112,810	440	2,053,480
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	2,960	91,324	94,284
Investment securities - listed equity	1,580	-	-	1,580
Assets pledged as collateral	132,258	954	-	133,212
Financial liabilities at fair value through profit or loss				
Derivatives	181	9,223	-	9,404

3.7.1 Financial instruments measured at fair value continued

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2016				
Financial assets at fair value through profit or loss				
Debt Securities	24,522	1,484	-	26,006
Equity	286	1,761	3,481	5,528
Derivatives	-	15,177	-	15,177
Available-for-sale financial assets				
Investment securities - debt	813,286	48,195	527	862,008
Investment securities - unlisted debt	776,754	24,530	-	801,284
Investment securities - unlisted equity	-	3,262	55,120	58,382
Investment securities - listed equity	1,362	-	-	1,362
Assets pledged as collateral	103,329	-	-	103,329
Financial liabilities at fair value through profit or loss				
Derivatives	-	37,137	-	37,137
COMPANY				
31 December 2017				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	6,990	-	-	6,990
Investment securities - unlisted equity	-	2,852	-	2,852
31 December 2016				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	9,517	-	-	9,517
Investment securities - unlisted equity	-	2,834	-	2,834

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:
a) Quoted market prices or dealer quotes for similar instruments;
b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
c) Other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity , are used to determine fair value for the remaining financial instruments.
Note that all of the resulting fair value estimates are included in Level 2 except for certain unquoted equities and equity derivatives explained below.

(c) Financial instruments in level 3

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

The follo ing table presents changes in level 3 instruments
GROUP

At 1 January 2016	49,217
Acquisitions	1,026
Total Gains/(losses) recognised through profit/loss	653
Total Gains/(losses) recognised through OCI	8,199
Transfer into Level 3 due to change in observability of market data	33
At 31 December 2016	59,128
Acquisitions	2,118
Total Gains/(losses) recognised through profit/loss	- 94
Total Gains/(losses) recognised through OCI	33,648
Transfer into Level 3 due to change in observability of market data	2,503
At 31 December 2017	97,302

During the year ended 31 December 2017, there was no transfers between level 1 and 2 fair value measurements. There were no material transfers from/to level 3.

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

3.7.1 Financial instruments measured at fair value continued

Information about the fair value measurements using significant unobservable Inputs (Level 3)

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples and /or EBITDA of the comparative companies as at 31st December, 2017 is as shown in the below table:

Description	Valuation techni ue	Range of Unobservable Input(probability- eighted average)	Assumption	Fair Values
AIRTEL NIGERIA	EV/EBITDA	20% illiquidity discount	Base	33,016
			Sensitivity of +2.5%	34,005
			Sensitivity of -2.5%	32,026
NIBSS PLC	P/E multiples	25% illiquidity discount	Base	3,576
			Sensitivity of +2.5%	3,666
			Sensitivity of -2.5%	3,487
AFREXIM BANK LTD	P/B multiples	15% illiquidity discount	Base	585
			Sensitivity of +2.5%	600
			Sensitivity of -2.5%	570
AFRICA FINANCE CORPORATION	P/E multiples	10% illiquidity discount	Base	46,901
			Sensitivity of +2.5%	48,074
			Sensitivity of -2.5%	45,729
UNIFIED PAYMENT SYSTEMS			Base	778
			Sensitivity of +2.5%	798
			Sensitivity of -2.5%	759
ANCHORAGE LEISURES (RADISSON BLU)	EV/EBITDA	19.2% illiquidity discount	Base	1,865
			Sensitivity of +2.5%	1,912
			Sensitivity of -2.5%	1,818
RESOURCERY PLC (Ordinary shares)	Market Approach	NASD price	Base	524
			Sensitivity of +2.5%	537
			Sensitivity of -2.5%	511
CAPE II & CAPE III	EV/EBITDA, DCF	EV/EBITDA Cash flows Exit proceeds	Base	3,242
			Sensitivity of +2.5%	3,323
			Sensitivity of -2.5%	3,160
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Investment Valuation	Base	1,784
			Sensitivity of +2.5%	1,829
			Sensitivity of -2.5%	1,739

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

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

A sensitivity of +/-2.5% results in changes in fair value of unlisted equities and this will impact on other comprehensive income.

3.7.2 Group's valuation process

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

3.7.3 Financial instruments not measured at fair value

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2017				
Financial assets				
Cash and balances with central banks	500	641,381	-	641,881
Loans and advances to banks	314	742,615	-	742,929
Loans and advances to Customers:	-	-	-	
- Overdrafts	-	-	296,135	296,135
- Term loans	-	-	1,670,334	1,670,334
- Staff loans	-	-	7,947	7,947
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Held to maturity investments	58,879	49,404	-	108,283
Asset pledged as collateral	69,311	5,100	-	74,411
Other assets	-	63,462	-	63,462

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2017				
Financial liabilities				
Deposit from customers	-	3,143,338	-	3,143,338
Deposit from bank	-	665,366	-	665,366
Borrowing	254,623	166,296	-	420,919
Other liabilities	-	226,410	-	226,410
Investment contracts	-	13,399	-	13,399
31 December 2016				
Financial assets				
Cash and balances with central banks	-	690,165	-	690,165
Loans and advances to banks	-	444,870	-	444,870
Loans and advances to Customers:	-	-	-	
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,687,703	1,687,703
- Staff loans	-	-	7,417	7,417
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,913	43,566	-	108,479
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	34,603	-	34,603
Financial liabilities				
Deposit from customers	-	3,104,220	-	3,104,220
Deposit from bank	-	416,078	-	416,078
Borrowing	-	316,792	-	316,792
Other liabilities	-	235,388	-	235,388
Investment contracts	-	9,440	-	9,440
COMPANY				
31 December 2017				
Financial assets				
Loans and advances to banks	-	7,585	-	7,585
Loans and advances to Customers:				
- Staff loans	-	-	108	108
Held to maturity investments				-
Other assets	-	8,832	-	8,832
Financial liabilities				
Other liabilities	-	7,553	-	7,553
31 December 2016				
Financial assets				
Loans and advances to banks	-	645	-	645
Loans and advances to Customers:				
- Staff loans	-	-	65	65
Investment securities:				
Held to maturity investments	-	-	-	-
Other assets	-	10,260	-	10,260
Financial liabilities				
Other liabilities	-	7,114	-	7,114

(b) The fair value of loans and advances to customers (including loan commitments) and investment securities are as follows:

	At 31st December 2017		At 31st December 2016	
	Carrying value N 'million	**Fair value N 'million**	**Carrying value N 'million**	**Fair value N 'million**
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	46,668	44,833	48,597	44,525
Variable rate loans	1,954,555	2,018,818	2,035,297	2,035,298
Investment securities (held to maturity)	108,284	96,875	108,479	93,472
Asset pledged as collateral	74,411	53,036	83,679	60,582
Loan commitments	8,262	8,262	14,203	14,203
Financial liability				
Borrowings	420,919	418,062	316,792	272,774

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy.
Loans and advances to customers have been fair valued using average benchmarked lending rates which are adjusted to specific entity risks based on history of losses.
Borrowings which are listed on stock exchange are fair valued using market prices and are within level 1 of the fair value heirarchy while other borrowings are fair valued using valuation techniques and are within level 2 of the fair value heirarchy.

The carrying value of the follo ing financial assets and liabilities for both the company and group appro imate their fair values:
Cash and balances with Central banks
Loans and advances to banks
Other assets (excluding prepayments)
Deposits from banks
Deposits from customers
Liability on investment contracts
Other liabilities (excluding provisions and accruals)

4. Capital management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria, Securities and Exchange Commission, National Insurance Commission etc), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current regulatory capital requirement of FBN Holdings Plc. and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of
First Bank of Nigeria Limited	Central Bank of Nigeria	N100billion Capital; and 15% Capital Adequacy Ratio
FBN Merchant Bank Limited	Central Bank of Nigeria	N15billion Capital; and 10% Capital Adequacy Ratio
FBN Capital Limited	Securities and Exchange Commission	Issuing House: N150million; Trustee: N300million; Broker-Dealer: N300million; Underwriter: N200million; and Fund Manager: N150million
FBN Insurance Limited	National Insurance Commission	Life Business: N2billion; General Business: N3billion
FBN Insurance Brokers Limited	National Insurance Commission	N5million Capital

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an Internal Capital Adequacy Assessment Process which proactively evaluates capital needs vis-a-vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group considers both equity and debt, subject to regulatory limits, as capital

During 2017, the Group's strategy, which remains significantly unchanged, was as contained in the table above. The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraph 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2017 and 2016 are as follows:

i. FBN Holdings Plc.	**Proportion of shares held (%)**	**31 December 2017 N 'million**	**31 December 2016 N 'million**
Subsidiary Paid-up Capital (FBNHoldings' proportion)			
First Bank of Nigeria Limited	100	205,557	205,557
FBN Merchant Bank Limited	100	8,206	8,206
FBN Capital Limited	100	4,300	4,300
FBN Insurance Limited	65	4,724	4,724
FBN Insurance Brokers Limited	100	25	25
Rainbow Town Development Limited	55	5,000	5,000
Aggregated Capital of Subcos		**227,812**	**227,812**
FBN Holdings Plc.'s Paid-up Capital		251,340	251,340
E cess of FBN Holdings' capital over aggregated capital of subcos		**23,528**	**23,528**

ii. First Ban of Nigeria Limited FBN Merchant Ban Limited
The Banks' capital is divided into two tiers:

• Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, share premium and general reserve. Non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, unpublished losses and under provisions are deducted in arriving at qualifying Tier 1 capital; and

• Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, Tier 2 capital is restricted to 33 1/3% of Tier 1 capital.

The Central Bank of Nigeria prescribed the minimum limit of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The table below summarises the Basel II capital adequacy ratio for 2017 and 2016. It shows the composition of regulatory capital and ratios for the years. During those years, the Banks complied with all the regulatory capital requirements to which it was subjected.

	FBN MERCHANT BAN		**FIRST BAN OF NIGERIA**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
	N 'million	**N 'million**	**N 'million**	**N 'million**
Tier 1 capital				
Share capital	4,302	4,302	16,316	16,316
Share premium	3,905	3,905	189,241	189,241
Statutory reserve	7,174	6,561	77,786	70,748
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	9,570	14,014	173,487	153,924
Less: Goodwill/Deferred Tax	(12,431)	(9,774)	(7,207)	(6,890)
Less: Loan to subsidiary (excess over single obligor limit)	-	-	-	-
Less: Investment in subsidiaries	-	-	(35,954)	(35,649)
Total ualifying for tier 1 capital	12,519	19,008	419,746	393,766
Tier 2 capital				
Fair value reserve	(421)	(2,417)	76,107	29,102
Other borrowings	-	-	129,152	233,976
Total tier 2 capital	(421)	(2,417)	205,259	263,078
Tier 2 Capital Restriction	(421)	(2,417)	151,900	143,138
Less: Investment in subsidiaries	-	-	(35,954)	(35,649)
Total ualifying for tier 2 capital	(421)	(2,417)	115,946	107,490
Total regulatory capital	12,098	16,591	535,692	501,256
Total ris - eighted assets	76,929	73,431	3,019,880	2,818,158
Ris - eighted Capital Ade uacy Ratio (CAR)	15.73%	22.59%	17.74%	17.79%
Tier 1 CAR	16.27%	25.88%	13.90%	13.97%

iii. Other Regulated Subsidiaries

	Regulatory Requirement	**31 December 2017**	Excess/ (Shortfall)	**31 December 2016**	Excess/ (Shortfall)
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
FBN Capital Limited	1,100	16,802	15,702	15,514	14,414
FBN Insurance Limited:					
Life Business	2,000	10,556	8,556	7,784	5,784
General Business	3,000	4,109	1,109	4,109	1,109
FBN Insurance Brokers Limited	5	356	351	331	326

All the regulated entities within the Group complied with all the regulatory capital requirements to which they were subjected.

5 Significant accounting udgements, estimates and assumptions

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an on-going basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 24 months where the financial asset is collaterized.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 3 for more information.

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 for additional sensitivity information for financial instruments.

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.

5 Significant accounting udgements, estimates and assumptions continued

d Retirement benefit obligation

For defined benefit pension plans, the measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 41, "Retirement benefits obligation," for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

e Impairment of Good ill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See note 33 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2016: Nil)

There was no impairment charge during the year (2016: Nil).

f Valuation of Insurance Contract Liabilities

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk.

The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate allowance is made for expected mortality improvements.

The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group and Company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by N32.1 million or decrease by N31.9 million (2016: N79 million and N77.7 million respectively). For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 13.5%. If the average future investment returns differed by -/+ 1% from management's estimates, the contract liability would increase by N34.7million or decrease by N29.8million (2016: N1.58million and N1.31million respectively).

6 Segment information

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Executive Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The Group is divided into the following business units:

Commercial Ban ing 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 Ban ing and Asset Management Business Group (MBAM)
This is the investment-banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance Business Group
This includes the Group's legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South African based Sanlam Group.

Others
Others comprises of FBN Holdings Plc., the parent company, and Rainbow Town Development Limited.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring events.

As the Group Executive Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The transactions between segments are carried out at arm's length, which is consistent with the basis of transacting with external parties.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Committee.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

Segment result of operations
The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2017 is as follows:

	Commercial Ban ing Group	MBAM Group	Insurance Group	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2017					
Total segment revenue	541,597	39,028	18,728	13,716	**613,069**
Inter-segment revenue	(5,043)	(172)	(560)	(11,851)	**(17,625)**
Revenue from e ternal customers	536,554	38,857	18,168	1,866	**595,445**
Interest income	436,392	25,260	6,090	1,843	**469,586**
Interest expense	(121,454)	(15,828)	(782)	- 0.00	**(138,064)**
Profit/(loss) before tax	44,125	10,923	4,441	(2,662)	**56,827**
Income tax expense	(5,633)	(2,347)	(953)	(107)	**(9,040)**
Profit/(loss) for the year from continuing operations	38,492	8,576	3,488	(2,769)	**47,786**
Impairment charge on credit losses	(148,579)	88	0	-	**(148,491)**
Impairment charge on doubtful receivables	(1,104)	(686)	(142)	-	**(1,932)**
Impairment charge on goodwill	-	-	-	-	**-**
Loss for the year from discontinued operations	(1,521)			(6,254)	**(7,775)**
Depreciation	(10,422)	(537)	(242)	(398)	**(11,600)**

6 Segment information continued

	Commercial Ban ing Group N 'million	MBAM Group N 'million	Insurance Group N 'million	Others N 'million	Total N 'million
At 31 December 2017					
Total assets	4,949,985	183,933	50,692	51,927	**5,236,537**
Other measures of assets:					
Loans and advances to customers	1,961,776	39,243	96	108	**2,001,223**
Expenditure on non-current assets	82,794	2,258	2,180	1,031	**88,263**
Investment securities	1,153,363	80,713	4,690	9,842	**1,248,608**
Total liabilities	4,355,535	153,096	40,054	9,660	**4,558,344**
At 31 December 2016					
Total segment revenue	535,539	37,653	12,483	10,905	**596,580**
Inter-segment revenue	(2,872)	(1,406)	(448)	(10,023)	**(14,749)**
Revenue from e ternal customers	532,667	36,247	12,035	882	**581,831**
Interest income	381,672	18,890	3,955	764	**405,281**
Interest expense	(89,737)	(10,552)	(550)	0	**(100,839)**
Profit/(loss) before tax	8,276	13,708	3,414	(2,450)	**22,948**
Income tax expense	1,093	(3,380)	(1,021)	(2,499)	**(5,807)**
Profit/(loss) for the year from continuing operations	9,369	10,328	2,393	(4,949)	**17,141**
Impairment charge on credit losses	(220,681)	258	-	-	**(220,423)**
Impairment charge on doubtful receivables	(4,267)	(1,340)	(7)	-	**(5,614)**
Impairment charge on goodwill	-	-	-	-	**-**
Loss for the year from discontinued operations	(1,317)			(3,581)	**(4,898)**
Depreciation	(10,594)	(407)	(202)	(381)	**(11,584)**
At 31 December 2016					
Total assets	4,469,601	183,417	31,962	51,825	**4,736,805**
Other measures of assets:					
Loans and advances to customers	2,041,852	41,684	293	65	**2,083,894**
Expenditure on non-current assets	83,358	1,823	1,937	1,197	**88,315**
Investment securities	961,236	51,089	25,913	12,350	**1,050,588**
Total liabilities	3,992,998	129,286	22,691	9,255	**4,154,230**

Geographical information

Revenues

	31 Dec 2017 N 'million	31 Dec 2016 N 'million
Nigeria	508,195	521,661
Outside Nigeria	87,250	60,170
Total	**595,445**	**581,831**

Non current asset

	31 Dec 2017 N 'million	31 Dec 2016 N 'million
Nigeria	79,710	79,425
Outside Nigeria	8,553	8,890
Total	**88,263**	**88,315**

7 Interest income

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Investment securities	173,288	115,355	1,598	753
Loans and advances to banks	7,708	18,317	607	121
Loans and advances to customer	288,590	271,609	10	11
	469,586	405,281	2,215	885

Interest income on loans and advances to customers for the group includes interest income on impaired financial assets of N32.87 billion (2016:N30.77 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 Interest e pense

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Deposit from customers	101,441	78,752
Deposit from banks	12,179	3,323
Borrowings	24,444	18,764
	138,064	100,839

9 Impairment charge for credit losses

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Loans and advances to customers (refer note 23)		
Increase in collective impairment	13,526	16,224
Increase in specific impairment	141,581	206,684
	155,107	222,908
Net recoveries on loans previously written off	(6,667)	(2,485)
Write off of loans	52	-
Other assets (refer note 27)		
Increase in impairment	1,932	5,614
	150,424	226,037

10 Insurance premium revenue

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Gross premium written	22,751	11,922
Unearned premium	(351)	(1,174)
	22,400	10,748
Change in insurance contract liabilities	(9,427)	(1,142)
	12,973	9,606

11 Fee and commission income

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Credit related fees (i)	7,356	4,707
Letters of credit commissions and fees	6,029	1,998
Electronic banking fees	24,989	21,837
Money transfer commission	3,601	5,178
Commission on bonds and guarantees	773	1,277
Funds transfer and intermediation fees	6,697	5,364
Account maintenance	6,686	15,628
Brokerage and intermediations	1,554	1,953
Custodian fees	5,960	4,727
Financial advisory fees	5,180	6,099
Fund management fees	1,952	1,080
Trust fee income	1,075	1,017
Other fees and commissions	2,601	495
	74,453	71,360

(i) The credit related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.

11b Fees and commission e pense

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
	12,117	11,073

Fee and commission expense relates primarily to charges raised by other banks on holders of First Bank of Nigeria Limited ATM cards, who make use of the other banks machines while transacting business,and SMS alert related expense.

12 Net gains on foreign e change

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Revaluation gain (unrealised) on foreign currency balances	13,515	80,232	8	105
Foreign exchange trading income (realised)	7,547	8,845	-	-
	21,062	89,077	8	105

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 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Equity securities	14	56	-	-
Debt securities	4,643	4,188	16	(12)
Impairment loss	(2,047)	(314)	-	-
	2,610	3,930	16	(12)

14 Net gains (losses) from financial instruments at fair value through profit or loss

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Fair value gain on derivatives	7,997	1,815
Trading gain on debt securities	3,152	1,213
Fair value loss on debt securities	(32)	(3,034)
	11,117	(6)

15 Dividend income

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
FBN Capital Limited	-	-	1,486	8,000
FBN Merchant Bank Limited	-	-	8,700	1,048
FBN Insurance Limited	-	-	1,412	1,851
FBN Insurance Brokers Limited	-	-	91	600
Other entities within the group	-	-	-	60
Entities outside the group	2,053	897	-	-
Withholding tax on dividend	-	-	(252)	-
	2,053	897	11,437	11,559

16 Other operating income

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
VAT Recovered	-	311	-	-
Gain on sale of properties	-	43	-	-
Net loss from fair value adjustment on investment properties (refer note 28)	(2)	188	-	-
Profit on sale of property, plant and equipment	84	-	-	-
Others*	3,819	2,326	38	34
	3,901	2,868	38	34

*Included in others for the group is income from private banking services.

17 Personnel e penses

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Wages and salaries	74,072	77,148	966	687
Pension costs:				
- Defined contribution plans	3,603	4,241	16	15
- Defined benefit cost **(refer note 41)**	200	736	-	-
Termination benefits	7,803	1,680	-	-
	85,678	83,805	982	702

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the PV of cash flows discounted at the contractual rate and PV of cash flows discounted at market rate has been recognised as prepaid employee benefit (in prepayments) which is amortised to personnel expenses over the life of the loan.

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

	GROUP		COMPANY	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Executive director	1	1	1	1
Management	408	191	5	5
Non-management	8,337	9,057	23	25
	8,746	9,249	29	31

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

Below N2,000,000	404	435	5	6
N2,000,001 - N2,800,000	714	309	1	1
N2,800,001 - N3,500,000	214	1,035	4	4
N3,500,001 - N4,000,000	171	169	-	-
N4,000,001 - N5,500,000	2,757	1,948	3	3
N5,500,001 - N6,500,000	607	1,893	2	2
N6,500,001 - N7,800,000	1,577	1,350	-	-
N7,800,001 - N9,000,000	659	843	3	3
N9,000,001 and above	1,645	1,271	16	16
	8,748	9,253	34	35

18 Operating e penses

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Auditors' remuneration*	856	803	25	25
Directors' emoluments	5,081	3,483	989	459
Loss on sale of property, plant and equipment	-	12	2	-
Regulatory cost	31,498	28,825	-	-
Maintenance	21,776	22,812	163	111
Insurance premium	1,164	1,212	72	29
Rent and rates	4,522	4,317	82	115
Advert and corporate promotions	6,431	6,257	250	200
Legal and other professional fees	7,015	4,925	541	670
Donations & subscriptions	1,261	914	10	6
Stationery & printing	1,654	1,865	45	44
Communication, light and power	7,925	6,864	9	20
Cash handling charges	2,476	2,345	-	-
Operational and other losses	7,425	6,028	-	-
Passages and travels	6,217	5,687	399	338
Outsourced cost	16,529	15,621	30	19
Statutory fees	222	55	18	36
Underwriting expenses	3,841	2,453	-	-
WHT on retained dividend	252	-	-	-
Fines and penalties	17	102	2	21
Other operating expenses	6,334	5,450	315	228
	132,496	120,030	2,952	2,321

*Auditors' remuneration for the group represents the fees paid by the various entities in the group to their respective auditors.

19	**Ta ation - Income ta e pense and liability**	**GROUP**		**COMPANY**	
		31 December 2017	**31 December 2017**	**31 December 2017**	**31 December 2016**
		N 'million	**N 'million**	**N 'million**	**N 'million**
a	**Income ta e pense**				
	Corporate tax	10,154	5,838	104	84
	Education tax	262	136	-	-
	Technology tax	692	723	-	20
	Under provision in prior years	198	1,659	3	-
	Current income ta - current period	11,306	8,356	107	104
	Origination and reversal of temporary deferred tax differences	(2,266)	(2,549)	-	-
	Income ta e pense	**9,040**	**5,807**	**107**	**104**

GROUP	**2017**		**2016**	
Profit before income tax	56,825		22,948	
Tax calculated using the domestic corporation tax rate of 30% (2016: 30%, 2015: 30%)	17,048	30%	6,884	30%
Effect of tax rates in foreign jurisdictions	114	0%	13,717	60%
Non-deductible expenses	30,895	54%	19,788	86%
Effect of education tax levy	261	0%	254	1%
Effect of Information technology	628	1%	741	3%
Effect of capital gains tax	0	0%	6	0%
Effect of minimum tax	4,228	7%	3,052	13%
Effect of excess dividend tax	2,181	4%	1,372	6%
Effect of National fiscal levy	348	1%	15	0%
Tax exempt income	(47,212)	-83%	(38,992)	-170%
Tax incentives	83	0%	9	0%
Tax loss effect	269	0%	2,224	10%
(Over) / under provision in prior years	198	0%	49	0%
Effect of prior period adjustment on deferred tax	-	0%	(3,312)	-14%
Total income tax expense in income statement	9,040	16%	5,807	25%
Income tax expense	9,040	16%	5,807	30%

COMPANY	**2017**		**2016**	
Profit before income tax	9,382		7,611	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%)	2,815	30%	2,283	30%
Non-deductible expenses	184	2%	671	9%
Effect of Information technology	-	0%	20	0%
Effect of minimum tax	104	1%	84	1%
Tax exempt income	(3,917)	-42%	(3,768)	-50%
Under provided in prior years	3	0%	-	0%
Tax loss effect	918	10%	814	11%
Total income tax expense in income statement	107	1%	104	1%
Income tax expense	107	1%	104	1%

		GROUP		**COMPANY**	
		31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
b	**Current income ta liability**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
	The movement in the current income tax liability is as follows:				
	At start of the period	8,897	8,773	84	-
	Effect of adjustment on discontinued operations	-	(6)	-	-
	Tax paid	(6,761)	(7,889)	(87)	(20)
	Withholding tax credit utilised	(2,032)	(490)	-	-
	Prior period under provision	198	-	-	-
	Income tax charge	11,306	8,356	107	104
	Effect of Changes in Exchange Rate	(1,414)	153	-	-
	At 31 December	10,194	8,897	104	84
	Current	10,194	8,897	104	84

20 Cash and balances ith central ban s

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Cash	169,033	101,255
Balances with central banks excluding mandatory reserve deposits	15,192	46,108
	184,225	147,363
Mandatory reserve deposits with Central Banks	457,656	542,802
	641,881	690,165

There was no call placement with the Central Bank in 2017 (31 December 2016: N7.5 billion)

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited and FBNQuest Merchant Bank Limited had restricted balances of N449.99 billion and N2.173bn respectively with Central Bank of Nigeria (CBN) as at 31st December 2017 (December 2016: N536.95 billion and Nil). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2016: 22.5%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN Bank Ghana and FBN Bank Guinea had restricted balances of N2.276 billion and N1.964 billion (December 2016: N2.035 billion and N2.273 billion) respectively with their respective central banks.

21 Cash and cash e uivalents

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

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Cash (Note 20)	169,033	101,255	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	15,192	46,108	-	-
Loans and advances to banks excluding long term placements (Note 22)	701,504	377,500	7,585	645
Treasury bills included in financial assets at FVTPL (Note 24)	8,491	5,671	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1&25.2)	272,227	215,697	-	-
	1,166,447	746,231	7,585	645

22 Loans and advances to ban s

Current balances with banks within Nigeria	214,240	105,532	1,636	18
Current balances with banks outside Nigeria	380,675	148,719	-	-
Placements with banks and discount houses (short term)	106,589	123,249	5,949	627
	701,504	377,500	7,585	645
Long term placement	41,425	67,371	-	-
Carrying amount	742,929	444,871	7,585	645

Included in loans to banks is non current placement of N41.43 billion for Group (31 December 2016: N67.37 billion) which does not qualify as cash and cash equivalent.

All other loans to banks are due within 3 months.

23 Loans and advances to customers

GROUP	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
31 December 2017					
Overdrafts	345,628	(44,205)	(5,288)	(49,493)	296,135
Term loans	1,898,675	(185,326)	(43,015)	(228,341)	1,670,334
Staff loans	8,243	(4)	(292)	(296)	7,947
Project finance	26,775	-	(479)	(479)	26,296
	2,279,321	(229,535)	(49,074)	(278,609)	2,000,712
Advances under finance lease	1,072	(533)	(28)	(561)	511
	2,280,393	(230,068)	(49,102)	(279,170)	2,001,223
31 December 2016					
Overdrafts	393,870	(106,323)	(4,860)	(111,183)	282,687
Term loans	1,875,644	(156,756)	(31,185)	(187,941)	1,687,703
Staff loans	7,502	(3)	(82)	(85)	7,417
Project finance	115,923	(10,837)	(303)	(11,140)	104,783
	2,392,939	(273,919)	(36,430)	(310,349)	2,082,590
Advances under finance lease	1,839	(497)	(38)	(535)	1,304
	2,394,778	(274,416)	(36,468)	(310,884)	2,083,894

23 Loans and advances to customers continued

COMPANY

	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
31 December 2017					
Staff loans	108	-	-	-	108
	108	-	-	-	108
31 December 2016					
Staff loans	65	-	-	-	65
	65	-	-	-	65

	GROUP		COMPANY	
	31 December 2017 N 'million	**31 December 2016 N 'million**	**31 December 2017 N 'million**	**31 December 2016 N 'million**
Current	957,930	1,090,599	14	12
Non-current	1,043,293	993,295	94	53
	2,001,223	2,083,894	108	65

CBN Ban of Industry facilities

Included in Loans and Advances to customers are term loans granted to customers in line with Central Bank of Nigeria (CBN) N200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN Commercial Agriculture Credit (CACS)

This relates to the balance on term loan facilities granted to customers under Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of 7 years at 9% interest per annum. These balances are included in the loans and advances.

	31 December 2017 N 'million	**31 December 2016 N 'million**
CBN/Bank of Industry	35,865	41,357
CBN/Commercial Agriculture Credit	19,779	12,165
CBN On-lending Bail out fund	23,355	25,652

Reconciliation of impairment allo ance on loans and advances to customers:

GROUP

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 anuary 2017					
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
	111,183	187,941	535	11,225	310,884
Additional provision/ (writeback)					
Specific impairment	10,742	132,155	36	(1,352)	141,581
Collective impairment	(936)	14,117	(10)	355	13,526
Loan write off					
Specific impairment	(71,043)	(128,046)	-	(15)	(199,104)
Collective impairment	(148)	(93)	-	-	(241)
Exchange difference					
Specific impairment	(1,817)	24,460	-	(9,468)	13,175
Collective impairment	1,512	(2,193)	-	30	(651)
Effect of adjustment on discontinued operations					
Specific impairment	-	-	-	-	-
Collective impairment	-	-	-	-	-
	49,493	228,341	561	775	279,170
Specific impairment	44,205	185,326	533	4	230,068
Collective impairment	5,288	43,015	28	771	49,102
At 31 December 2017	49,493	228,341	561	775	279,170

23 Loans and advances to customers continued

Reconciliation of impairment allo ance on loans and advances to customers:

GROUP

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 anuary 2016					
Specific impairment	39,089	67,275	322	-	106,686
Collective impairment	2,798	29,999	32	207	33,036
	41,887	97,274	354	207	139,722
Additional provision*					
Specific impairment	84,260	112,100	175	10,149	206,684
Collective impairment	2,803	13,250	6	165	16,224
Loan write off					
Specific impairment	(17,451)	(35,706)	-	-	(53,157)
Collective impairment	(873)	(7,420)	-	-	(8,293)
Exchange difference					
Specific impairment	442	13,360	-	692	14,494
Collective impairment	132	(4,604)	-	15	(4,457)
Effect of adjustment on discontinued operations					
Specific impairment	(17)	(272)	-	(2)	(291)
Collective impairment	-	(41)	-	(1)	(42)
	111,183	187,941	535	11,225	310,884
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
At 31 December 2016	111,183	187,941	535	11,225	310,884

Loans and advances to customers include finance lease receivables as follo s:

GROUP	31 December 2017 N 'million	31 December 2016 N 'million
Gross investment in finance lease, receivable		
- No later than 1 year	-	6
- Later than 1 year and no later than 5 years	1,072	1,928
	1,072	1,934
Unearned future finance income on finance leases	-	(95)
Impairment allowance on leases	(561)	(535)
Net investment in finance lease, receivable	511	1,304

Net investment in finance lease, receivable is analysed as follo s

- No later than 1 year	-	6
- Later than 1 year and no later than 5 years	511	1,298
	511	1,304

Nature of security in respect of loans and advances:

GROUP

	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,069,361	1,161,781	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	647,616	645,621	-	-
Domiciliation of receivables	407,244	400,418	-	-
Clean/Negative Pledge	91,908	109,953	-	-
Marketable Securities/Shares	29,393	29,425	-	-
Otherwise Secured	15,739	27,293	108	65
Cash/Government Securities	19,132	20,287	-	-
	2,280,393	2,394,778	108	65

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 December 2017	**31 December 2016**
	N 'million	**N 'million**
Treasury bills with maturity of less than 90 days	8,491	5,671
Treasury bills with maturity over 90 days	20,837	5,866
Bonds	22,836	14,469
Total debt securities	52,164	26,006
Listed equity securities	755	286
Unlisted equity securities	7,801	5,242
Total e uity securities	8,556	5,528
Derivative assets (refer note 24a)	22,993	15,177
Total assets at fair value through profit or loss	83,713	46,711
Current	67,462	35,364
Non Current	16,251	11,347
	83,713	46,711

The Group uses the follo ing derivative strategies:

Economic hedges

The Group use of derivative instrument is very nascent and has been limited to hedging of risk exposures resulting from adverse movement in market risk factors. The Group's derivative transactions are principally in Forward FX Contracts entered into to hedge against Foreign Exchange Risks arising from cross-currency exposures.

Customers Ris 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:

a Derivatives

		GROUP 31 Dec 2017	
	Notional contract amount	**Fair values**	
		Asset	**Liability**
	N 'million	**N 'million**	**N 'million**
Foreign e change derivatives			
Forward FX contract	205,319	5,040	(798)
Currency swap	55,049	7,680	(19)
Put options	279,638	10,273	(8,587)
	540,006	22,993	(9,404)
Current	411,195	15,299	(3,184)
Non Current	128,811	7,694	(6,220)
	540,006	22,993	(9,404)

		GROUP 31 Dec 2016	
	Notional contract amount	**Fair values**	
		Asset	**Liability**
	N 'million	**N 'million**	**N 'million**
Foreign e change derivatives			
Forward FX contract	554,263	8,092	(32,347)
Currency swap	36,600	865	(123)
Put options	151,472	6,220	(4,667)
	742,335	15,177	(37,137)
Current	608,161	9,358	(32,825)
Non Current	134,174	5,819	(4,312)
	742,335	15,177	(37,137)

25 Investment Securities

		GROUP		COMPANY	
		31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2017 N 'million
25.1	**Available-for-sale investments**				
	Debt securities – at fair value:				
	– Treasury bills with maturity of less than 90 days	256,886	212,755	-	-
	– Treasury bills with maturity of more than 90 days	449,950	456,952	6,297	8,862
	– Bonds	319,903	192,302	693	654
	Equity securities – at fair value:				
	– Listed	1,734	1,362	-	-
	Equity securities – at fair value:				
	– Unlisted	94,284	58,382	2,852	2,834
		1,122,757	921,753	9,842	12,350
	Current	737,999	770,766	6,297	8,862
	Non current	384,758	150,987	3,545	3,488
		1,122,757	921,753	9,842	12,350
25.2	**Held to maturity investments**				
	Debt securities – at amortised cost:				
	– Treasury bills with maturity of less than 90 days	15,341	2,942	-	-
	– Treasury bills with maturity of more than 90 days	32,948	18,401	-	-
	– Bonds	59,994	87,136	-	-
		108,283	108,479	-	-
	Current	62,150	48,675	-	-
	Non Current	46,133	59,804	-	-
		108,283	108,479	-	-
25.3	**Loans and receivables**				
	Investment in commercial papers	13,365	16,153	-	-
	Investment in promissory notes	4,203	4,203	-	-
		17,568	20,356	-	-
	Current	7,252	7,252	-	-
	Non Current	10,316	13,104	-	-
		17,568	20,356	-	-
	Total investment securities	1,248,608	1,050,588	9,842	12,350

26 Asset pledged as collateral

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is not permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

		GROUP	
		31 December 2017 N 'million	31 December 2016 N 'million
	Financial assets at fair value through profit or loss (note 26.1)	-	10,412
	Available for sale debt securities (note 26.2)	134,513	103,328
	Held to maturity debt securities (note 26.3)	74,412	83,680
		208,925	197,420
26.1	**Assets pledged as collateral (FVTPL)**		
	Debt securities - at fair value		
	– Treasury bills	-	10,412
		-	10,412
26.2	**Assets pledged as collateral (available for sale)**		
	Debt securities - at fair value		
	– Treasury bills	80,542	103,328
	– Bonds	53,972	-
		134,514	103,328
26.3	**Assets pledged as collateral (held to maturity)**		
	Debt securities - at amortised cost		
	– Treasury bills	5,100	10,044
	– Bonds	69,311	73,636
		74,411	83,680
	The related liability for assets held as collateral include:		
	Bank of Industry	35,863	41,357
	Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	22,277	12,165
	Due to Other Banks	50,046	57,162
	Borrowings from Deustche Bank	4,011	-

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.
Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N33.8bn for the group in December 2017 (2016: N17.4bn) for which there is no related liability.

Current	77,517	135,346
Non current	131,408	62,075
	208,925	197,421

27 Other assets

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Financial assets:				
Premium debtors	43	24	-	-
Accounts receivable	70,740	40,749	8,832	10,260
Reinsurance assets	1,652	890	-	-
	72,435	41,664	8,832	10,260
Less specific allowances for impairment	(8,973)	(7,910)	-	-
	63,462	33,754	8,832	10,260
Non financial assets:				
Stock of consumables	2,021	1,610	-	-
Inventory- repossessed collateral	54,904	-	-	-
Prepayments	10,979	11,442	179	339
WHT receivable	1,212	849		
Deferred insurance acquisition costs	153	132		
	69,269	14,033	179	339
Net other assets balance	132,731	47,786	9,011	10,599

Reconciliation of reinsurance assets and deferred insurance ac uisition costs

2017

	Reinsurance assets					
	Claims recoverable N'million	Reinsurer's share of IBNR claims N'million	Prepaid reinsurance N'million	Minimum deposit premium N'million	Total N'million	Deferred insurance ac uisition costs N'million
At 1 January 2017	443	126	295	26	**890**	**132**
Addition	0	-	252	-	**252**	**21**
Receipt from reinsurers	113	-	-	-	**113**	**-**
Amortisation for the year	-	-	(13)	(2)	**(15)**	**-**
Changes during the year	(16)	428	-	-	**412**	**-**
At 31 December 2017	540	554	534	24	**1,652**	**153**

2016

	Reinsurance assets					
	Claims recoverable N'million	Reinsurer's share of IBNR claims N'million	Prepaid reinsurance N'million	Minimum deposit premium N'million	Total N'million	Deferred ac uisition costs N'million
At 1 January 2016	281	106	276	27	**690**	**151**
Addition	757	-	1,194	26	**1,977**	**2,344**
Receipt from reinsurers	(595)	-	-	-	**(595)**	**-**
Amortisation for the year	-	-	(1,175)	(27)	**(1,202)**	**(2,363)**
Changes during the year	-	20	-	-	**20**	**-**
At 31 December 2016	443	126	295	26	**890**	**132**

Reconciliation of impairment account	GROUP		COMPANY	
	2017 N 'million	2016 N 'million	2017 N 'million	2016 N 'million
At start of period	7,910	2,629	-	-
Write off	(869)	(333)	-	-
Increase in impairment*	1,932	5,614	-	-
At end of period	8,973	7,910	-	-

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 Investment properties

At start of period	3,003	3,025
Addition and capital improvement	-	12
Disposal	-	(222)
Net loss from fair value adjustment	(2)	188
Reclassification to held for sale	(1,008)	-
	1,993	3,003

Included in investment properties are mainly land acquired by the Group for capital appreciation. At the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The investment properties fall into level 2 fair value hierarchy and the fair value is recurring.

No rental income (2016: Nil) arose from the investment properties during the year. The rental income, as well as the fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties are as follows:

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	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/0000001146	FRC/2014/NIESV/0000000399

29 Investment in associates (e uity method)

i. **Sea olf Oilfield Services Limited (SOSL)**

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business. The investment has been fully impaired.

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

ii. **FBN Heritage Fund**

FBN Holdings Plc. sold 15million units of its interest in FBN Heritage Fund in 2016. This sale reduced the Group’s interest in the fund to 37.9%, indicating a loss of control as at December 31, 2016.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. The fund manager publishes daily unit price of the fund on the memorandum listing section of the Nigerian Stock Exchange. The unit price of the fund as at reporting date was N111.58 (Cost: N100). In 2016, the 15m units held by FBNHoldings was sold at an average price of N109.6 per units, resulting in gain on disposal of N144million.

Due to the loss of control, FBN Holdings Plc. deconsolidated the fund from the effective date of loss of control, December 31, 2016, and accounted for the remaining holdings as associate using equity method. The Group's interest in FBN Heritage Fund as at December 31, 2017 is 40.76%.

	GROUP		**COMPANY**	
	2017	**2016**	**2017**	**2016**
	N 'million	**N 'million**	**N 'million**	**N 'million**
FBN Heritage Fund				
Balance at beginning of year	1,114	-	-	1,500
Reclassification due to loss of control	-	900	-	-
Fair value gain	-	214	-	-
Share of profit	430	-	-	-
Share of other comprehensive income	(65)	-	-	-
Dividend received	(122)	-	-	-
Disposal of investment	-	-	-	(1,500)
At end of year	1,357	1,114	-	-

30 Investment in subsidiaries

30.1 Principal subsidiary undertakings

	31 December 2017	**31 December 2016**
	N 'million	**N 'million**
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 31 (i))	205,557	205,557
FBNQuest Capital Limited (Note 31 (ii))	4,300	4,300
FBN Insurance Limited (Note 31 (iii))	4,724	4,724
FBN Insurance Brokers Limited (Note 31 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	-	-
FBNQuest Merchant Bank Limited (Note 31 (vi))	17,206	17,206
	231,812	231,812
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBNQuest Trustees Limited (Note 31 (vii))	6,033	6,033
FBNQuest Funds Limited (Note 31 (viii))	4,550	4,550
	10,583	10,583
	242,395	**242,395**

As at 31 December 2017, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: N5billion; Total Impairment: N5billion).

30 Investment in subsidiaries continued

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except FBN Insurance Limited and New Villa Limited (Rainbow Town Development Limited) in which it owned 65% and 55% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest as at the end of the year N(5.494) billion (2016: N(548) million).

Subsidiary	Principal activity	Country of incorporation	shares held directly by the parent group (%)	Statutory year end
First Bank of Nigeria Limited (Note 31 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (Note 31 (ii))	Investment Banking & Asset Management	Nigeria	100	31 December
FBN Insurance Limited (Note 31 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (Note 31 (iv))	Insurance Brokerage	Nigeria	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	Investment and General Trading	Nigeria	55	31 December
FBNQuest Merchant Bank Limited (Note 31 (vi)	Merchant Banking	Nigeria	100	31 December
FBNQuest Trustees Limited (Note 31 (vii))	Trusteeship	Nigeria	100	31 December
FBNQuest Funds Limited (Note 31 (viii))	Investment Banking & Asset Management	Nigeria	100	31 December

i First Bank of Nigeria Limited

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

ii FBNQuest Capital Limited

FBNQuest Capital Limited (formerly FBN Capital Limited) is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the Securities and Exchange Commission (SEC) to undertake issuing house business. It is also involved in the business of financial advisory.

iii FBN Insurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc. (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc. and the name of the company was changed to FBN Insurance Limited in 2014.

iv FBN Insurance Brokers Limited

The company was incorporated under the Companies and Allied Matters Act CAP C20 LFN 2004, as a limited liability company on 31 March 1994 with the name 'Trust Link Insurance Brokers Limited'. The company prepared financial statements up to 31 March 1998 after which it became dormant. The company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the company is insurance brokerage business.

v New Villa Limited (Rainbow Town Development Limited)

New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include real estate investments and general trading.

vi FBNQuest Merchant Bank Limited

FBNQuest Merchant Bank Limited (formerly FBN Merchant Bank Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 originally known as Kakawa Discount House Limited.
The Company was granted a licensed to carry on the business of a discount house and commenced operations on 16 November 1995. FBN Holdings Plc. acquired the shares of the Company and converted the business to a merchant bank having obtained the Central Bank of Nigeria for merchant banking operations in May 2015.

vii FBNQuest Trustees Limited

FBNQuest Trustees Limited (formerly FBN Trustees Limited) was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The company was established to engage in the business of trusteeship as well as portfolio management, and financial/ investment advisory services.

viii FBNQuest Funds Limited

FBNQuest Funds Limited (formerly FBN Funds Limited) was incorporated on 14 November 2002. It commenced operations on 1 April 2003. Its principal activities are to carry on venture capital and private equity business.

30.2 Condensed results of consolidated entities from continuing operations

31 December 2017	FBN Holdings Plc.	FBN Limited	FBN uest Capital Limited	FBN uest Merchant Ban Limited	FBN Insurance Limited	FBN Insurance Bro ers Limited	Rainbo To n Development Limited	Total	Ad ustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summari ed Income Statement										
Operating income	13,714	407,863	8,314	13,868	17,353	593	-	461,706	(16,872)	444,835
Operating expenses	(4,332)	(209,480)	(4,344)	(7,130)	(12,641)	(465)	-	(238,392)	376	(238,016)
Impairment charge for credit losses	-	(141,275)	(53)	(545)	(127)	(15)	-	(142,014)	(8,410)	(150,424)
Operating profit	9,382	57,108	3,918	6,194	4,585	114	-	81,300	(24,905)	56,395
Associate	-	-	430	-	-	-	-	430	-	430
Profit before tax	9,382	57,108	4,348	6,194	4,585	114	-	81,731	(24,905)	56,825
Tax	(107)	(5,633)	(1,063)	(1,283)	(913)	(40)	-	(9,040)	-	(9,040)
Profit/(Loss) for the year from continuing operations	9,275	51,475	3,285	4,910	3,672	73	-	72,690	(24,905)	47,785
Loss for the year from discontinued operations		(1,520)					(11,060)	(12,580)	4,806	(7,774)
Other comprehensive income	163	60,306	612	2,002	1,030	43	-	64,156	-	64,156
Total comprehensive income	9,438	110,261	3,897	6,912	4,702	116	(11,060)	124,266	(20,100)	104,167
Total comprehensive income allocated to non controlling interest	-	(40)	112	-	1,646	-	(4,977)	(3,259)	-	(3,259)
Dividends paid to non controlling interest	-	-	-	-	760	-	-	760	-	760
Summari ed Financial Position										
Assets										
Cash and balances with central bank	0	638,308	0	3,073	500	0	-	641,881	-	641,881
Loans and advances to banks	7,585	729,603	26,066	14,953	1,567	414	-	780,188	(37,259)	742,929
Loans and advances to customers	108	2,026,038	79	39,164	94	2	-	2,065,484	(64,262)	2,001,223
Financial assets at fair value through profit or loss	-	33,011	7,644	4,385	38,673	-	-	83,712	-	83,713
Investment securities	9,842	1,153,365	27,783	52,930	4,536	155	-	1,248,610	(2)	1,248,608
Assets pledged as collateral	-	194,951	7,150	6,823	-	-	-	208,925	-	208,925
Other assets	9,008	123,961	1,600	5,142	2,355	88	-	142,154	(9,423)	132,731
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	1,893	-	100	-	-	1,993	-	1,993
Investment in associates accounted for using the equity method	-	-	1,501	-	-	-	-	1,501	(144)	1,357
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	682	82,793	383	1,876	2,108	72	-	87,913	349	88,263
Intangible assets	-	12,107	563	3,121	418	1	-	16,211	-	16,211
Deferred tax assets	-	8,768	535	9,234	-	17	-	18,554	-	18,554
Assets held for sale	-	11,343	1,021	-	-	-	45,678	58,042	(7,893)	50,149
	269,620	5,014,248	76,219	140,701	50,350	750	45,678	5,597,562	(361,025)	5,236,537
Financed by										
Deposits from banks	-	655,042	-	10,324	-	-	-	665,366	-	665,366
Deposits from customers	-	3,065,732	26,888	87,952	-	-	-	3,180,572	(37,234)	3,143,338
Financial liabilities at fair value through profit or loss	-	9,352	-	33	20	-	-	9,404	-	9,404
Current income tax liability	104	5,088	1,362	2,249	1,309	81	-	10,194	-	10,194
Other liabilities	7,553	224,908	22,369	12,890	2,944	332	-	270,997	(9,271)	261,725
Liability on investment contracts	-	-	-	-	13,399	-	-	13,399	-	13,399
Liability on insurance contracts	-	-	-	-	21,734	-	-	21,734	-	21,734
Borrowings	-	416,908	4,011	-	-	-	-	420,919	-	420,919
Retirement benefit obligations	-	2,220	3	-	-	(20)	-	2,203	-	2,203
Deferred tax liabilities	-	-	159	82	365	-	-	606	-	606
Liabilities held for sale	-	7,409	-	-	-	-	66,434	73,843	(64,386)	9,457
	7,657	4,386,659	54,792	113,530	39,771	393	66,434	4,669,235	(110,890)	4,558,345
Equity and reserves	261,963	627,589	21,427	27,172	10,579	356	(20,756)	928,330	(250,138)	678,192
Summari ed Cash Flo s										
Operating activities										
Interest received	2,110	424,580	4,741	21,963	5,947	59	0	459,401	0	459,401
Interest paid	-	(123,001)	(3,866)	(12,072)	-	0	0	(138,939)	0	(138,939)
Income tax paid	(87)	(4,236)	(1,694)	(364)	(323)	(58)	0	(6,761)	0	(6,761)
Cash flow generated from operations	(3,609)	57,499	21,333	25,666	13,366	128	(111)	114,271	2,030	116,302
Net cash generated from operating activities	(1,587)	354,842	20,514	35,193	18,991	129	(111)	427,971	2,032	430,003
Net cash used in investing activities	15,697	(119,489)	(5,270)	(23,949)	(11,307)	(2)	0	(144,319)	(13,625)	(157,945)
Net cash used in financing activities	(7,179)	70,733	2,524	(1,048)	(3,334)	0	0	61,696	(18,458)	43,238
Increase in cash and cash e uivalents	6,932	306,086	17,769	10,197	4,349	127	(111)	345,349	(30,053)	315,296
Cash and cash equivalents at start of year	645	719,168	8,579	10,077	3,363	259	449	742,540	3,691	746,231
Effect of exchange rate fluctuations on cash held	8	104,048	671	187	-	6	-	104,920	0	104,920
Cash and cash e uivalents at end of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,807	(26,361)	1,166,447

30.2 Condensed results of consolidated entities from continuing operations

31 December 2016	FBN Holdings Plc.	FBN Limited	FBN uest Capital Limited	FBN uest Merchant Ban Limited	FBN Insurance Limited	FBN Insurance Bro ers Limited	FBN Heritage Fund	Rainbo To n Development Limited	Total	Ad ustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summari ed Income Statement											
Operating income	12,715	434,663	16,961	8,115	11,362	572	456	(4,313)	480,529	(10,611)	469,918
Operating expenses	(5,103)	(199,039)	(7,267)	(3,289)	(7,988)	(534)	(310)	(182)	(223,711)	2,778	(220,933)
Impairment charge for credit losses	-	(224,948)	(1,173)	90	(7)	0	-	-	(226,038)	1	(226,037)
Operating profit	7,611	10,676	8,521	4,916	3,367	38	146	(4,494)	30,780	(7,832)	22,948
Associate	-	-	108	-	-	-	-	-	108	(108)	-
Profit before tax	7,611	10,676	8,630	4,916	3,367	38	146	(4,494)	30,888	(7,940)	22,948
Tax	(104)	1,093	(3,364)	(16)	(986)	(35)	-	-	(3,413)	(2,394)	(5,807)
Profit/(Loss) for the year from continuing operations	7,507	11,768	5,266	4,900	2,380	4	146	(4,494)	27,476	(10,336)	17,141
Loss for the year from discontinued operations		(1,317)							(1,317)	(3,580)	(4,898)
Other comprehensive income	2	3,136	(2,464)	(2,736)	(1,091)	91	(32)	-	(3,095)	(4)	(3,099)
Total comprehensive income	7,509	13,586	2,803	2,164	1,289	95	113	(4,494)	23,064	(13,920)	9,144
Total comprehensive income allocated to non controlling interest	-	(789)	(1,427)	-	451	-	42	(2,023)	(3,746)	(740)	(4,486)
Dividends paid to non controlling interest	-	174	-	-	996	-	72	-	1,243	-	1,243
Summari ed Financial Position											
Assets											
Cash and balances with central bank	0	689,598	1	66	500	0	-	-	690,165	-	690,165
Loans and advances to banks	644	437,936	7,404	5,651	1,091	237	16	107	453,086	(8,215)	444,871
Loans and advances to customers	65	2,086,740	-	41,684	244	49	78	-	2,128,860	(44,966)	2,083,894
Financial assets at fair value through profit or loss	-	23,493	5,377	17,678	162	-	1,209	-	47,919	(1,208)	46,711
Investment securities	12,350	961,236	30,254	20,836	25,811	102	1,662	-	1,052,251	(1,663)	1,050,588
Assets pledged as collateral	-	161,134	-	36,286	-	-	-	-	197,420	-	197,420
Other assets	10,598	38,610	4,302	4,645	1,539	102	-	1,504	61,300	(13,514)	47,786
Inventory	-	-	-	-	-	-	-	44,204	44,204	(44,204)	-
Investment properties	-	-	2,898	-	105	-	-	-	3,003	-	3,003
Investment in associates accounted for using the equity method	-	-	1,258	-	-	-	-	-	1,258	(144)	1,114
Investment in subsidiaries	242,395	-	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	849	83,358	766	1,056	1,886	51	-	6	87,972	343	88,315
Intangible assets	-	11,913	2,057	973	382	3	-	6	15,334	(6)	15,328
Deferred tax assets	-	8,296	565	8,398	-	19	-	-	17,278	-	17,278
Assets held for sale	-	12,479	-	-	-	-	-	-	12,479	37,853	50,332
	266,902	4,514,792	54,882	137,272	31,720	563	2,966	45,826	5,054,921	(318,116)	4,736,805
Financed by											
Deposits from banks	-	377,214	-	38,864	-	-	-	-	416,078	-	416,078
Deposits from customers	-	3,030,091	17,547	64,728	-	-	-	-	3,112,366	(8,145)	3,104,221
Financial liabilities at fair value through profit or loss	-	37,137	-	-	-	-	-	-	37,137	0	37,137
Current income tax liability	84	4,805	3,164	364	426	53	-	6	8,902	(5)	8,897
Other liabilities	7,114	217,553	15,207	4,358	2,843	170	25	1,898	249,168	(13,780)	235,388
Liability on investment contracts	-	-	-	-	9,440	-	-	-	9,440	-	9,440
Liability on insurance contracts	-	-	-	-	10,287	-	-	-	10,287	-	10,287
Borrowings	-	316,792	0	-	-	-	-	53,619	370,411	(53,619)	316,792
Retirement benefit obligations	-	2,648	6	-	-	8	-	-	2,662	-	2,662
Deferred tax liabilities	-	2	138	-	673	-	-	-	813	-	813
Liabilities held for sale	-	10,611	-	-	-	-	-	-	10,611	1,904	12,515
	7,198	3,996,852	36,062	108,314	23,669	232	25	55,523	4,227,874	(73,644)	4,154,230
Equity and reserves	259,704	517,940	18,820	28,958	8,051	331	2,941	(9,697)	827,049	(244,474)	582,575
Summari ed Cash Flo s											
Operating activities											
Interest received	538	367,992	5,763	13,776	0	59	287	0	388,416	(287)	388,128
Interest paid	-	(89,410)	(2,383)	(8,259)	-	0	0	0	(100,052)	15,879	(84,173)
Income tax paid	(20)	(5,062)	(1,946)	(184)	(203)	(58)	0	0	(7,473)	(416)	(7,889)
Cash flow generated from operations	(1,728)	(106,622)	615	2,681	10,943	65	558	(217)	(93,705)	28,925	(64,780)
Net cash generated from operating activities	(1,210)	166,898	2,049	8,014	10,739	66	845	(217)	187,185	44,101	231,285
Net cash used in investing activities	2,341	(175,575)	(8,093)	(9,311)	(15,457)	(10)	58	0	(206,046)	(5,610)	(211,656)
Net cash used in financing activities	(5,384)	(18,740)	(3,061)	0	(1,014)	(600)	(1,554)	0	(30,353)	(16,355)	(46,707)
Increase in cash and cash e uivalents	(4,252)	(27,417)	(9,104)	(1,297)	(5,732)	(543)	(651)	(217)	(49,213)	22,135	(27,078)
Cash and cash equivalents at start of year	4,792	644,973	12,567	11,271	9,094	797	332	668	684,495	(18,127)	666,368
Effect of exchange rate fluctuations on cash held	105	101,612	5,115	102	-	6	-	-	106,941	0	106,941
Cash and cash e uivalents at end of year	645	719,168	8,579	10,077	3,363	259	(320)	449	742,220	4,011	746,231

31 Asset Held for Sale

(a) Discontinued operations:

The assets classified as held for sale in 2017 included Rainbow Town Development Limited, FBN Mortgages Limited and Twin Peaks Nigeria Limitec

(i) Rainbo To n Development Limited

The assets and liabilities of Rainbow Town Development Limited (RTDL) were classified as held for sale following the decision and resolution of the Board of Directors of FBN Holdings Plc. on October 21, 2016 to dispose the Group's interest in RTDL. The carrying amount of the investment is expected to the recovered principally by a sale rather than through continuing use. The sale is expected to be completed before the end of the next financial year. The amount has been presented in note 6 as part of Others.

(ii) FBN Mortgages Limited

The assets and liabilities of FBN Mortgages Limited were classified as held for sale in 2016 following the decision and resolution of the Board of Directors of First Bank Limited, the immediate parent company, to divest from FBN Mortgages Limited. The asset continues to meet the classification requirements of IFRS 5 and the Board of Directors demonstrated commitment to the sales in line with the requirements of IFRS 5 and as such the sales is expected to be completed before the end of the next financial year. The amount has been presented in note 6 as part of the Commercial Banking Group.

(iii) T in Pea s Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited ("Twin Peaks") are classified as held for sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited ("FBNQ CP"), the Fund Manager of FRED, to dispose the Group's interest in TwinPeaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020).

The buyer has fulfilled its obligation as stipulated in the SPA.

The operating results and net cash flows are separately presented in the income statement and statement of cash flows respectively because the disposal group represents a separate line of buisness within the Group, and as such meets the definition of discontinued operation.

The carrying amount of the assets and liabilties of the disposal group classified as held for sale are as listed below.

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Assets classified as held for sale		
Cash and balances with central banks	203	203
Loans and advances to banks	102	510
Loans and advances to customers	2,176	3,067
Investment securities	140	58
Other assets	2,007	2,036
Inventory	44,047	43,805
Investment property	1,008	-
Deferred tax assets	256	459
Property, plant and equipment	44	67
Intangible assets	6	7
	49,989	50,212
Liabilities classified as held for sale		
Deposit from banks	-	-
Deposit from customers	6,988	10,039
Company income tax liability	6	25
Other liabilities	2,458	2,303
Borrowings	5	109
Retirement benefit obligations	-	39
Deferred tax liabilities	-	-
	9,457	12,515
Net Asset	40,532	37,697

The operating results of the discontinued operations are as follows.

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Interest income	941	1,005
Interest expense	(7,435)	(2,517)
Net interest income	(6,494)	(1,512)
Impairment charge	(247)	(845)
Net interest income after impairment charge	(6,741)	(2,357)
Net fee and commission income	94	50
Other income	38	(1,626)
Operating expense	(960)	(1,010)
Loss before tax	(7,569)	(4,943)
Taxation	(205)	45
Loss after tax	(7,774)	(4,898)
Loss from discontinued operations is attributable to:		
Owners of the parent	(4,960)	(3,287)
Non-controlling interests	(2,814)	(1,611)
	(7,774)	(4,898)
The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	(5,001)	(2,877)
Net cash flow from/(used in) financing activities	215	278
Net cash flow (used in)/from investing activities	3,241	(17)
Net cash outflow	(1,545)	(2,616)

(b) Non current asset held for sale

FBN Senegal, a subsidiary of First Bank of Nigeria Limited, has classified a building from its Property, Plant and Equipment as held for sale, following management's decision to dispose the asset within 12 months in line with IFRS 5.

	GROUP	
	31 December 2016	**31 December 2015**
	N 'million	**N 'million**
Property, plant and equipment	160	120
Total Assets classified as held for sale	50,149	50,332

32 Property, plant and e uipment
GROUP

	Improvement buildings N million	Land N million	Motor vehicles N million	Office e uipment N million	Computer e uipment N million	Furniture fittings N million	Plant machinery N million	or in progress N million	Total N million
Cost									
At 1 January 2016	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Additions	951	100	2,196	3,597	1,952	905	13	3,130	12,844
Reclassifications	24	-	(18)	1,471	40	308	4	(3,549)	(1,720)
Disposals	-	-	(2,017)	(750)	(77)	(44)	(0)	(169)	(3,057)
Write Offs	(8)	-	-	-	-	-	-	(92)	(101)
Discontinued Operations	(161)	-	(190)	(45)	(56)	(30)	(11)	-	(492)
Exchange difference	1,216	22	297	292	554	189	36	143	2,749
At 31 December 2016	47,395	21,131	12,380	44,817	15,025	10,448	189	5,046	156,430
Accumulated depreciation									
At 1 January 2016	7,511	-	7,005	27,635	9,899	5,668	91	(0)	57,809
Charge for the year	1,410	0	2,270	4,680	1,827	1,372	25	-	11,584
Reclassifications	0	-	-	31	(29)	(2)	-	-	0
Disposals	-	-	(1,556)	(566)	(26)	(40)	(0)	-	(2,188)
Write Offs	-	-	-	-	-	-	-	-	-
Discontinued Operations	(39)	-	(119)	(36)	(50)	(27)	(9)	-	(281)
Exchange differences	297	(0)	164	184	401	123	21	-	1,191
At 31 December 2016	9,179	0	7,764	31,928	12,021	7,094	128	(0)	68,115
Net boo amount at 31 December 2016	**38,215**	**21,131**	**4,616**	**12,889**	**3,004**	**3,354**	**61**	**5,046**	**88,315**
Cost									
At 1 January 2017	47,395	21,131	12,380	44,817	15,025	10,448	189	5,046	156,430
Additions	842	59	2,099	2,291	1,892	427	37	5,169	12,816
Reclassifications	922	-	14	630	264	(577)	-	(1,253)	-
Disposals	(1)	(11)	(1,714)	(533)	(52)	(134)	-	-	(2,445)
Write Offs	-	-	-	-	-	-	-	-	-
Held for sale	(12)	-	-	-	-	-	-	-	(12)
Exchange difference	(683)	3	(133)	(255)	(331)	(7)	17	(55)	(1,444)
At 31 December 2017	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	165,346
Accumulated depreciation									
At 1 January 2017	9,179	0	7,764	31,928	12,021	7,094	128	(0)	68,115
Charge for the year	1,569		2,109	4,788	1,873	1,234	27	-	11,600
Reclassifications	239	-	-	77	12	(328)	-	-	-
Disposals	(1)	-	(1,254)	(512)	(50)	(132)	-	-	(1,949)
Discontinued Operations	-	-	-	-	-	-	-	-	-
Exchange differences	(123)		(118)	(171)	(276)	(8)	12	-	(684)
At 31 December 2017	10,863	0	8,502	36,110	13,580	7,860	167	(0)	77,083
Net boo amount at 31 December 2017	**37,600**	**21,182**	**4,145**	**10,840**	**3,217**	**2,297**	**76**	**8,907**	**88,263**

* Work in progress refers to capital expenditures incurred on items of property, plant and equipment which are however not ready for use and as such are not being depreciated.

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

E change Difference on Property, Plant and E uipment

These exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBN Bank (UK) and FBN Bank (Congo).

32 Property, plant and e uipment

COMPANY

	Improvement buildings N million	Motor vehicles N million	Office e uipment N million	Computer e uipment N million	Furniture fittings N million	Total N million
Cost						
At 1 January 2016	615	274	446	5	454	1,793
Additions	-	29	1	3	6	39
Disposal	-	-	-	-	-	-
At 31 December 2016	615	303	447	8	460	1,832
Accumulated depreciation						
At 1 January 2016	184	101	138	2	177	602
Charge for the year	123	72	89	2	96	381
Disposal	-	-	-	-	-	-
At 31 December 2016	307	173	227	4	273	983
Net boo amount at 31 December 2016	**308**	**130**	**220**	**4**	**187**	**849**
Cost						
At 1 January 2017	615	303	447	8	460	1,832
Additions	-	228	2	4	1	235
Disposal	-	(55)	-	(0)	-	(56)
At 31 December 2017	615	474	448	13	461	2,010
Accumulated depreciation						
At 1 January 2017	307	173	227	4	273	983
Charge for the year	123	96	89	3	88	398
Disposal	-	(51)	-	(0)	-	(51)
At 31 December 2017	430	217	316	6	360	1,330
Net boo amount at 31 December 2017	**186**	**257**	**132**	**6**	**101**	**680**

33 Intangible assets

					GROUP	
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer Software	Total
Cost						
At 1 anuary 2016	5,528	52	326	688	10,512	17,106
Additions	-	-	-	-	6,161	6,161
Reclassification					1,502	1,502
Disposals					(116)	(116)
Effect of adjustment from discontinued operations					(13)	(13)
Exchange difference	974	-	-	217	774	1,965
At 31 December 2016	**6,502**	**52**	**326**	**905**	**18,820**	**26,605**
Additions	-	-	-	-	6,114	6,114
Reclassification	-	-	-	-	(1,087)	(1,087)
Exchange difference	146	-	-	49	389	584
At 31 December 2017	**6,648**	**52**	**326**	**954**	**24,235**	**32,216**
Amortisation and impairment						
At 1 anuary 2016	1,925	52	326	292	4,824	7,419
Amortisation charge	-	-	-	208	3,116	3,324
Effect of adjustment from discontinued operations	-	-	-	-	(6)	(6)
Disposals	-	-	-	-	(61)	(61)
Exchange difference	-	-	-	73	528	601
At 31 December 2016	**1,925**	**52**	**326**	**573**	**8,401**	**11,277**
Amortisation charge	-	-	-	177	4,024	4,201
Exchange difference	-	-	-	31	496	527
At 31 December 2017	**1,925**	**52**	**326**	**781**	**12,921**	**16,005**
Net boo value						
At 31 December 2017	4,723	-	-	173	11,314	16,211
At 31 December 2016	4,578	-	-	332	10,418	15,328

The amortisation charge for the year is included in the income statement.

The goodwill balance of N4.72 billion includes N0.55 billion attributable to the acquisition of FBN Bank DRC in the Democratic Republic of Congo concluded in 2013; N3.91 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and N0.26 billion attributable to the acquisition of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014. The goodwill attributable to acquisition of FBN Bank DRC and ICB West Africa entities is included in the Commercial Banking Group operating segment while goodwill attributable to acquisition of FBN General Insurance Limited is included in Insurance Group operating segment.

Brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively. The Brand and Customer relationship intangible assets were written off due to a change in the name of the acquired entities.

The software is not internally generated.

Impairment tests for good ill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognized as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business and Insurance Business Groups.

Goodwill is reviewed annually for impairment, or more fequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the recoverable amount, which is the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the cash-generating unit to which the goodwill relates or the CGU's fair value if this is higher.

There was no impairment identified in the year ended 31 December, 2017.

The recoverable amount of each CGU has been based on value in use and the weighted average cost of capital (WACC). These calculations use pre-tax cash flow projection covering five years. The cash flow projections for each CGU are based on forecasts approved by senior management. The nominal growth rate reflects GDP and inflation for the countries within which the CGU operates or derives revenue from. The rates are based on IMF forecast growth rates as they represent an objective estimate of likely future trends.

The discount rate used to discount the cash flows is based on the cost of capital assigned to each CGU, which is derived using a Capital Asset Pricing Model (CAPM). The CAPM depends on inputs reflecting a number of financial and economic variables including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market’s assessment of the economic variables and management’s judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates.

33 Intangible assets continued

Impairment testing on cash generating units containing good ill

The cash generating unit (CGUs) with material goodwill balances relates to FBN Bank Ghana and FBN Bank DRC and the key assumptions used in the value-in-use calculation are as follows:

	2017			2016		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Terminal growth rate: %	4%	5%	5%	8%	5%	7%
Discount rate: %	29%	32%	15%	23%	34%	20%
Deposit growth rate: %	12%	7%	0%	12%	19%	0%
Gross premium growth rate: %	0%	0%	25%	0%	0%	25%
Recoverable amount of the CGU: (N' million)	13,384	12,303	6,103	7,960	13,228	6,728

The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information.

Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate.

Management determined deposits to be the key value driver in each of the entities. Deposits are considered by Management as the most important source of funds for the banks' subsidiaries to finance their assets. Deposit growth rate was determined using historical trend of deposit growth in the last 5 years.

Sensitivity analysis was performed by flexing two key inputs (WACC and Terminal Growth Rate) in the DCF valuation models.

For the two material CGUs, Ghana and Congo, if the weighted average cost of capital (WACC) rate had been higher by 0.5%, the recoverable amount (VIU) would have been higher than the carrying amount by N9.6bn, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by N10.5bn.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by N10.4bn, while if lower by 0.5% the recoverable amount would have been higher by N9.8bn.

For the above scenarios, at no point was the recoverable amount (VIU) lower than the carrying amount to result in impairment of Goodwill.

	2017			2016		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Goodwill (N' million)	552	3,349	262	552	3,243	262
Net Asset (N' million)	3,256	8,437	4,109	5,397	8,613	4,109
Total carrying amount (N' million)	3,808	11,786	4,371	5,949	11,856	4,371
Excess of recoverable amount over carrying amount	9,576	517	1,732	2,011	1,372	2,357

34 Deferred ta assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%).

	GROUP	
	31 December 2017 N 'million	**31 December 2016 N 'million**
Deferred income ta assets and liabilities are attributable to the follo ing items:		
Deferred ta assets		
Property and equipment	(4,564)	(7,512)
Allowance for loan losses	7,398	9,063
Tax losses carried forward	16,272	17,429
Other assets	568	1,497
Other liabilities	70	(7,494)
Defined benefit obligation	2,476	3,251
Prior year adjustment	0	987
Effect of changes in exchange rate	(3,666)	17
Borrowings	(0)	40
	18,554	17,278
Deferred ta liabilities		
Property and equipment	459	(13)
Allowance for loan losses	-	-
Tax losses carried forward	(0)	(7)
Other assets	147	197
Other liabilities	-	22
Excess dividend tax	0	614
	606	813
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	18,470	16,004
- Deferred tax asset to be recovered within 12 months	84	1,274
	18,554	17,278
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	606	481
- Deferred tax liability to be recovered within 12 months	-	332
	606	813

34 Deferred ta assets and liabilities continued

Group	**1 an 2017** N 'million	**Recognised in P L** N 'million	**Recognised in OCI** N 'million	**31 Dec 2017** N 'million
Movements in Deferred ta assets during the year:				
Property and equipment	(7,512)	2,948	-	(4,564)
Allowance for loan losses	9,063	(1,667)	-	7,398
Tax losses carried forward	17,429	(1,157)	-	16,272
Other assets	1,497	(929)	-	568
Other liabilities	(7,494)	7,564	-	70
Defined benefit obligation	3,251	9	(784)	2,476
Prior year adjustment	987	(987)	-	0
Effect of changes in exchange rate	17	(3,683)	-	(3,666)
Borrowings	40	(40)	-	(0)
	17,278	2,058	(784)	18,554

Group	**1 an 2016** N 'million	**Recognised in P L** N 'million	**Assets classified as held for sale** N 'million	**31 Dec 2016** N 'million
Movements in Deferred ta assets during the year:				
Property and equipment	(7,842)	330	-	(7,512)
Allowance for loan losses	3,676	5,387	-	9,063
Tax losses carried forward	20,276	(2,388)	(459)	17,429
Other assets	1,472	25	-	1,497
Other liabilities	(7,491)	(3)	-	(7,494)
Defined benefit obligation	3,265	(14)	-	3,251
Prior year adjustment	987	-	-	987
Effect of changes in exchange rate	231	(214)	-	17
Borrowings	40	-	-	40
	14,614	3,123	(459)	17,278

	1 an 2017 N 'million	**Recognised in P L** N 'million	**31 Dec 2017** N 'million
Movements in Deferred ta liabilities during the year:			
Property and equipment	(13)	472	459
Allowance for loan losses	-	-	-
Tax losses carried forward	(7)	7	(0)
Other assets	197	(50)	147
Other liabilities	22	(22)	-
Excess dividend tax	614	(614)	0
	813	(207)	606

	1 an 2016 N 'million	**Recognised in P L** N 'million	**31 Dec 2016** N 'million
Movements in Deferred ta liabilities during the year:			
Property and equipment	149	(162)	(13)
Tax losses carried forward	-	(7)	(7)
Other assets	7	190	197
Other liabilities	83	(61)	22
Excess dividend tax	-	614	614
	239	574	813

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. Temporary difference relating to the Group's investment in subsidiaries is N70.3 billion (2016: N72.7 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.

The group has assessed that based on the group's profit forecast, it is probable that there will be future taxable profits against which the tax losses,

35 Deposits from ban s

	GROUP	
	31 December 2017 N 'million	**31 December 2016** N 'million
Due to banks within Nigeria	573,402	372,079
Due to banks outside Nigeria	91,964	43,999
	665,366	416,078

Deposits from banks only include financial instruments classified as liabilities at amortised cost and has a remaining period to contractual maturity of less than 12 months

36 Deposits from customers

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Current	751,250	735,325
Savings	1,014,433	952,689
Term	881,196	842,260
Domiciliary	483,996	564,679
Electronic purse	12,463	9,268
	3,143,338	3,104,221
Current	2,924,964	2,884,627
Non-current	218,374	219,594
	3,143,338	3,104,221

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

37 Other liabilities

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Financial liabilities:				
Customer deposits for letters of credit	81,083	112,492	-	-
Accounts payable	92,973	39,385	-	-
Creditors	6,769	17,660	206	237
Bank cheques	22,827	12,426	-	-
Collection on behalf of third parties	11,156	5,772	-	-
Unclaimed dividend	6,342	5,812	6,342	5,812
Accruals	5,260	3,530	1,005	1,065
	226,410	197,077	7,553	7,114
Non financial liabilities:				
	35,315	38,311	-	-
Other liabilities balance	261,725	235,388	7,553	7,114

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

38 Liability on investment contracts

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Long term clients	13,399	9,440
	13,399	9,440
Non-current	13,399	9,440

39 Liability on insurance contracts

	GROUP	
	31 December 2017 N 'million	31 December 2016 N 'million
Outstanding claims	1,588	975
Unearned premium	1,242	891
Short term insurance contract - Claims incurred but not reported (IBNR)	1,670	614
Liability on annuity fund	7,432	1,519
Liability on long term insurance contract - Life fund	9,802	6,288
	21,734	10,287
Current	4,499	2,480
Non-current	17,235	7,807
	21,734	10,287

Reconciliation of changes in liability on insurance contracts

2017	Outstanding claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2017	975	891	614	1,519	6,288	10,287
Claims incurred	4,112	-	-	-	-	4,112
Claims paid	(3,499)	-	-	-	-	(3,499)
Change in the year	-	351	1,056	5,913	3,514	10,834
As at 31 December 2017	1,588	1,242	1,670	7,432	9,802	21,734

2016	Outstanding claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2016	757	1,235	502	2	9,341	11,837
Claims incurred	3,000	-	-	-	-	3,000
Claims paid	(2,782)	-	-	-	-	(2,782)
Change in the year	-	(344)	112	1,517	(3,053)	(1,768)
As at 31 December 2016	975	891	614	1,519	6,288	10,287

40 Borro ings

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	254,623	233,976
Due to Deutsche Bank (ii)	4,011	-
Due to Proparco (iii)	21,681	19,968
Due to Africa Development Bank (iv)	67,368	-
On-lending facilities from financial institutions (v)	58,324	53,729
Borrowing from correspondence banks (vi)	14,912	9,119
	420,919	316,792
Current	52,448	36,758
Non-current	368,471	280,034
	420,919	316,792
At start of the year	316,792	256,116
Liabilities held for sale	-	(109)
Proceeds of new borrowings	92,800	34,516
Finance cost	24,444	18,764
Foreign exchange losses	27,895	82,690
Repayment of borrowings	(17,596)	(59,306)
Interest paid	(23,416)	(15,879)
At end of year	420,919	316,792

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2016: Nil).

(i) FBN Eurobond:

Facilities represent dollar notes I and II issued by FBN Finance Company B.V, Netherlands on 7 August 2013 and on 18 July 2014 for a period of 7 years. The notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of 2 years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) Due to Deutsche Ban :

Facility represents a short term US$11million funding transaction with Deutsche Bank. The facility is priced at LIBOR plus 2.5%

(iii) Due to Proparco:

Facility represents the outstanding balance of the credit facility of US $65 million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2016. The facility is priced at 5.78% (Fixed) per annum and will mature in May 2024. Interest on this facility is payable semi-annually and there is 2 year moratorium on principal repayment.

(iv) Due to Africa Development Ban :

Facility represents the outstanding balance of the credit facility of US200 million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum and will mature December 2020. This borrowing facility is for US $300 million however, US $100 million was undrawn as at end of December 2017.

(v) On-lending Facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by FBN for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was no additional disbursement (2016: N31.6 billion) to First Bank of Nigeria Limited.The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, additional disbursement to First Bank Nigeria Limited was N12.9 billion (2016: N5.8 billion). Loans granted under the scheme are for a 7 year period at an

(vi) Borro ings from correspondence ban s:

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

41 Retirement benefit obligations

	GROUP	
	31 Dec 2017 N 'million	**31 Dec 2016 N 'million**
Defined Contribution Plan	3	6
Defined Benefits Plan		
Gratuity Scheme (i)	(20)	8
Defined Benefits - Pension (ii)	1,457	1,934
Gratuity Scheme (iii)	763	714
	2,203	2,662

Plan liabilities are based upon independent actuarial valuation performed by Ernst & Young using the projected unit credit basis. This valuation was carried out as at 31 December 2017 and 31 December 2016.

Gratuity scheme (i)

This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. The balance on this scheme is deemed immaterial.

Defined benefit - Pension (ii)
First Bank of Nigeria Limited has an old Defined Benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit.

In addition, First Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2017, the plan assets exceeded the defined benefit obligation by N37 million resulting in a net defined benefit asset.

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

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 anuary 2016	12,033	(8,950)	3,083
Transfer from gratuity scheme (1)			
Interest expense/(income)	1,226	(1,068)	158
Service cost	21		21
Curtailment losses	(1)		(1)
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	(34)	1,430	1,396
- change in demographic assumptions	(2,681)	-	(2,681)
Contributions:			-
- Employer	-	(42)	(42)
Payments:			-
- Benefit payment	(1,553)	1,553	0
Defined benefit pension obligations at 31 December 2016	**9,011**	**(7,077)**	**1,934**
Interest expense/(income)	1,303	(1,153)	150
Service cost	19	-	19
Curtailment losses	0	-	0
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	0	(882)	(882)
- change in demographic assumptions	236	-	236
Contributions:			
- Employer	-	0	0
Payments:			
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	**9,065**	**(7,608)**	**1,457**

41 Retirement benefit obligations continued: Pension

Composition of Plan assets	GROUP 2017 N 'million uoted	N 'million Un uoted	N 'million Total	2016 N 'million uoted	N 'million Un uoted	N 'million Total
Equity Instruments			1,014			563
Banking	779			401		
Oil Service				0		
Real Estate	9			8		
Manufacturing	226			154		
Debt Instruments			6,538			6,434
Government	4,936			4,560		
Corporate Bond	979			908		
Money market investments		623			966	
Money on call		56	56		80	80
Others		-	-		-	0
Total	**6,929**	**679**	**7,608**	**6,031**	**1,046**	**7,077**

The fair value of plan assets is calculated with reference to quoted prices and are within level 1 and 2 of the fair value hierachy

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

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the group intends to reduce the level of investment risk by investing more in asset such that changes in the value of the assets closely match the movement in the fund's liabilities. There remains the residual risk that the selected portfolio does not match the liabilities closely enough or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimize these risks.

Changes In Bond Yields : A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in Corporate Bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

Life E pectancy : The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6.3 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation.

The weighted average duration of the defined benefit obligation is 6.3 years

	31 Dec 2017 N 'million	31 Dec 2016 N 'million
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	14%	16%
Inflation rate	12%	12%
Life expectancy	19yrs	20yrs
Future pension increases	0%	0%

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

	Assumption	Defined Benefit Obligation N'm	Impact on Liability
	14%	8,917	0.0%
	15%	8,496	-4.72%
Discount rate	13%	9,384	5.24%
	Base	8,917	0.0%
	Improved by 1 year	9,053	1.53%
Life expectancy	Decreased by 1 year	8,778	-1.56%

The above sensitivity analyses is for First Bank of Nigeria Limited and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The below table shows the maturity profile of the defined obligation.

Maturity Profile on Defined Benefit Obligation	
Years	Amount (N'000
2018	1,455,767
2019	1,416,139
2020	1,379,385
2021	1,342,945
2022	1,305,722
2023 - 2027	5,926,574

41 Retirement benefit obligations continued: gratuity scheme

Gratuity scheme (iii)

This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:

FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent. The aggregate balance on this scheme is deemed immaterial.

Defined benefit cost, charged to income statement (**refer note 17**)	**GROUP**	
	31 Dec 2017 N 'million	**31 Dec 2016 N 'million**
Gratuity Scheme (i)	31	79
Defined Benefits - Pension (ii)	169	179
Gratuity Scheme (iii)	-	478
	200	736
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	(10)	(74)
Defined Benefits - Pension (ii)	(646)	(2,715)
Gratuity Scheme (iii)	(88)	1,295
	(744)	(1,494)

The information of the professionals engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm entity:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738

42 Share capital

Authorised	**31 December 2017**	**31 December 2016**
50 billion ordinary shares of 50k each (2015: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	**Number of shares In millions**	**Ordinary shares N 'million**
At 31 December 2016	35,895	17,948
At 31 December 2017	35,895	17,948

43 Share premium and reserves

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

Share premium: Premiums (i.e. excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by 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.

Small Scale Investment reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

43 Share premium and reserves continued

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

44 Reconciliation of profit before ta to cash generated from operations

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Profit before tax from continuing operations	56,395	22,948	9,382	7,611
Profit before tax from discontinued operations	(7,569)	(4,943)	-	-
Profit before tax including discontinued operations	48,826	18,005	9,382	7,611
Adjustments for:				
– Depreciation and amortisation	15,801	14,908	398	381
– Loss from disposal of property and equipment	(84)	12	2	-
– Loss/ (profit) from disposal of investment properties	0	(43)	-	-
– Foreign exchange gains	(13,256)	(75,995)	-	-
– Loss from disposal of subsidiaries	-	8	-	-
– Profit from disposal of associate	-	-	-	(144)
– (Profit)/ loss from investment securities classified as available for sale	(2,610)	(3,930)	(16)	12
– Net (gains)/ losses from financial assets at fair value through profit or loss	(11,117)	6	-	-
– Fair value gain/(loss) on investment properties	2	(188)		
– Impairment on loans and advances	148,492	222,908	-	-
– Write off of PPE and intangible assets	0	101	-	-
– Change in provision in other assets	1,932	5,614	-	-
– Change in provision for impairment of investments	-	-	-	1,700
– Change in retirement benefit obligations	483	393	-	-
– Share of profit from associates	430	-	-	-
– Dividend income	(2,054)	(897)	(11,437)	(11,559)
– Interest income	(469,585)	(405,282)	(2,215)	(885)
– Interest expense	138,065	100,840	-	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	84,856	(64,316)	-	-
– Inventories	49,649	49,649	-	-
– Loans and advances to banks	30,117	(24,425)	-	-
– Loans and advances to customers	77,592	(36,319)	(42)	(2)
– Financial assets at fair value through profit or loss	2,759	146,838	-	-
– Other assets	(72,476)	2,525	43	(205)
– Pledged assets	(4,025)	(49,320)	-	-
– Assets held for sale	(46,859)	(49,762)	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	171,743	201,983	-	-
– Deposits from customers	(50,634)	(152,184)	-	-
– Financial liabilities	-	34,682	-	-
– Liability on investment contracts	3,958	6,604	-	-
– Liability on insurance contracts	11,447	1,286	-	-
– Liability held for sale	198	12,399	-	-
– Other liabilities	2,654	(20,878)	276	1,363
Cash flo (used in) generated from operations	116,302	(64,780)	(3,609)	(1,728)

45 Commitments and Contingencies

45.1 Capital commitments

At the balance sheet date, the company had no capital commitments (2016: Nil) in respect of authorized and contracted capital projects.

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Authorised and contracted		
Group	1,122	953
Company	-	-

45.2 Operating lease rentals

At 31 December 2017, the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Within one year	667	332
Between two and five years	3,063	1,078
More than five years	6,102	2,926
	9,832	4,336

45.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations

The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements

45.4 Other contingent commitments

In the normal course of business the group is a party to financial instruments which carry off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Performance bonds and guarantees	312,722	313,779
Letters of credit	218,247	156,845
	530,969	470,624

45.5 Loan Commitments

	GROUP	
	31 December 2017	31 December 2016
	N 'million	N 'million
Undrawn irrevocable loan commitments	8,263	14,203

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.

45.6 Compliance ith covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited, a subsidiary of FBN Holdings Plc., is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Bank complied with this loan covenant. See Note 4 for the calculation of the composition of the Bank's capital in accordance with the Basel Accord. Management believes that First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2017 and 31 December 2016.

46 Offsetting Financial Assets and Financial Liabilities

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

	GROUP					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts sub ect to master netting and similar arrangements not set off in the statement of financial position		Net amounts of e posure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) (a) - (b)	(d)	(e)	(f) (c)-(d)-(e)
31 December 2017	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
ASSETS						
Financial assets at fair value through profit or loss	18,768	-	18,768	-	2,159	16,609
Reinsurance receivables	1,652	-	1,652	399	-	1,253
Total Assets sub ect to offsetting, master netting and similar arrangements	20,420	-	20,420	399	2,159	17,862
LIABILITIES						
Financial derivatives	(9,342)	-	(9,342)	-	(7,775)	(1,567)
Trade payables	(399)	-	(399)	(399)	-	-
Total Liabilities sub ect to offsetting, master netting and similar arrangements	(9,741)	-	(9,741)	(399)	(7,775)	(1,567)

	GROUP					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts sub ect to master netting and similar arrangements not set off in the statement of financial position		Net amounts of e posure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) (a) - (b)	(d)	(e)	(f) (c)-(d)-(e)
31 December 2016	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
ASSETS						
Financial assets at fair value through profit or loss	15,165	-	15,165	-	1,585	13,580
Reinsurance receivables	890	-	890	75	-	815
Total Assets sub ect to offsetting, master netting and similar arrangements	16,055	-	16,055	75	1,585	14,395
LIABILITIES						
Financial derivatives	(12,751)	-	(12,751)	- -	3,605	(9,146)
Trade payables	(75)	-	(75)	(75)	-	-
Total Liabilities sub ect to offsetting, master netting and similar arrangements	(12,826)	-	(12,826)	(75)	(3,605)	(9,146)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

47 Related party transactions

The Group is controlled by FBN Holdings Plc. which is the parent company, whose shares are widely held. FBN Holdings Plc, is a non-operating financial holding company licensed by the Central Bank of Nigeria. (See note 30 for the list of all subsidiaries of the Group).

A number of transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

47.1 Transactions ith related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2017 N 'million	31 December 2016 N 'million
First Bank of Nigeria Limited	Subsidiary	Placement	328	626
First Bank of Nigeria Limited	Subsidiary	Current account balance	1,636	18
First Bank of Nigeria Limited	Subsidiary	Bank charges	6	3
First Bank of Nigeria Limited	Subsidiary	Interest Income	47	121
FBNQuest Merchant bank Limited	Subsidiary	Placement	2,677	-
FBNQuest Merchant bank Limited	Subsidiary	Interest Income	324	-
FBN Insurance Limited	Subsidiary	Premium	45	16

Placements with related parties have maturities ranging from 30 days to 151 days and interest rates from 3% to 15%. Current account balances are balances in transactional operating accounts with related parties as at December 31, 2017.

47.2 ey management compensation

Key management includes Executive Directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Salaries and other short-term employee benefits	1,541	1,166	376	365
Post-employment benefits	317	280	7	7
	1,858	1,446	383	372

48 Directors' emoluments

Remuneration paid to the directors was:

	31 December 2017 N 'million	31 December 2016 N 'million
Fees	468	312
Sitting allowances	18	17
Executive compensation	118	105
Other directors' costs and expenses	385	25
	989	459
Included in the above are amounts paid to:		
Chairman	64	48
Highest paid director	118	105

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 December 2017	31 December 2016
N3,000,001 and above	10	11
	10	11

49 Compliance ith regulations

During the year, the entities within the group were penalised by their respective regulators as follows:

(a) FBN Holdings Plc

- N1.65million to the Securities and Exchange Commission for late submission of 2016 Annual Accounts.

(b) First Ban of Nigeria Limited

- N4 million to CBN for exceeding regulatory single obligor limit in 2015
- N3 million was imposed by CBN for Non-compliance with extant regulation on reporting line of CRO
- N3 million was paid to CBN for failure to obtain CBN approval prior to loan write-off
- N2 million was imposed by CBN for opening new LCs for unauthorised sector (Finished Goods) outside of CBN Mandate
- N2 million was imposed by CBN for failure to implement external auditor's recommendation contained in the December 2015 management letter.
- N1.142 million was paid to CAC for non-display of the Bank's Statement of Affairs in Branches (Saminaka Branch, Kaduna (South) Branch, Afikpo Branch, Bola Ige International Market Branch, Asaba Branch, Awka Branch, Kaduna Main Branch,Kaduna GRA Branch)

(c) FBN Merchant Ban Limited

- N75,000 to CBN for late submission of FINA returns

50 Events after statement of financial position date

No significant event occurred after the reporting date.

51 Dividends per share

A cash dividend of N7.18 billion at N0.20 per share (2015: N5.38 billion) that relates to the period to 31 December 2016 was paid in May 2017.

52 Earnings per share

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

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

	GROUP		COMPANY	
	31 December 2017 N 'million	31 December 2016 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	51,405	19,020	9,275	7,507
Loss from discontinued operations attributable to owners of the parent (N'million)	(7,774)	(4,898)	0	0
Weighted average number of ordinary shares in issue (in million)	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	1.43	0.53	0.26	0.21
- from discontinued operations	(0.22)	(0.14)	-	-
	1.21	0.39	0.26	0.21

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.

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2017
Statement of Value Added - Group

	31 December 2017 N'million	%	31 December 2016 N'million	%
Gross income	**595,445**		581,831	
Interest and fee expense	**(150,182)**		(111,911)	
	445,263		**469,920**	
Administrative overheads	**(136,533)**		(122,221)	
Value added	**308,730**	**100**	**347,698**	100
Distribution				
Employees				
- Salaries and benefits	**85,678**	**28**	83,805	24
Government				
- Taxation	**9,040**	**3**	5,807	2
The future				
- Asset replacement (depreciation)	**11,600**	**4**	11,584	3
- Asset replacement (amortisation)	**4,201**	**1**	3,324	1
- Asset replacement (provision for losses)	**150,424**	**49**	226,037	65
- Expansion (transfers to reserves)	**47,785**	**15**	17,141	5
	308,730	**100**	**347,698**	100

OTHER NATIONAL DISCLOSURES
At 31 December 2017
Statement of Value Added - Company

	31 December 2017 N'million	**%**	31 December 2016 N'million	%
Gross income	**13,715**		12,715	
Interest and fee expense	**-**		-	
	13,715		**12,715**	
Administrative overheads	**(2,952)**		(2,321)	
Value added	**10,763**	**100**	**10,394**	100
Distribution				
Employees				
- Salaries and benefits	**982**	**9**	702	7
Government				
- Company income tax	**107**	**1**	104.03	1.00
The future				
- Asset replacement (depreciation)	**398**	**4**	381	4
- Asset replacement (amortisation)	**-**	**-**	-	-
- Asset replacement (provision for losses)	**-**	**-**	1,700	16
- Expansion (transfers to reserves)	**9,275**	**86**	7,507	72
	10,763	**100**	**10,394**	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million
Assets:					
Cash and balances with central bank	641,881	690,165	715,871	698,104	594,234
Loans and advances to banks	742,929	444,871	385,769	460,911	430,586
Loans and advances to customers	2,001,223	2,083,894	1,817,271	2,178,986	1,769,130
Financial assets at fair value through profit or loss	83,713	46,711	26,426	27,601	10,287
Investment securities	1,248,608	1,050,588	913,779	711,639	824,064
Assets pledged as collateral	208,925	197,420	105,646	68,483	53,650
Other assets	132,731	47,786	35,483	40,640	45,640
Inventory	-	-	49,649	37,805	30,253
Investment in associates	1,357	1,114	-	-	7,029
Investment properties	1,993	3,003	3,025	2,826	2,413
Property, plant and equipment	88,263	88,315	88,398	88,557	81,299
Intangible assets	16,211	15,328	9,687	8,569	8,748
Deferred tax	18,554	17,278	14,615	11,285	7,120
Assets held for sale	50,149	50,332	570	8,331	4,549
	5,236,537	4,736,805	4,166,189	4,343,737	3,869,001
Financed by:					
Share capital	17,948	17,948	17,948	16,316	16,316
Share premium	233,392	233,392	252,892	254,524	254,524
Reserves	432,347	331,783	304,284	249,190	196,432
Non controlling interest	(5,494)	(548)	3,675	4,033	4,505
Deposits from banks	665,366	416,078	144,652	171,151	82,032
Deposits from customers	3,143,338	3,104,221	2,970,922	3,050,853	2,929,081
Financial liabilities at fair value through profit or los	9,404	37,137	12,488	10,917	1,701
Liabilities on investment contracts	13,399	9,440	10,157	60,617	68,723
Liabilities on insurance contracts	21,734	10,287	11,837	8,260	3,651
Borrowings	420,919	316,792	256,116	369,707	126,302
Retirement benefit obligations	2,203	2,662	3,764	2,029	1,924
Current income tax	10,194	8,897	8,773	11,829	34,167
Other liabilities	261,725	235,388	168,441	132,633	149,606
Deferred income tax liabilities	606	813	239	87	37
Liabilities held for sale	9,457	12,515	-	1,592	-
	5,236,537	4,736,805	4,166,189	4,343,737	3,869,001

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 Dec 2017 N'million	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million	12 months ended 31 Dec 2014 N'million	12 months ended 31 Dec 2013 N'million
Gross Earnings	595,445	581,831	502,691	481,774	396,235
Net operating income	444,835	469,926	361,537	356,243	296,426
(Loss)/Gain from disposal of subsidiary	-	(8)	1,572	-	-
Insurance claims	(4,041)	(2,190)	(3,306)	(1,043)	(488)
Operating expenses	(233,975)	(218,744)	(219,429)	(235,801)	(185,298)
Group's share of associate's results	430	-	-	599	1,006
Impairment charge for credit losses	(150,424)	(226,037)	(118,794)	(25,942)	(20,309)
Profit before taxation	56,825	22,948	21,581	94,056	91,337
Taxation	(9,040)	(5,807)	(6,042)	(10,045)	(20,706)
Profit from continuing operations	47,785	17,141	15,539	84,011	70,631
Loss from discontinuing operations	(7,774)	(4,898)	(391)	-	-
Profit for the year	40,011	12,243	15,148	84,011	70,631
Profit attributable to:					
Owners of the parent	43,631	14,122	15,406	84,231	70,135
Non controlling interest	(3,620)	(1,879)	(258)	(220)	496
	40,011	12,243	15,148	84,011	70,631
Earnings per share in kobo (basic/diluted)	121	39	43	235	216

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2017 N'million	31 December 2016 N'million	31 December 2015	31 December 2014 N'million	31 December 2013 N'million
Assets:					
Loans and advances to banks	**7,585**	645	4792	3,261	1,477
Loans and advances to customers	**108**	65	63	80	72
Investment securities	**9,842**	12,350	7019	4,272	9,847
Investment in associates	**-**	-	1500	1,500	9,281
Investment in subsidiaries	**242,395**	242,395	263,595	260,777	246,777
Other assets	**9,011**	10,599	4,670	14,361	43,285
Property, plant and equipment	**680**	849	1,192	1,519	1,072
Assets held for sale	**-**	-	-	2,000	-
	269,621	266,903	282,831	287,770	311,811
Financed by:					
Share capital	**17,948**	17,948	17,948	16,316	16,316
Share premium	**233,392**	233,392	252,892	254,524	254,524
Reserves	**10,624**	8,365	6,242	7,340	37,261
Current income tax	**104**	84	-	-	-
Other liabilities	**7,553**	7,114	5,751	9,590	3,710
	269,621	266,903	282,831	287,770	311,811

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2017	12 month ended 31 Dec 2016	12 month ended 31 Dec 2015	12 month ended 31 Dec 2014	12 month ended 31 Dec 2013
Gross Earnings	**13,715**	**12,715**	**6,794**	**16,969**	**74,988**
Net operating income	**13,715**	12,571	5,195	7,800	72,289
Gain from disposal of subsidiary/associate	**-**	144	1,600	-	-
Operating expenses	**(4,333)**	(5,104)	(4,615)	(2,117)	(1,658)
Profit before taxation	**9,382**	7,611	2,180	5,683	70,631
Taxation	**(107)**	(104)	-	-	-
Profit after taxation	**9,275**	7,507	2,180	5,683	70,631
Earnings per share in kobo (basic)	**26**	**21**	**6**	16	216