FBNHoldings

STURDY & SUREFOOTED

FBN Holdings Plc.

Annual Report and Accounts 2017

PREMIUM BOARD LISTED

STURDY & SURFOOTED

We have made significant progress in re-engineering our processes and procedures. Like a re-inforced platform, our operating and control environments have been strengthened to provide a robust support for our businesses and enhance our strong franchise.

Sturdy | /’stəːdi /
Definition: Strongly and solidly built

Surefooted | /sɔːˈfʊtɪd/
Definition: Confident, tough and firmly rooted

IN THIS REPORT

GROUP OVERVIEW

OUR APPROACH

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SHAREHOLDER INFORMATION

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

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

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

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months to December 2017 to the corresponding 12 months of 2016, and the statement of financial position comparison relates to the corresponding position at 31 December 2016. Except as disclosed, all the balances and figures relate to continuous operations. Relevant terms that are used in this document but not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

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

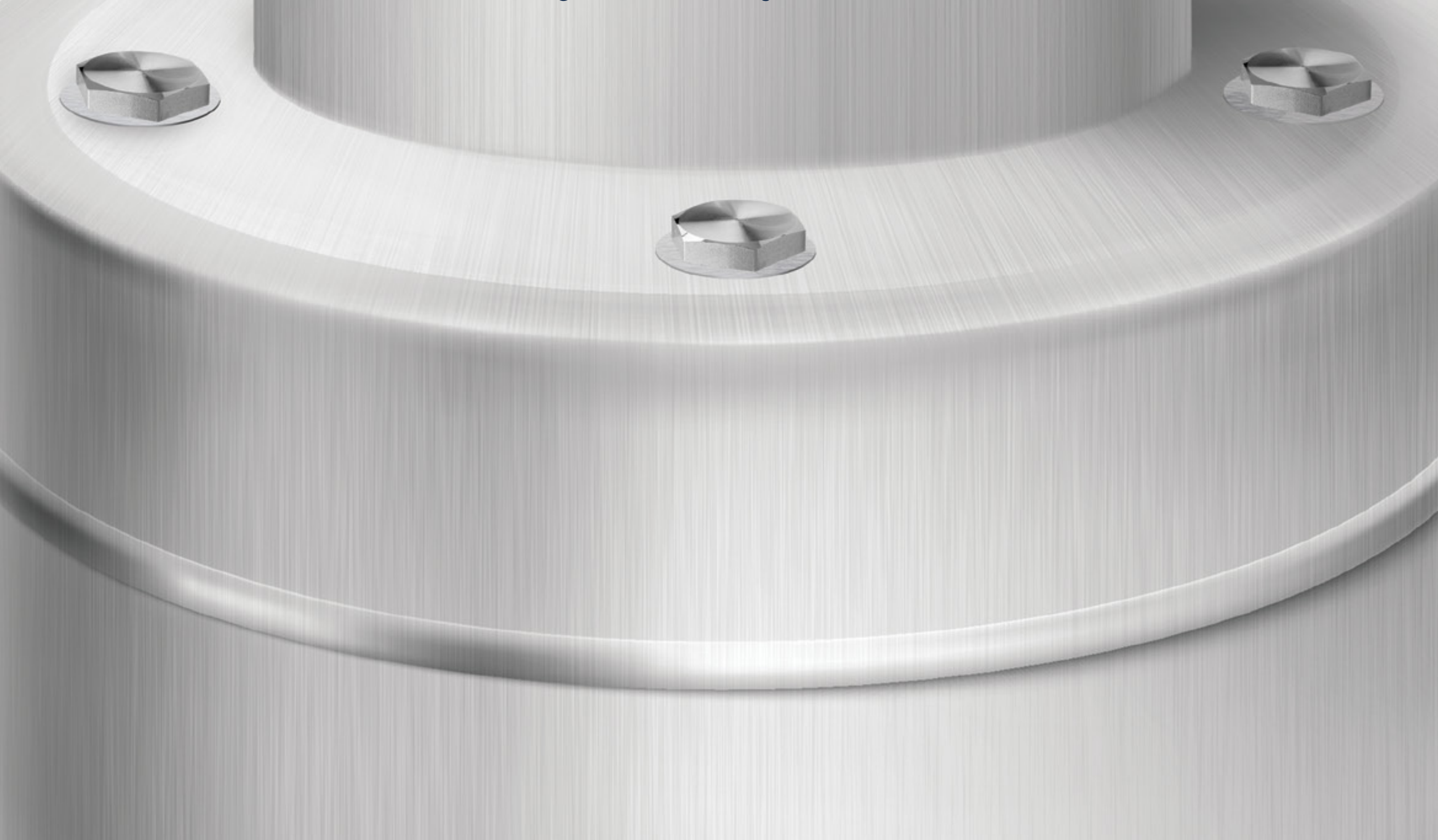
There will be an option to view a navigable PDF copy of the FBNHoldings, report as well as PDFs of certain subsidiary reports at the download centre of the Investor Relations section of the FBNHoldings website. A CD will be available on request by contacting FBN Holdings Plc. Investor Relations department,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

FORTIFIED FOR STEADY PROGRESS

We are driving enhanced profitability through operational efficiencies powered by world-class talents, culture, revamped processes and appropriate technology.

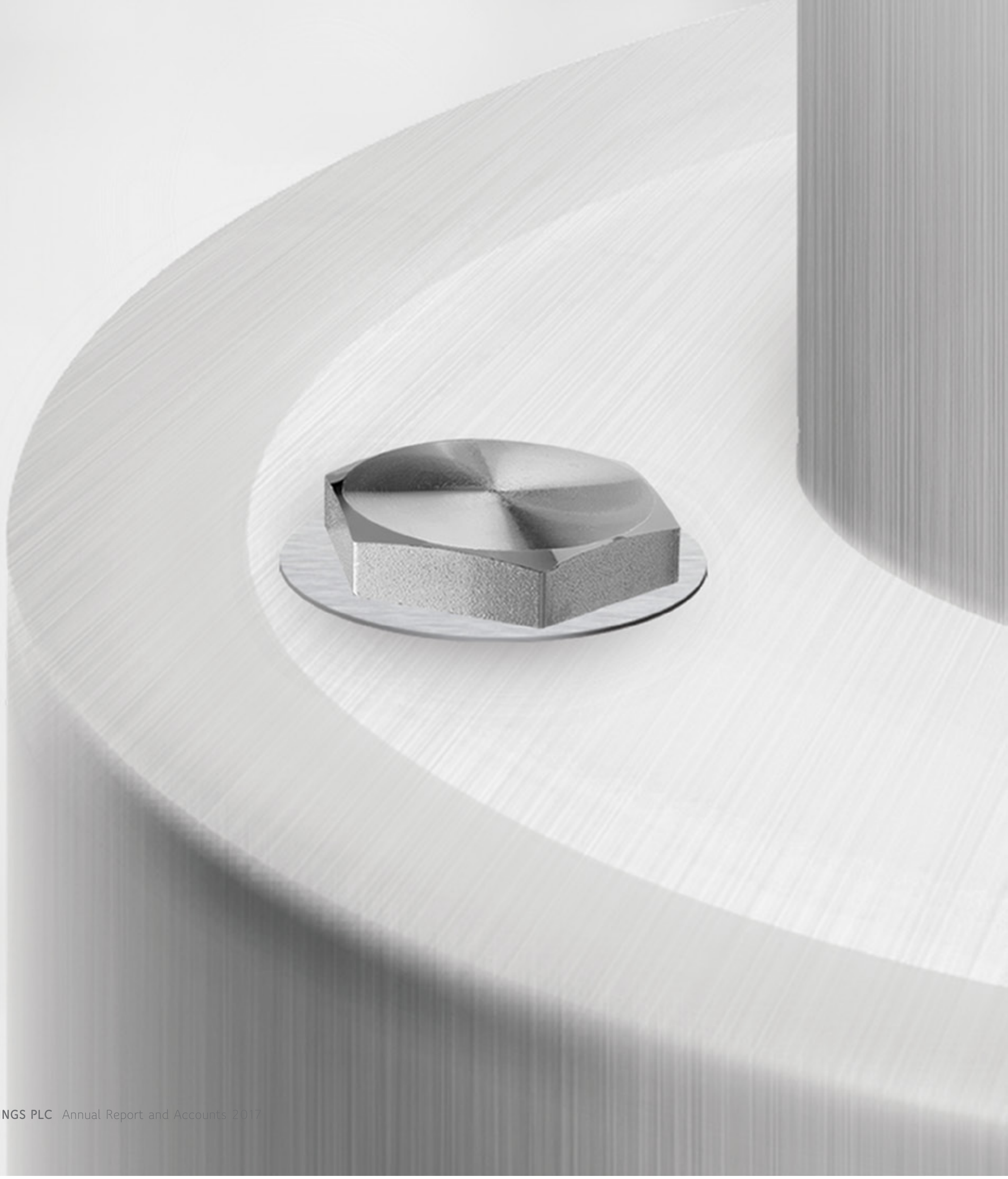
INTEGRATING ADVANCED TECHNOLOGY PLATFORM

Deploying the most advanced integrated technology to seamlessly develop and deliver value-adding products and services for enhanced customer experience. Our resolve in deepening technological innovation is pushing the frontiers of financial inclusion, generating record customer subscriptions and transactions across our digital channels. Our unique leadership position in this regard has been recognised via many awards.



FUTURE FOCUSED

The Group is firmly in control of the present, redefining and recreating the future towards delivering sustainable value to all our stakeholders.



GROUP OVERVIEW

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

As at 31 December 2017, the Group closed with gross earnings of ₦595.4bn, total assets of ₦5.2tn and ₦678.2bn in total equity.

CORPORATE PROFILE

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

- FBNHoldings is the parent company of First Bank of Nigeria Limited (FirstBank), a Commercial Bank with operations in 10 countries.
- The Merchant Banking and Asset Management business consists of FBNQuest Merchant Bank Limited and FBNQuest Capital Limited. The subsidiaries of FBNQuest Merchant Bank Limited are: FBNQuest Asset Management Limited and FBNQuest Securities Limited while, the subsidiaries of FBNQuest Capital Limited are: FBNQuest Trustees Limited, FBNQuest Funds Limited and FBNQuest Capital Partners Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited. The business group offers life and general insurance services as well as brokerage services.
- The Bank and the Non-Bank subsidiaries of the Holding Company operate in Nigeria, as well as through overseas branches, subsidiaries and representative offices.

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

- One of the largest financial institution in Nigeria;
- A leading life and general insurance underwriter;
- A rich history on the Nigerian Stock Exchange from 1971 and specifically as FBNHoldings since November 2012;
- Fastest growing USSD[3](*894#) banking service in Nigeria and the only bank to have completed 100+million transactions on electronic banking channels;
- Achieved a milestone of 1 million active users on Firstmobile application;
- 8,595 employees across the Group;
- Over 13.1 million* active customer accounts;
- 895 business locations; and
- 2,892 ATMs and 8,656 POS terminals.

ATMs	TOTAL ASSETS	GROSS EARNINGS	ACTIVE CUSTOMER ACCOUNTS	BUSINESS LOCATIONS	EMPLOYEES
2,892	₦5.2tn	595.4bn	13.1mn*	895	8,595**

THE STRATEGIC VISION

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

OUR GOAL

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

OUR CORE VALUES

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

* Commercial Banking group
** As at 31 December 2017
[3]Unstructured supplementary service data

OUR FOOTPRINT

NIGERIA

Name:	FBN Holdings Plc
Type:	Licensed financial holding company
Established:	2012
Products/Services:	Commercial Banking, Merchant Banking & Asset Management, Insurance

GUINEA

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

UNITED KINGDOM (UK)

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

NIGERIA

Name:	First Bank of Nigeria Ltd. (formerly First Bank of Nigeria Plc.)
Type:	Licensed Bank
Established:	1894
Products/Services:	Commercial Banking

THE GAMBIA

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

FRANCE

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

DEMOCRATIC REPUBLIC OF CONGO

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

SENEGAL

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

REPRESENTATIVE OFFICE

Name	FBNBank China (2009)
Products/Services	Banking services

GHANA

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

SIERRA LEONE

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

HOW WE ARE STRUCTURED

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

COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank (UK) Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank The Gambia Limited
- FBNBank Guinea Limited
- FBNBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Pension Custodian Nigeria Limited

MERCHANT BANKING AND ASSET MANAGEMENT

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

FBNQuest Capital Limited

- FBNQuest Trustees Limited
- FBNQuest Funds Limited
- FBNQuest Capital Partners Limited

INSURANCE

FBN Insurance Limited

- FBN General Insurance Limited

FBN Insurance Brokers Limited

WHAT WE DO

Our products and services are designed to meet our customers' requirements. The Group offers a wide range of financial service solutions across commercial banking, merchant banking and asset management, insurance and others.

COMMERCIAL BANKING - 90.1%

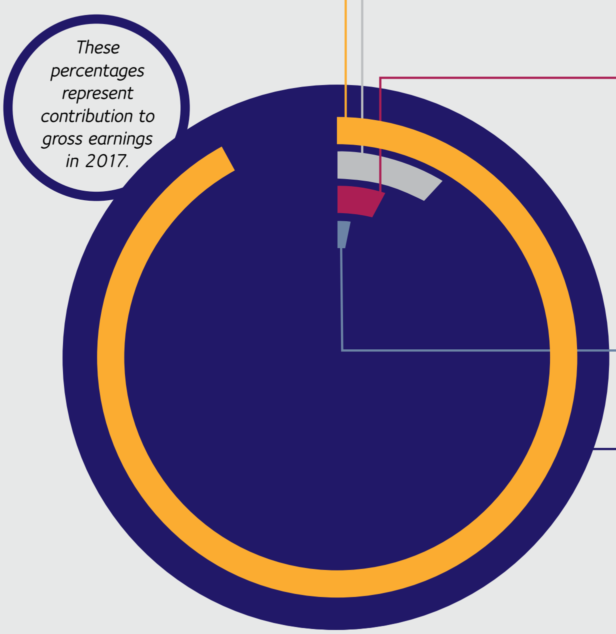
The Group's core business is providing financial services to individuals and corporate customers. This business segment includes the Group's local and international offices offering commercial banking services and serving over 13.1 million active customer accounts in 10 countries.

MERCHANT BANKING AND ASSET MANAGEMENT - 6.5%

The Group's key businesses comprise Corporate Banking, Investment Banking, Wealth Management, Institutional Sales, and Fixed Income, Currencies & Treasury; as well as its subsidiary businesses - Asset Management and Equity Brokerage. We serve a diverse customer base of corporates, banks, public institutions, institutional investors and high net-worth individuals.

INSURANCE - 3.1%

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



OTHERS - 0.3%

FBNHOLDINGS- 100%

* Please refer to Note 6 in the financial statements

GROUP CHAIRMAN'S STATEMENT

DISTINGUISHED SHAREHOLDERS,

It gives me great pleasure to welcome you all to the 6th Annual General Meeting of your company, FBN Holdings Plc.

In 2017, your company continued on a growth trajectory in spite of macroeconomic headwinds which spilled over from 2016. You will all recall that for the first time in 25 years, Nigeria, the largest market for our Group, entered a recession, with Gross Domestic Product (GDP) contracting by 1.5% in 2016. This was mainly driven by very low oil prices, weak consumer confidence and foreign exchange illiquidity. This negative growth rate continued into the first quarter of 2017, albeit at a slower rate than the previous two quarters. By the second quarter of 2017, due to increased oil production, recovering oil prices and the introduction of the investor and exporter foreign exchange window to improve foreign exchange liquidity, Nigeria's negative GDP growth was reversed with a growth rate of 0.7%. This growth was sustained for the rest of the year and resulted in a full year growth rate of only 0.9%.

However, amidst the recovering macroeconomic environment, the Group remained sturdy and surefooted while making steady progress towards fulfilling our commitments to create increasing value for our shareholders. 2017 was the first year of our 2017-2019 Strategic Planning Programme (SPP) cycle. Although the country was in the middle of a recession when we developed the SPP in 2016, we however built in audacious goals in line with our prognosis for the SPP cycle. Clearly, our performance in 2017 is a validation of our growth objectives with operating companies generating sustainable financial results during the year. The Group's consistent financial performance was not left unnoticed by the market, resulting in an extraordinary performance of our stock which generated a price return of over 150.0% in 2017, thus outperforming the Nigerian Stock Exchange All Share Index (NSE ASI) return of 42.0% during the year under review.

Our three core business lines; Commercial Banking, Merchant Banking and Asset Management and Insurance achieved significant milestones during the year. Our flagship subsidiary, First Bank of Nigeria Limited sustained its leadership position in the e-payment space, emerging as the first financial institution in Nigeria and West-Africa to issue 10 million cards to customers. In addition, the Bank was recognised as the first financial institution in Nigeria to achieve an electronic transaction volume of 100 million in a month. The Merchant Banking and Asset Management business, FBNQuest, continues to secure market recognition for its leadership position including recent awards as the 'Best Investment Bank in Nigeria', 'Most Innovative Investment Firm' and the 2017 'Deal of the Year'. Similarly, our life underwriting business remains the fastest growing life insurance company in Nigeria, while our non-life underwriting business has significantly increased its market share in the industry. These results are further testaments to our Group's capacity to deliver exemplary end-to-end financial solutions to our customers and optimal returns to our shareholders.

GROUP CHAIRMAN'S STATEMENT

Our Operating Environment

Overall, the global macroeconomic landscape improved in 2017. Global GDP grew by 3.0% in 2017, on the back of a rebound in global investment, manufacturing and higher than expected growth in some regions. Against the various uncertainties that surrounded the European economic landscape at the beginning of the year, heightened by Brexit, election in some EU countries and huge debt profile of some Eurozone countries, the Eurozone grew by 2.3%. This is the EU's highest growth rate in over a decade; a recovery driven by monetary and financial policy reforms, labour law reforms as well as increased consumer spending. In Middle Africa, the largest economies, South Africa and Nigeria, were recovering from recession, the region grew at about 2.7% during the year 2017, up nearly 1.0% point relative to 2016. This was driven by the improvement in commodity prices, favourable global economic backdrop and improving non-energy sectors.

In Nigeria, the economy witnessed gradual but continued recovery in economic activities against the backdrop of the recession suffered in 2016. The economic indices in the fourth quarter of 2017 were markedly different from the first quarter. By 2017 year-end, most economic indicators were better than analysts' predictions at the beginning of the year; oil price increased by about 20.0%; crude oil production averaged 1.80 mbpd in the last quarter of 2017 compared with 1.54 mbpd in the previous year; year-on-year inflation rate decreased from 18.6% to 15.4%; foreign reserves grew from USD26bn to USD39bn; the gap between the official and parallel market exchange rates narrowed and treasury bill rates dropped by over 120 basis points.

Overall, Nigeria witnessed remarkable improvements in the economy. For instance, Nigeria was ranked in the Top 10 most improved countries in the World Bank's Ease of Doing Business report, having moved 24 places from 160th to 145th position. This was largely driven by regulatory reforms in the areas of acquiring construction permits, credit accessibility, contracts enforcement and tax payment. These are positive improvements for our diversified financial services businesses.

Operationalising Our Group Structure

To enhance our Group structure, the Asset Management and Securities Trading businesses were moved from FBN Capital Limited to FBN Merchant Bank Limited and we adopted the 'FBNQuest' prefix for all the entities under the Merchant Banking and Asset Management cluster. In addition to adding clarity and easy identification, the adoption of the 'FBNQuest' prefix is aimed at stimulating ongoing transformation and harmonisation efforts, as well as driving cross-sell of a broad range of solutions and services to our customers.

> "Our flagship subsidiary, First Bank of Nigeria Limited sustained its leadership position in the e-payment space, emerging as the first financial institution in Nigeria and West-Africa to issue 10 million cards to customers. In addition, the Bank was recognised as the first financial institution in Nigeria to achieve an electronic transaction volume of 100 million in a month."

In continuation of our strategy to maximise the opportunities for revenue extraction inherent in the Group, we have set a synergy revenue target of not less than ₦20bn over a three-year period. In 2017, the Group realised ₦5.4bn from revenue synergies through cross-sell and collaboration among the various business entities. To further drive synergy revenue, FBNHoldings is in the process of setting up a central synergy desk to further institutionalise collaboration and drive cross-sell across the Group. In addition, to increase our efficiency, we plan to drive cost synergies across the Group through the Group Shared Services (GSS) project, with a target of ₦15bn over five years in cost savings.

Board Development And Corporate Governance

During the year, Tijjani Borodo retired as the Company Secretary after nearly three decades of meritorious services to First Bank of Nigeria Limited and subsequently FBN Holdings Plc, providing exceptional secretariat and legal support to the Group. On behalf of the Board, I wish to place on record my sincere appreciation of his commitment and contributions to the Group and wish him the very best in his future endeavours.

Following Tijjani Borodo's retirement, Oluseye Kosoko was appointed as the new Company Secretary. Seye brings a wealth of experience in legal, tax and regulatory affairs in multiple industries including the banking industry. Please join me in welcoming Seye to the Group.

As an institution, we are committed to the highest standard in corporate governance. This commitment was recognised at the

GROUP CHAIRMAN'S STATEMENT

recent announcement of results of the Corporate Governance Rating System (CGRS) initiative by the Nigerian Stock Exchange (NSE) in collaboration with the Convention for Business Integrity (CBI). You will recall that in 2013, FBNHoldings participated in the pilot phase and recorded a 100.0% score in the Director Certification Segment of the CGRS. This year, we have retained our high corporate governance rating. This attainment reflects our unwavering commitment to the highest standards of excellence in corporate governance and compliance with globally accepted practices.

Looking into the future

The world's major economies have been predicted to show reasonable growth in 2018, aided by relatively low unemployment, recovering consumer confidence and improving trade. Specifically, growth in Middle Africa is projected by the World Bank to reach 3.2% in 2018 on the back of steady commodity prices and gradually strengthening domestic demand. While we are optimistic about the prospects for the global economy, rising international tensions, the threat of protectionism and a lack of inclusive growth all have the potential to disrupt economic projections.

Domestically, Nigeria's economy has already taken off to a great start in 2018. Oil price increased to about USD70 per barrel (highest since 2015), foreign reserves increased to USD42bn as at March, 2018 (highest since 2014) and inflation rate dropped to 14.3% (lowest since July 2016). Analysts predict that most indices would improve even further by the end of 2018 and IMF has recently revised its forecast 2018 GDP growth rate for Nigeria, from 1.9% to 2.1%. With these forecasts, investors' confidence has increased resulting in a 16.0% growth in the Nigeria All Share Index in January alone, one of the best performing global equity indices so far.

> “as a well-diversified Group underpinned by a resilient operational model, sound governance structure, customer focused values, a dedicated and experienced workforce, FBN Holdings Plc is well-equipped to exploit the changes and challenges inherent in our operating environment.”

It is pertinent to also note that the hitherto high level of insecurity and insurgency that predominated previous years has partially eased. In summary, the outlook for the operating environment remains positive though guided; as 2018 is a pre-election year with associated political risks. Nevertheless, the key near term threats to the Nigerian financial services industry include regulatory restrictions, intense competition, rapidly changing pace of technology, cyber threats, among others.

As we continue our transformation journey in 2018, we acknowledge the challenges posed by the rapidly changing geopolitical and social economic dynamics. However, as a well-diversified Group underpinned by a resilient operational model, sound governance structure, customer focused values, a dedicated and experienced workforce, FBN Holdings Plc is well-equipped to navigate the changes and challenges inherent in our operating environment.

In 2018, we plan to consolidate on the progress made in the previous year to deliver a strong and sustainable performance that enhances our return to shareholders. We are marching forward in the year with confidence and optimism, knowing fully well that our businesses have been strategically positioned to take advantage of key opportunities as we stay on course in the execution of our growth strategy.

Fellow shareholders, I would like to place on record my heartfelt gratitude for your support and encouragement. I also appreciate our customers for their continued patronage. Finally, my sincere appreciation goes also to the Chairpersons, Board members and Management teams of all our operating companies for their unflinching support and commitment to the vision of this iconic institution.

Thank you and God bless you all.

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

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2016
₦581.8bn

Gross earnings grew by 2.3%, driven by a 15.9% growth in interest income on the back of enhanced yields and volume growth in investment securities.

2.3%

2017
₦595.4bn

NET INTEREST INCOME

2016
₦304.4bn

Net-interest income increased by 8.9%, driven by a 15.9% increase in interest income, on the back of high interest environment.

8.9%

2017
₦331.5bn

NON-INTEREST INCOME

2016
₦165.5bn

Non-interest income declined by 31.3%, as foreign exchange income (mainly foreign exchange revaluation gains) declined by 76.1% year-on-year.

-31.3%

2017
₦113.7bn

OPERATING EXPENSES

2016
₦220.9bn

Operating expenses increased by 7.7% lower than inflation at 15.4%.

7.7%

2017
₦238.0bn

PROFIT BEFORE TAX

2016
₦22.9bn

Profit before tax more than doubled on the back of declining in impairment charge on credit losses.

147.6%

2017
₦56.8bn

FINANCIAL HIGHLIGHTS

CUSTOMER DEPOSITS

2016
₦3,104.2bn

Total customer deposits increased by 1.3% with focus on growing the right mix.

1.3%

2017
₦3,143.3bn

CUSTOMER LOANS AND ADVANCES (Net)

2016
₦2,083.9bn

Net customer loans & advances declined by 4.0% due to remediation and resolution of legacy loans and moderate risk asset creation.

-4.0%

2017
₦2,001.2bn

EARNINGS PER SHARE (EPS)

2016
₦0.39

The growth in earnings per share reflects improved profitability.

206.4%

2017
₦1.43

RETURN ON AVERAGE EQUITY

2016
3.0%

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

153.3%

2017
7.6%

RETURN ON AVERAGE ASSETS

2016
0.4%

Return on average assets improved by 148.9% indicating improvement in financial performance.

150.0%

2017
1.0%

NON-FINANCIAL HIGHLIGHTS

IMPROVED SYNERGY REALISATION

As an end-to-end financial services group, FBNHoldings actively mines intragroup relationship within the operating companies to further drive revenue and deepen its share of customers' wallet. The operating entities focused on intensifying collaboration initiatives in 2017 with continued interaction from the merchant banking and the corporate banking business, asset management with the retail banking business, as well as the insurance business interaction with the retail banking business.

DIGITAL BANKING INNOVATION

In line with our commitment towards transforming our business in a digital age and driving a transaction-led institution, we have made investments in innovative digital solutions to better serve our customers and deepen initiatives to further support our strong revenue generation capacity. In 2017, the Commercial Bank further enhanced the growth of the various alternative channels with increased customer subscriptions, transaction volumes and value across channels. These achievements were acknowledged in the industry with a number of awards and recognitions. Some of which are: the first financial institution in Nigeria and West- Africa to issue 10 million cards - a testament to our institution's robust franchise and continued drive to improve financial inclusion in Nigeria; sustained leadership as the only financial institution in Nigeria to achieve 100 million electronic-banking transactions per month; the mobile banking platform also achieved a record-breaking feat as the fastest growing mobile banking penetration across Africa and the highest card transacting bank on the interswitch platform; the *894# USSD banking channel was recognised as the fastest growing USSD product in the industry with over 1trillion transactions processed on the platform, among other recognitions.

The digital innovation is mirrored in the Merchant Bank and Asset Management as well as the Insurance business groups. During the year, a digital laboratory center was established primarily to intensify innovative capacity and drive future growth in today's fast-paced and technologically advanced financial service industry. Our continuous transition towards a digital-focused and technology-driven business improves end-to-end process automation, operational efficiencies, risk and control environment, service delivery and revenue generation.

These, among other initiatives are set to position the Group to meet the growing demands of customers and reinforce our commitment to remain Nigeria's most valuable Bank brand.

SERVICE EXCELLENCE

In putting customers first, the Group focused on improving the quality of service delivery and customer experience across the operating enitities. During the year, the Commercial Banking group successfully integrated an online complaints portal on the website, creating a platform to address pressing needs of varied customers. Consequently, the resolutions on customer complaints improved from an average of 49% in 2016 to 70.0% in 2017. To further strengthen the brand presence, average response rate on social media improved to 86.0% from 75.0% in December 2016. The Group continued to live up to its brand promise of 'You First' by enhancing existing service offerings and digital channels, creating additional self-service options and increasing customer engagements across various locations.

NON-FINANCIAL HIGHLIGHTS

ENHANCED RISK MANAGEMENT

Following the risk management revamp, we designed an effective Enterprise Risk Management (ERM) to manage, assess, control, and monitor risk from all sources. The framework supports the continuous drive towards improving the Group's risk management capabilities for the purpose of increasing the Group's short and long-term value to its stakeholders.

The Group considers sound risk management as the foundation for a long-lasting financial institution and adopts a holistic and integrated approach in managing risks across the Group. To drive the risk philosophy, Management maintains principles that would enable the Group to operate within well defined risk appetite and effectively manage business risk.

We will continue to engender sound risk management practices through careful selection of moderate risk assets across the target sectors, ensure tighter adherence to target market and risk acceptance criteria (RAC) in line with our overall risk appetite, and proactively manage concentration risk in the portfolio.

Our enhanced risk management architecture and governance will enable continuous improvements in the quality of assets, efficiency and consequently ensure sustainable returns to our shareholders.

TALENT MANAGEMENT

During the year, the Group invested in human capacity development by attracting and recruiting highly talented and experienced professionals across the value chain of the organisation in a bid to drive the institution towards a sustainable future.

The Group also embarked on a Culture Transformation programme, to ensure that employees internalise the right behaviours necessary for achieving the brand promise and ultimately the strategic objectives of the group.

The Commercial Banking business launched the FirstBank Management Associate Programme (FMAP) to accelerate the growth and development of young but highly talented staff and the Senior Management Development Programmes (SMDP), intense management programme to drive leadership qualities and culture.

In addition, the Merchant Banking and Asset Management (MBAM) group developed a talent management framework tagged "HiPo" (High Potential) to promote the retention of top talent within the business, as well as the 'Step-up' boot camp aimed at equipping employees for the next level. Likewise, the sterling performance delivered by the insurance business can be attributable to the effective management and retention of quality staff. The Group's focus is primarily to continue to attract and retain the best and brightest employees to provide best in class services and solutions that meet the diverse needs of our customers.

REBRANDING AND RESTRUCTURING

In 2017, FBNHoldings adopted the 'FBNQuest' prefix as a unifying brand name for all entities within the Merchant Bank and Asset Management business. In addition, to further enhance synergies, FBNQuest Merchant Bank Limited acquired FBNQuest Asset Management Limited and FBNQuest Securities Limited.

The name 'FBNQuest' complements the internal proposition of the business to be trailblazers, and is consistent with the pioneering heritage of our Group. It builds on the essence and values of the Holding company by drawing from the spirit that speaks to embarking on new journeys and successfully navigating through unseen paths. It serves to align the business and brand strategy, as it will enable the subsidiary group to focus on growing the equity of one brand. It also formalises the overarching commitment of the businesses to delivering an aligned customer experience, and aims to drive synergies to ensure we deliver maximum value to our stakeholders.

GROUP MANAGING DIRECTOR'S REVIEW

Distinguished Shareholders,

I am pleased to present the financial results of FBN Holdings Plc for the year ended 31 December 2017.

The 2017 financial year marked my second year in office, as the Group Managing Director of FBN Holdings Plc upon my appointment on January 1, 2016. In consonance with the spirit of stewardship and pursuant to my commitment to shareholders, I would like to take a step back to assess our performance over the last two financial years but with deeper focus on the last 12 months of our operations, both from financial and non-financial standpoints.

Faced with escalating costs in an inflationary environment, deteriorating loan book, unprecedented regulatory headwinds and rapidly evolving technology landscape, the Group took a bold decision to confront these challenges, which largely meant sacrificing immediate gains for the long-term sustainability and health of the iconic institution. As a result, we went in chase of best-in-class talents, especially for our risk management division, intensified our investment in technology despite potentially negative, immediate impact on cost-to-income ratio, and pursued efficiency through cost containment measures and implementation of shared services across key functions. Also, the Group intensified its drive for top-line growth by playing to its unique strength in the financial services space through synergy realisation and making significant investment in seeking new growth markets through innovation. I am pleased to report that these efforts are delivering results that are ahead of our projections and among our many 'Firsts', the commercial banking franchise processed 37.0% of bills payment on ATMs in Nigeria in 2017 and crossed 1trillion transactions processed on the *894# USSD platform during the year, making it the fastest growing electronic banking products in the industry. Similarly, with over 2million subscribers, FirstBank's mobile platform achieved the fastest growing mobile banking penetration in Africa. In addition, the franchise crossed the 10million mark in active customer cards, a feat achieved by only two banking institutions in Africa.

2017 In Retrospect

The global economy enjoyed strong growth in 2017 with all major economies in the positive region, driven largely by a rebound in investment, manufacturing activity and trade. This impressive growth is on the back of favourable financing conditions, rising consumer confidence, strong rally in commodity prices and generally business-friendly policies across the major economic blocs. Even though there were strong divergence among the different economies and a clear difference in the growth path between commodity exporters and importers, the world experienced a broadly synchronised and cyclical upswing resulting in a 3.0% growth in 2017, up from 2.4% in 2016. Emerging Markets and Developed Economies (EMDEs) contributed a hefty 4.3% with the developed markets growing at 2.3%. Within

GROUP MANAGING DIRECTOR'S REVIEW

EMDE, South Asia led the charge with a growth of 6.9% followed by East Asia and Pacific at 6.2% and Sub-Saharan Africa at 3.0%. This investment-led recovery is providing a substantial boost to global exports and imports.

Global financing conditions remained favourable in 2017, benefiting from an improved global growth outlook and low interest rates, despite prospects of further monetary policy normalisation in major advanced economies. The U.S. Federal Reserve hiked policy interest rate three times in 2017 by a cumulative 125 basis points since the start of its tightening cycle in December 2015. It also began to gradually reduce the size of its balance sheet in October 2017 through the sale of bonds acquired as part of the Quantitative Easing Programme. In addition, the European Central Bank announced a further reduction of its asset purchase program, which is expected to start in January 2018. These measures depicted a tighter monetary stance by the US in the near-to-medium term. Despite this outlook, the United States and Euro Area bond yields remained at historically low levels throughout 2017, reflecting subdued inflation trends and expectations of structurally low real interest rate regime. Highly accommodative financing conditions in major advanced economies supported a search for yield and strong demand for EMDE assets in 2017, including positive effect on the Nigerian equities market. Among commodity-exporting EMDEs, the waning effect of the shock, combined with moderating inflation and external imbalances, helped support positive market sentiment. Overall, capital inflows rose as a share of EMDEs GDP in 2017, recovering from the low level experienced in the past few years.

Similar to other global economies, the engine of the Nigerian growth roared back to life in the second half of 2017, albeit different drivers from the rest of the non-commodity-exporting countries resulting in a growth of 1.0%, up from the negative growth of 1.6% in 2016. Considering our heavy dependence on crude oil proceeds and with recent surge in global oil prices, which broke its resistance level of USD70 per barrel coupled with increased production, the economy emerged from recession in the second half of 2017. This lockstep movement of the economy with the direction of crude oil price has led to an instant transformation of the key indicators; exchange rate stability, GDP growth rate, current account position, and business confidence, all moving into the positive region in late 2017.

Consequent to the new lease of life, allocations to the various tiers of government from the Federation account soared by 42.0% in the fourth quarter of the year and foreign reserves hit USD40.4billion at the end of the year after gaining USD1.6billion in one week, buoyed by a mix of increased crude oil receipt and Eurobond proceeds, the highest since October 2014. The Naira has also enjoyed an enormous amouont of stability in the last two quarters of the year, partly as a result of the introduction of the investors and exporters (I&E) window by the Central Bank of Nigeria (CBN) and the increased supply of foreign exchange, largely from the crude oil proceeds. The introduction of the I&E window, which has been adjudged as hugely successful in achieving organic rate convergence, remains one of the key success stories from the Nigerian economy in 2017.

The Nigerian Stock Exchange was named one of the top five performing Exchanges on the globe in 2017 on the back of improved macroeconomic environment and brokered peace in the Niger-Delta region, which has resulted in stabilised oil production, rally in crude oil price, improved stability of Naira as a result of the introduction of the I&E window by the CBN, improvement in the country's ease of doing business and strong corporate earnings. The stellar performance of 48.0% in 2017 represents a sharp contrast to the NSE record in the last three years when it suffered heavy losses. Even on a dollar-adjusted basis, the 2017 performance of the bourse compares favourably to regional Exchanges and the S&P 500. On the back of the strong macro fundamentals, the rally has been spurred by the influx of foreign institutional holders, which grew in value by 140.0% between October and December, closing the year at 53.0% of the market capitalisation and a testament to the strength of the economy.

> "Similar to other global economies, the engine of the Nigerian growth roared back to life in the second half of 2017, albeit different drivers from the rest of the non-commodity exporting countries resulting in a growth of 1.0%, up from the negative growth of 1.6% in 2016."

Financial Services Industry Review

The Nigeria financial services industry posted a satisfactory performance in 2017 in the context of the challenging business environment at the start of the year. Even though the financial services industry contribution to the GDP dropped in quarter three of 2017 to -4.5%, it is important to evaluate this result in the context of the state of the economy at the beginning of the year. The negative contribution is largely as a result of cut-back of credit

GROUP MANAGING DIRECTOR'S REVIEW

to a number of sectors and segments in the economy including the oil and gas and the retail end of the market.

The foreign exchange market which opened on an unpredictable note in 2017 moderated and became less chaotic as the year wore off, enabled by a remarkable accretion to external reserves which surged from USD25.8billion on 3 January 2017 to USD37.4billion in mid-December 2017, and now above USD46billion. The market has also been helped by the introduction of the I&E window in April 2017, with recorded volume of USD27.8billion turnover at the end of the year. Within this period, the Central Bank of Nigeria intervened in this market to the tune of USD15.9billion as part of its weekly intervention in the market, leading to rate convergence and stability in the value of Naira. Inflationary pressure moderated considerably from a peak of 18.6% in January to 15.4% in December 2017, albeit very sticky on its way down. Non-performing loans in the banking sector rose to 15.0% as of October 2017, well ahead of the CBN regulatory threshold of 10.0% driven largely by the oil and gas loan books of banks. The disclosure by the National Bureau of Statistics that unemployment rate jumped from 14.2% in the fourth quarter of 2016 to 18.8% in the fourth quarter of 2017 somewhat moderated the many positive economic developments of 2017.

Even though the economy emerged from recession in 2017, the insurance sector experienced an elongated recovery curve largely as a result of the peculiarity of the insurance 'buy' decisions which in this market are largely discretionary. As a result, the overall contribution of the sector declined significantly in the third quarter of 2017 when the sector contributed 0.3% to the GDP compared to 0.4% in the same period in 2016, representing a 24.5% decline year-on-year. The road to recovery for the sector is expected to stretch beyond 2017 calendar year when operators are expected to see moderate premium growth as business activities increase and consumers' confidence return to the pre-recession level. Even though the fourth quarter performance results are yet to be released, it is almost certain that the National Insurance Commission will miss its target of ₦1.1tn premium for the industry by 2017 as part of the much respected Market Development and Restructuring Initiative (MDRI), a medium-term industry plan which was launched in 2009. Overall, the sector remains a strong proposition to investors driven largely by the demographics, level of insurance penetration which is well below regional average and the potential strength of the economy.

> "Like other industries, the digital revolution is shaping service delivery and posing a major challenge to the traditional financial services model leading to lower footfall in brick and mortar branches."

Business Review

Both globally and in the local context, the financial services industry is going through one of the most significant periods of change we have seen in many years. Like other industries, the digital revolution is shaping service delivery and posing a major challenge to the traditional financial services model leading to lower footfall in brick and mortar branches. We have not only responded, we have anticipated these challenges and took proactive steps to launch alternative channels across the Group to complement our over 3,787 touch points. In response, we have seen tremendous growth in transactions via the alternative channels with customers initiated transactions accounting for about 80.0% of total transactions in 2017 as increasingly, our customers prefer the convenience and ease of digital banking. These decisions are not without implications for our existing and potential manpower and as such, we have made some difficult, but necessary, decisions around the scale of our branch network in 2017, invested in retooling our staff and re-engineered our processes to ensure we provide our growing customers with more ways to enjoy our suite of services than ever before, be that through a visit to our growing number of local Banking Agents, a visit to one of our 895 network of branches, a digital appointment with one of our customer care agents, logging on to internet banking platform, or banking on the go with our market leading mobile app, our customers have never had as many channels through which to interact with our services. For the first time, we now have more active mobile users than branch visits, a clear indication of the direction of our customers' preferences.

Distinguished shareholders, as the saying goes; nothing is good or bad without an appropriate benchmark and for the purpose of this review, I would like to highlight my promises to you upon assumption of duty in 2016, especially now that I have had two years to lead Management in this journey. Faced with challenging environment and significant loss of market share, I promised to rebuild the Group for enhanced shareholder value by addressing the deteriorating loan portfolio of the Bank through a revamp of the risk management architecture, reining-in the escalating cost of operation, expanding the revenue base of the business by optimising our asset base and enhancing the capacity of the business through retention of capital to meet regulatory capital requirement and drive growth. All of these

GROUP MANAGING DIRECTOR'S REVIEW

were channelled at delivering value to the shareholders in the long run while also taking care of customers, employees and our communities. A summary of the report card: during the period under review, non-performing loan ratio declined from 24.4% in 2016 to 22.8% in 2017, capital adequacy ratio for the commercial banking business remains within our internal threshold of 150 basis points and above the required capital for Systemically Important Banks (SIBs) and revenue grew 2.3% from ₦581.8bn in 2016 to ₦595.4bn in 2017 despite a 4.0% reduction in loan book with realised synergy of ₦5.4bn in 2017. Even though these are laudable results, quantitative metrics depict half of the picture. Over the intervening period, we have made significant investment in technology to drive our operations, strengthen service delivery channels and support our risk management processes. We recently launched a number of bold initiatives, working with a reputable consulting firm, targeted at developing winning toolkits around the middle and back-office functions to reduce turnaround time, decongest bureaucratic processes and engender discipline in our use of resources. The results of some of these initiatives have become visible in the immediate but a larger proportion is built into our aspirations for the future.

In 2017, the drive for enhanced oversight and improved governance across the Group dominated the theme for FBNHoldings. As the corporate centre with the responsibility for managing investments across operating companies and ensuring quality return on investment for shareholders, Management, under the guidance of the Board, ensured implementation of the various initiatives targeted at revamping the risk management architecture of lending institutions within the Group, driving down the cost of operation and continuing to seek new growth markets through innovation and collaboration. During the year and in line with these objectives, the Group embarked on the implementation of the shared services framework which seeks to optimise the spend in certain critical functions across the Group including IT, HR, procurement, corporate communications and legal. From an innovation standpoint, the Group has taken a proactive step in addressing the need to refine existing processes, seek alternative channels to serve existing market or explore new frontiers altogether. Consequently, we have seen contribution to non-interest revenue soar from 13.0% in 2016 to 22.0% in 2017 with transaction value of ₦882.9bn in 2017 from ₦31.5bn in 2016 from 4.5 million active customers on USSD and ₦2,600bn from mobile banking transaction in 2017 relative to ₦801.4bn in 2016.

In 2017, we also maintained our commitment to financial strength across all capital, funding and liquidity metrics via our preferred route of organic capital growth resulting in a CAR of 17.7% for the Group. This option has not been painless especially for our esteem shareholders who have had to accommodate significant reduction in dividend income. However, as a responsible institution, our decision is driven by the enormous weight of responsibility in ensuring the long-term financial health and prosperity of the Group remain intact. Retaining all of the earnings of the commercial banking business in the last three-years totalling ₦97.03bn has not only helped us in exceeding the regulatory capital requirement, it has also positioned the Group for future growth. It is noteworthy to highlight that our decision to retain the Non-Commercial Banking businesses in 2012 has ensured that we continued to pay dividend from earnings of the other business lines that are continuing to scale-up their contributions to the bottom-line.

Before I delve into the specifics of our main business lines, it is important to provide update on the progress we have made in driving enhance collaboration across the Group for the purpose of leveraging our diversity and breadth of services to deepen share of customers' wallets. Upon completion of the framework for driving synergy, we began the implementation of these activities which seek to incentivise 'group-think' and forge a common front to transform the Group into a one-stop-shop for financial services products across commercial banking, merchant banking, asset management and insurance. In 2017, we realised synergy of ₦5.4bn from collaboration and now that the foundation has been laid, we are very optimistic that the growth trajectory for this initiative will significantly enhance our performance in the long run.

Overall, the Commercial Banking group had a good year both from the standpoint of financial performance and with respect to the implementation of the various initiatives tailored to resolve the non-performing loan portfolio, including an overhaul of the risk management processes, driving the Digital Banking offering through creation of alternative cost-efficient channels, addressing cost-to-income ratio through process improvement and budget discipline and refreshing the workforce to increase productivity. As a result of the digital initiatives, the flagship institution, First Bank of Nigeria Limited, recorded strong progress in 2017 when transactions consummated via self-service channels peaked at 80.0%, exceeded in-branch transactions. In addition, the Bank emerged as the first financial institution in Nigeria and West-Africa to issue 10 million cards to customers across the sub-region. Similarly, tremendous success has been achieved in the conversion of customers to digital channels, most especially the onboarding of customers on the USSD platform, which recorded almost 300.0% growth during the year. The Agency Banking programme of the Bank has also moved from pilot phase to full implementation mode with over 3,000 registered agents across the country.

In line with our aspiration to ultimately drive down cost-to-income ratio to below 50.0%, the Bank launched an ambitious Oracle transformation programme, which seeks to deepen our data analytics capabilities, overhaul the budgeting process, drive enterprise risk management with technology, centralise our back-end banking

GROUP MANAGING DIRECTOR'S REVIEW

processes such as account and maintenance, overhaul key processes such as procurement, fixed asset and inventory management. Similarly, the Bank has embarked on a project to enhance the execution capabilities of the workforce and revamp our various process toolkits. Also during the year, the Bank launched its Digital Laboratory, a centre dedicated to driving the innovation aspirations of the Group.

Our Merchant Banking business, FBNQuest Merchant Bank, has continued to lead the market in deal structuring and execution as evidenced by the numerous awards won in 2017 including EMEA Finance Achievement Award and Best Naira Bond Award: ₦100bn 7-year Inaugural Sukkuk. This business line is today a household name in the merchant banking business and boasts of the most extensive bench strength in the space with over 230 core investment banking professionals. The debt solution business, M&A and capital market operations combined to generate revenue of ₦26.1bn during the year under review. The natural synergy that exists between the corporate banking business of FirstBank and the investment banking arm on one hand, and the complementary businesses of the retail banking business of FirstBank and the asset management business of FBNQuest ensure our customers are offered more menu of options to grow wealth and meet financial needs. Consequent to the above, the Merchant Banking and Asset Management group remains one of the key pillars of FBNHoldings from a revenue contribution and strategic synergy standpoints.

The Insurance group is the star performer in 2017 from a relative contribution standpoint. The life insurance business grew its revenue to the Group by 51.0% in 2017 when it closed the year with ₦18.2bn, up from ₦12.0bn in 2016, adding ₦4.4bn to the bottom line. Today, our life insurance business is one of the fastest growing companies in the market driven by our partnership with the Sanlam Group and its impressive footprint in retail and annuity businesses. We are currently weighing options to drive the performance of the general insurance business which will see the business leapfrog competition in the near future.

Finally, in this introductory review, I would like to highlight that our stock price is a measure of the progress we have made over this period. Progress that is driven by our unrelenting investments, in good times and not-so-good times, to build our capabilities: people, systems and products. These investments drive the future prospects of our Company and position it to grow and prosper for decades consistent with our legacy of being a partner to the building of the modern-day Nigeria. Whether looking back over the last two years, 12 months or even beyond the 2017 reporting period, our stock has significantly outperformed the NSE ASI and the NSE Banking Index with a performance of 165.0% over the 12-month ended 31 December 2017. We believe the anticipated reversal of many

“Today, our life insurance business is one of the fastest growing companies in the market driven by our partnership with the Sanlam Group and its impressive footprint in retail and annuity businesses.”

negatives and an increasingly more favourable business environment, coupled with our sustained, strong business results, are among the reasons our stock price has done so well this past year. Our philosophy remains that if we continue to build the institution with investment in technology, people and processes, the stock price will take care of itself. Within the strategic planning cycle which runs from 2017 to 2019, we seek to enhance the fundamentals of the Group by resolving the asset quality issues and implementing all activities towards operational efficiency whilst ramping-up significant mileage in our digital banking drive.

Performance Review

Consistent with our guidance to the market, our performance demonstrated our commitment to addressing the challenges that have confronted the Group in the last three financial years. Even though we have not recorded a full resolution of our non-performing loans (NPL), we have made significant progress in dealing with a number of these names and more fundamentally, ensured a strong asset quality from recent credits. As a result, NPL for the period declined from 24.4% in 2016 to 22.8% in 2017.

Top line continues to grow despite the industry-wide slowdown in loan growth as a result of the recession which halted business activities across industries. The Group recorded gross earnings of ₦595.4bn representing a growth of 2.3% over the prior year of ₦581.8bn despite a 4.0% drop in loans and advances from ₦2,083.9bn in 2016 to ₦2,001.2bn in 2017. This earnings growth underlines the inherent strength and resilience of the FBNHoldings Group and reinforces our promise to the market to maximise the assets portfolio of the Group. Revenue from the Merchant Banking and Asset Management business grew by 7.2%, closing the year at ₦38.9bn from ₦36.2bn in 2016. Similarly, the insurance business posted revenue of ₦18.2bn in 2017 from ₦12.0bn in 2016, representing an impressive growth of 51.0%. As a result, profit before tax for the Group grew by 147.0% from ₦22.9bn in 2016 to ₦56.8bn in 2017.

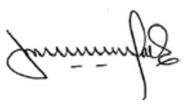
GROUP MANAGING DIRECTOR'S REVIEW

Our tier-1 capital position for FirstBank for the 2017 financial year closed at 13.9%, with total CAR closing at 17.7% from 17.8%, well within our internal buffer of 150 basis points above the regulatory limit. Return on average equity and return on average assets have all inched-up in 2017 to 7.6% and 1.0% from 3.0% and 0.4% respectively. However, cost-to-income has grown year-on-year from 47.0% in 2016 to 53.5% in 2017 boosted by foreign exchange gains in 2016, otherwise, cost of operations has declined year-on-year. Similarly, net interest margin (NIM) has dropped slightly from 8.8% in 2016 to 8.4% in 2017 due to migration from the retail end of the market to government instruments and still one of the highest in the industry.

In conclusion, I would like to reiterate our commitment to our shareholders, as well as the larger market that the collective aspirations of rebuilding the institution is sacrosanct and goes to the core of every of our actions and decisions. This resolution not only has implications for the short-term returns to the shareholders of this iconic institution but more fundamentally to position for a prosperous future by enhancing the financial health of every business within the Group and optimising the inherent capacity of the Group through collaboration and economies of scale. Consequently, we will continue the implementation of our various initiatives, which may sometimes result in tactical dislocation to some financial metrics but with far-reaching benefits for the future. A clear example is our investment in digital transformation which continues to provide us with the platform to lead the industry into the future.

Our esteemed shareholders, I would like to assure you that the journey back to the top, even though daunting, is progressing well with your support. Our aspiration to become the foremost financial services Company in Middle Africa is not wishful thinking but the product of a well-thought-through strategy by willing and knowledgeable workforce who continue to stretch beyond the call of duty to make the goal a reality. As Management, we understand that in this digital age, tomorrow has become today and we fully appreciate the fierce urgency of now. Consequently, we will continue to vigorously address all the building blocks, one brick at a time, for the benefit of not only this generation but future generations, in line with the legacy that has ensured we remained relevant 124 years after we opened our doors to customers, supporting our communities and building the modern-day Nigeria whilst still creating value for our shareholders.

Thank you and God bless you.



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Group Managing Director

FBN Holdings Plc

RECOGNITION OF OUR PERFORMANCE

BEST BANK IN NIGERIA

GLOBAL FINANCE MAGAZINE

FirstBank won the Global Finance 'Best Bank in Nigeria' award for 14 consecutive years in recognition of its consistent leadership in enterprise, innovative banking and customer service in Nigeria, Middle Africa and beyond.

BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank was reaffirmed the 'Best Retail Bank in Nigeria' by the Asian Banker for the seventh consecutive time.

BEST BANK IN SME BANKING

BUSINESSDAY MEDIA LIMITED

FirstBank was awarded the 'Best Bank in SME Banking – Nigeria' in the BusinessDay Banking Awards for the Bank's unflinching support for Small and Medium Enterprises.

DIGITAL BANK OF DISTINCTION

GLOBAL FINANCE MAGAZINE

For the second consecutive year, FirstBank has been named the 'Digital Bank of Distinction in Nigeria' by Global Finance Magazine, for its prudent utilisation of a lean budget to achieve sustainable profit optimisation and consistent leadership in Nigeria's digital banking space.

BEST PRIVATE BANK

WORLD FINANCE MAGAZINE

FirstBank clinched the World Finance 'Best Private Bank in Nigeria' award in recognition of its innovative service delivery by knowledgeable Private Bankers and the accelerated speed in growing its market share as well as registering optimised revenues within a short span of operation.

BEST PRIVATE BANK

GLOBAL FINANCE MAGAZINE

FirstBank won the Global Finance 'Best Private Bank in Nigeria' award in recognition of its structured products, alternative investments, trustee and risk management products deployed to provide guidance to customers on diverse strategies for wealth creation, growth, preservation and generational transfers.

BEST COMPANY IN INFRASTRUCTURE DEVELOPMENT

THE SERAs CSR AWARDS

The Bank won the 'Best Company in Infrastructure Development' in The SERAs CSR Awards following its promotion of infrastructure development in various locations of its host communities through its Corporate Responsibility and Sustainability platform.

RECOGNITION OF OUR PERFORMANCE

OUTSTANDING FINANCIAL BRAND OF THE DECADE

MARKETING EDGE PUBLICATIONS LIMITED

The 'Outstanding Financial Brand of the Decade' award was conferred on FirstBank following its contributions to the growth, development and continuing evolution of the Nigerian banking industry, as well as its commitment to the enthronement of global best practices in the Nigerian banking sector.

EXCELLENCE IN RETAIL BANKING

NEW AGE BANKING AWARDS

FirstBank won the award for 'Excellence in Retail Banking' at the New Age Banking (NAB) Awards following its consistent demonstration of excellence in the Retail Banking industry.

SECURITY CONSCIOUS BANK OF THE YEAR

NATIONAL CRIMEWATCH AWARDS

FirstBank was named the 'Security Conscious Bank of the Year' at the National Crimewatch Awards for its constant support and contribution towards security in the country.

BEST FRAUD DESK IN THE INDUSTRY

NIGERIA ELECTRONIC FRAUD FORUM

FirstBank was recognised as the 'Best Fraud Desk in the Industry' by the Nigeria Electronic Fraud Forum (NEFF), following its efforts in combating electronic fraud and curbing cyber-crime, thereby frustrating all forms of criminal activity targeted at its valued customers.

MOST COOPERATIVE FRAUD DESK

NIGERIA ELECTRONIC FRAUD FORUM

The 'Most Cooperative Fraud Desk' award was conferred on the Bank by Nigeria Electronic Fraud Forum following its efforts to ensure security and the protection of evolving electronic payment climate of the financial sector of the Nigerian economy.

BEST LOCAL INVESTMENT BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Merchant Bank received this Award in recognition of its role in providing financial solutions on deals and transactions such as the restructuring of the Accugas IV Term Facility and lead arranger for the Neconde Energy Limited Senior Secured Medium Term Facility.

MOST INNOVATIVE INVESTMENT FIRM

BUSINESSDAY INNOVATIVE FIRM IN NIGERIA AWARDS

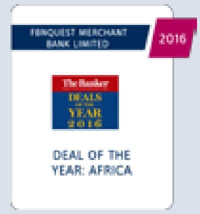
FBNQuest Merchant Bank was recognised as one of the top 25 most innovative companies and institutions in Nigeria. The Award was conferred to FBNQuest Merchant Bank for retaining the leadership position in key business areas, and structuring the largest local project finance transactions in several sectors.

RECOGNITION OF OUR PERFORMANCE

DEAL OF THE YEAR - AFRICA - LOANS

THE BANKER DEALS OF THE YEAR

FBNQuest Merchant Bank was awarded the prestigious 'Deal of the Year Award'. The Award recognises top financial institutions in the world with the most impressive transactions in loans. The Award was presented to FBNQuest Merchant Bank on account of the Neconde Energy finance for Senior Secured Medium Term Facility transaction.



AWARD FOR EXCELLENCE ON ISLAMIC FINANCE

THE METROPOLITAN SKILLS LIMITED

This Award for excellence was presented to FBNQuest Merchant Bank at the 3rd African International Conference on Islamic Finance for its contribution towards development of Sukuk Market in the Nigerian Capital Market right from the first Sukuk-Osun State Sukuk (2013) to the Federal Government of Nigeria (FGN) Debut Sukuk (2017).

INVESTMENT BANK OF THE YEAR

LCCI COMMERCE AND INDUSTRY AWARDS

FBNQuest Merchant Bank received the Award in recognition of its continuous delivery of increased value to clients through its products and services.

BEST ENERGY INFRASTRUCTURE DEAL IN AFRICA

EMEA FINANCE MAGAZINE PROJECT FINANCE AWARDS

This Award is a recognition of FBNQuest Capital's role as the Financial Adviser to Seven Energy International Limited in the restructuring of the existing Accugas Term Facility and assistance in raising a Debt Service Guarantee.

BEST ASSET MANAGER IN NIGERIA

EUROMONEY PRIVATE BANKING AND WEALTH MANAGEMENT SURVEY

FBNQuest Asset Management was awarded 'Best Asset Manager in Nigeria' by Euromoney Private Banking and Wealth Management Survey.

BEST BROKER IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Securities, a subsidiary of FBNQuest Merchant Bank won the 'Best Broker in Nigeria' at the EMEA Finance African Banking Awards. This feat further supports our ranking as the first in transaction values among the 10 primary market markers licenced by the Nigerian Stock Exchange in the year to date 2016 and second quarter of 2017.

RECOGNITION OF OUR PERFORMANCE

BEST LIFE INSURANCE COMPANY IN NIGERIA

WORLD FINANCE AWARDS

FBNInsurance was announced as the 'Best Life Insurance Company in Nigeria' by World Finance, organisers of the prestigious World Finance Global Insurance Awards. This being the third time in four years that the Company will be recognised.

FASTEST GROWING INSURANCE COMPANY

NATIONAL ASSOCIATION OF INSURANCE AND PENSION CORRESPONDENTS AWARDS

National Association of Insurance and Pension Correspondents (NAIPCO), the association of journalists in the insurance industry, awarded FBNInsurance the fastest growing insurance company in Nigeria.

WINNER, SANLAM EMERGING MARKETS CUP OF NATIONS

SANLAM EMERGING MARKETS AWARDS

FBNInsurance was adjudged winner of the Sanlam Emerging Markets (SEM) Cup of Nations an Award designed to motivate the staff of the various country operations to exceed the set targets/budgets, to deliver sustainable growth over the previous year's results, and to foster a spirit of competition between the various businesses in the SEM cluster.

OUR APPROACH

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

OUR BUSINESS MODEL

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

Our structure, people and geographical footprint provides competitive advantage for driving the sustainability of our business performance.

How We Create Value

As one of Middle Africa's largest full-scale, diversified financial services institutions, FBNHoldings continues to create value by leveraging the opportunities that are inherent in its holding company structure, which is designed to promote collaboration and exploitation of natural synergies among the subsidiaries.

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

WE GROW AND DELIVER VALUE

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUPS

- Leveraging synergies and cross-selling opportunities
- Forging deeper relationships with our customers

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

- Acquiring new customers along priority segments
- Raising our profile beyond Nigeria

RESTRUCTURING FOR PROFITABLE GROWTH

- Driving increased segment specifications in the Commercial Banking business
- Exploiting the Group structure for value realisation, enhanced operating efficiency and improved risk governance.

OUR BUSINESS MODEL

HOW WE DELIVER VALUE

FBNHoldings delivers value through its breadth of tested products that are relevant throughout the customers' life-cycle, and a range of other services across the entire value chain.

The differentiating aspect of FBNHoldings approach is the scale and scope of our business and brand portfolio, as well as our geographic reach. In our largest market, Nigeria, our unparalleled reach with advanced technology, diverse product offerings and spread of our business locations across the country affords us a competitive advantage to partner for growth with customers.

FBN Holdings Plc

Our business model is designed to ensure delivery of end-to-end financial products and services to our different categories of customers through seamless collaboration among all our operating companies.

COMMERCIAL BANKING

Retail Banking
serves mass retail, affluent and SMEs with annual income of up to ₦50mn, as well as small business and local governments with an annual turnover of up to ₦500mn.

Commercial Banking
serves large to middle-sized businesses with a turnover of ₦500mn to ₦5bn.

Corporate Banking
serves high-end and blue chip corporate customers, multinationals and specialised industries.

Public Sector
concentrates on the Federal Government and select state governments, with emphasis on providing payments and collections services.

International Banking
drives business growth and profitability of our international banking subsidiaries.

MERCHANT BANKING AND ASSET MANAGEMENT

Investment Banking
arranges finance through the banks and capital markets and provide strategic advise.

Corporate Banking
offers a platform for the provision of a full-range of creative investment and wholesale banking services to mid-size and large institutions.

Wealth Management
provides a holistic approach that High Net Worth Individuals (HNWI) and their families are increasingly looking for by helping them grow, manage, and transition their wealth for future generations.

Capital Markets
provide clients with strong product and sector expertise through our highly-focused Equities team.

Trust And Agency Services
provides private and public trusteeships and estate planning for HNIs. Holds a solid market position as a leading trustee services provider.

Asset Management
provides mutual funds to manage liquidity. We work with individuals and institutional investors to provide a strategy best suited to their investment goals and portfolios.

INSURANCE

Life Insurance
provides insurance coverage to individual and corporate customers by offering products, which allows our customers enjoy the peace of mind that comes from managing the risks of everyday life.

Non-Life Insurance
provides a wide range of non-life products and services that cater for the needs of both the corporate and retail segments of the economy.

Insurance Brokerage
provides insurance brokerage solutions to help clients better manage risks.

OUR BUSINESS MODEL

HOW OUR BUSINESSES CREATE VALUE

BUSINESS GROUP	BUSINESS GROUP	BUSINESS GROUP
COMMERCIAL BANKING	MERCHANT BANKING AND ASSET MANAGEMENT	INSURANCE
Services provided: • Retail Banking • Corporate Banking • Commercial Banking • Public Sector Banking • International Banking • Pension Custodian	Services provided: • Corporate Banking • Investment Banking • Fixed Income and Currencies Trading • Wealth Management • Asset Management • Trust and Agency Services • Securities Trading • Alternative Investments	Services provided: • Life Underwriting • General Underwriting • Insurance Brokerage
PRIMARY INCOME SOURCE	**PRIMARY INCOME SOURCE**	**PRIMARY INCOME SOURCE**
INTEREST AND FEES	INTEREST, FEES, TRADING INCOME AND DIVIDENDS	PREMIUM, COMMISSION AND INVESTMENT INCOME
DESCRIPTION	**DESCRIPTION**	**DESCRIPTION**
We make a spread from the deposit received from customers and the credit assets created. Fee income is from transaction charges on funds and commissions earned in facilitating other transactions.	We serve a diverse institutional and individual client-base across various markets and industries. We create value for our clients and ultimately our shareholders by trading securities, administering assets, managing funds and selling investment and risk management products.	We help customers manage risks by pooling and redistributing these risks for a premium. In addition, income is generated from investing the premiums. We provide insurance brokerage services for a commission.

Changes In Our Business Model

In order to deliver an aligned customer experience and stimulate harmonisation within the Merchant Banking and Asset Management group, a unifying brand was adopted for all entities in the Group. The name 'FBNQuest' formalises the overarching commitment of the business to being a trusted partner and will drive synergies and maximise value to our stakeholders.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

INTRODUCTION

Our structure has clustered similar businesses to improve coordination and specialisation while ensuring an optimal legal and compliance framework. Specifically, the separation of Commercial Banking from other Non-Commercial Banking businesses provides a platform for an enhanced focus on the growth of the Non-Commercial Banking subsidiaries, greater risk management supervision and optimal capital allocation decisions.

Our shareholders desire sustainable returns and it is our responsibility to ensure the business drivers are in place to support this aspiration.

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

Our business model therefore promotes seamless collaboration among all our businesses and delivers value to the diverse customers in a manner that ensures sustainability. We have made a number of commitments to ensure our business model will deliver sustainable returns. These are outlined as follows: Strong Leadership and Governance, Effective Risk Management Corporate Responsibility and Sustainability, Complaints Handling.

Strong Leadership And Governance

Effective Risk Management

Corporate Responsibility And Sustainability

Complaints Handling

LEADERSHIP AND GOVERNANCE

This section provides a summary of the Board's approach to governance for the 2017 financial year. As with recent years, 2017 was 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 from 2016 though abated in 2017. Notwithstanding macroeconomic volatility, the Board and Management of FBN Holdings Plc remained steadfast in the unified belief that observing good corporate governance practices remain the best tool to deliver increased shareholder value.

In the preceding year's report, the peculiar challenges faced by the Group 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 negative impact on performance, as well as efforts being made to address these challenges, have been extensively addressed.

Positively, the structures implemented to reduce impairment charges and strengthen the Group's Risk Management practices have started yielding results as may be gleaned from the financial results and from the rising share price of the Company. The focus of the Board in the coming year is to ensure an effective oversight over credit risk management system. The Board and Management are committed to continually raising the bar on best governance practices and ethical dealings, which will ultimately increase shareholder value.

The Group's oversight function over subsidiaries have also been intensified in ensuring the extraction of synergy inherent in our diversified operations across markets and geographies, with over 13.1 million 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 the Group's earnings and thereby reduce dependence 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 Framework

FBNHoldings' governance framework is in alignment with global best practices and compliant with extant regulations and codes of corporate governance. The Group's oversight functions are discharged through the respective Boards of all operating entities, which also ensures compliance with statutory and regulatory requirements of their respective industries. At the Holding Company and in other operating entities, the Boards operate through various committees and FBNHoldings' robust governance framework ensures there is a good blend of Board autonomy as well as Group coordination at the operating company level.

FBNHoldings' governance practices have provided the solid foundation for the realisation of the benefits inherent in its extensive footprints, rich heritage, extended offerings and quality management.

Board Composition, Appointments And Succession Planning

Effective corporate governance practices are aided by the skills, integrity and experience of individuals on the Board and their commitment to doing business in accordance with global best practices. These principles have guided the composition of the Board at the Group and the operating companies.

Governance Culture

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

Achievement Of Good Governance

Effective corporate governance practices are largely dependent on the skills, integrity and experience of individuals on the Board and how well they are committed to doing business in accordance with global best practices. A great deal is demanded and expected of our Directors, particularly given the systemic importance of financial institutions such as ours, to the national economy and the impact we have on the societies in which we operate. A review of our Board structure will reveal that the composition is well-tooled to achieve good governance.

> "FBNHoldings' effective corporate governance practices are aided by the skills, integrity and experience of individuals on the Board and their commitment to doing business in accordance with global best practices."

LEADERSHIP AND GOVERNANCE

Quality Of Disclosure/Regulatory Infractions

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

Furthermore, to ensure effective compliance with all regulatory matters, a compliance department has become fully operational to monitor compliance with existing regulations and ensure regulatory filings are undertaken before due dates.

Quality Of Disclosure

The Board and Management are both aligned in the quest to provide the investing market with timely and quality information. To this end, transparency and disclosure is demonstrated in the Company's financial reports, through detailed and comprehensive reporting, thereby providing shareholders with sufficient context and a clear picture of the workings of the institution. The focus on transparency also aids existing business relationships with foreign correspondent banks, multilateral organisations and international investors who require detailed information to make decisions about the Group.

Corporate Culture

FBNHolding's corporate culture is influenced by the Board, brought to life by Management and distilled group-wide to drive the Company's long-term business model. Recognition is given to the value of diversity in the Company's employee base. Internal initiatives are promoted to support diversity and inclusion within the Group and there is a realisation that strategic objectives can be achieved by building a sound reputation founded on the highest standards of responsible behaviour.

Appointment Of Company Secretary

During the year, the Board appointed a new Company Secretary, Seye Kosoko to replace Tijjani Borodo, who retired after nearly three decades of exemplary service to the Group. Kosoko comes with extensive years of diversified experience and he is set to continue where Borodo has stopped, by providing excellent secretarial support and advising the Board on the best governance practices. Details of Seye Kosoko's profile are highlighted in this report.

> "...the Board has a 30% female Board membership in line with the CBN recommendation."

Diversity

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

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

Shareholder/Regulatory Engagement

Given the continued interest by current and potential shareholders in the performance of the Group, the Board and Management, has adopted a policy of continuous engagement and extensive consultation with shareholders and shareholder groups. This has assisted in helping shareholders have a better understanding of the group's governance mechanism, performance and outlook. It has also provided useful feedback to the Board and Management.

Similarly, in recognition of the importance of regulatory bodies to the different businesses within the group, the different regulatory bodies regulating the Group's businesses are constantly engaged to foster an atmosphere of cordiality and ensure the extant regulations are complied with. These engagements will be sustained on an ongoing basis.

Good Governance As Shareholder Enhancement Strategy

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

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Dr Oba Otudeko, CFR
Group Chairman

UK Eke, MFR
Group Managing Director
BFIC

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

'Debola Osibogun
Non-Executive Director
BGNC BARAC

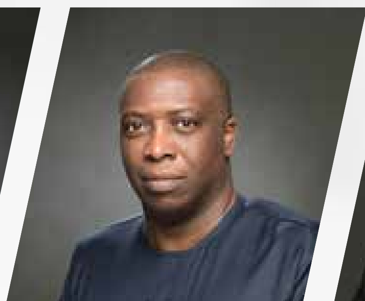
Cecilia Akintomide, OON
Independent Non-Executive Director
BFIC SAC

Dr Hamza Wuro Bokki Ph.D
Non-Executive Director
BGNC BFIC

Oluwande Muoyo
Independent Non-Executive Director
BGNC BARAC

Dr Adesola Adeduntan
Non-Executive Director

Chidi Anya
Non-Executive Director
BARAC SAC



Omatseyin Ayida
Non-Executive Director
BGNC BARAC

Oluseye Kosoko
Company Secretary

Committee Membership Key

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

FBNHOLDINGS MANAGEMENT

UK Eke, MFR
Group Managing Director

Oyewale Ariyibi
Chief Financial Officer

Oluseye Kosoko
Company Secretary

Folarin Alayande
Head, Strategy And Corporate Development

Idris Shittu
Head, Risk Management And Compliance

Tolulope Oluwole
Head, Investor Relations

OUR SUBSIDIARIES

COMMERCIAL BANKING

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

MERCHANT BANKING AND ASSET MANAGEMENT

Kayode Akinkugbe
Managing Director, FBNQuest Merchant Bank Limited

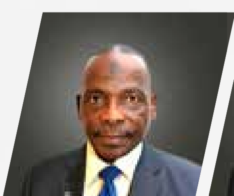
Mike Okon
Managing Director, FBNQuest Capital Limited

INSURANCE

Valentine Ojumah
Managing Director, FBN Insurance Limited

Olumide Ibidapo
Managing Director, FBN Insurance Brokers Limited

STATUTORY AUDIT COMMITTEE



Ayodeji Shonubi
Chairman

Christopher Okereke

Ismail Adamu

Oye Hassan-Odukale, MFR

Cecilia Akintomide, OON

Chidi Anya

RISK MANAGEMENT

OVERVIEW

The Group's activities involve elements of risk-taking. The main objective of risk management is to balance the level of risk with our businesses, growth and profitability goals towards providing an integrated customer solutions while achieving consistent and sustainable performance over the long-term that benefits the Group and its stakeholders.

Enterprise Risk Management Framework

The Group Enterprise Risk Management (ERM) Framework provides a structured approach to implementing risk taking and risk management activities across the enterprise, supporting our long-term revenue, earnings and capital growth strategy. It is communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organisation. We have a common approach to managing all risks to which the Group is exposed, and to evaluating potential directly comparable risk-adjusted returns on contemplated business activities. The entities within the Group are primarily accountable for the risk they undertake through a three-pronged line of defence risk management model, while the independent risk function provides proactive support and constructive challenges to the first line risk owners to deliver sustainable growth within the Group's risk appetite.

The Group's Risk Policies and Standards Cover

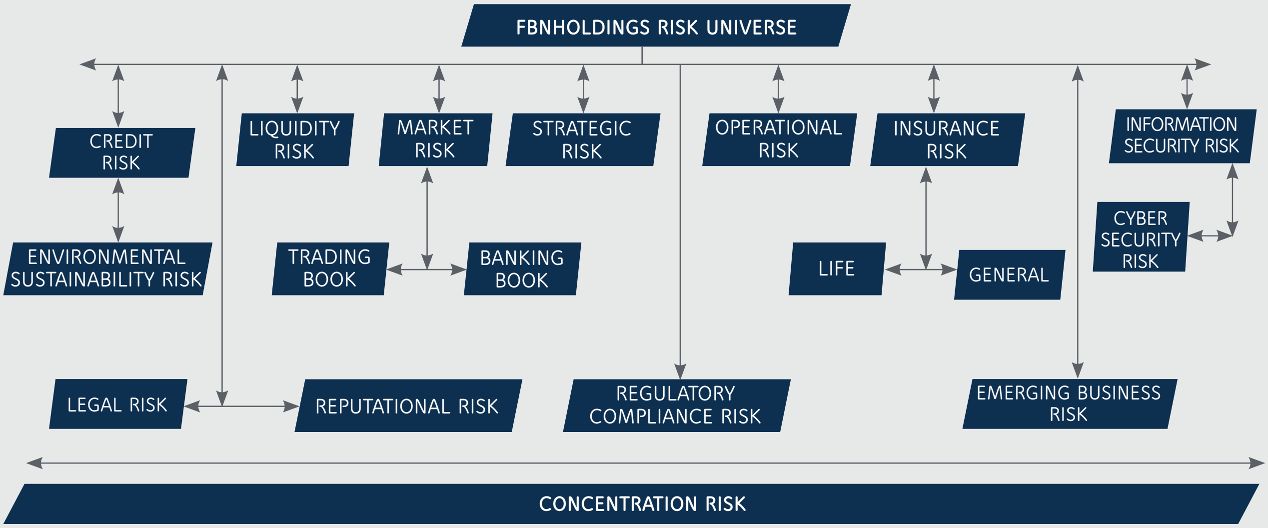
- A clear definition of the three-pronged line of defence management system and the assignment of accountability and delegation of authority for risk oversight and management;
- The alignment of the various types and levels of risk the Group seeks with its strategic plan and risk appetite;
- Risk identification,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

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

Management is responsible for managing risk within risk appetite and has established risk management strategies and monitoring practices. This includes a 'three-pronged line of defence' governance model that segregates duties between risk-taking activities, risk monitoring and risk oversight, and establishes appropriate accountability for those who assume risk versus those who oversee risk.

Enterprise-Wide Risk

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



RISK MANAGEMENT

Risk Governance

The Group adopts the 'three-pronged line of defence' model to underpin its approach to strong risk management principles.

Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for-purpose. Risk management efforts are focused on the Group-wide alignment of risk and financial reporting, underlying data governance and monitoring thereof, education and awareness initiatives, as well as systems capabilities, providing the ability to easily identify and leverage opportunities the various risk types provide.

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

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

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

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

A strong risk culture and a common approach to risk management are integral to FBNHoldings' risk management practices.

The Group strives for a risk-aware culture, where individual entities and groups are encouraged, feel comfortable and are proactive in making transparent, balanced risk-return decisions that are in the long-term interests of the Company. Key areas of focus pertaining to risk culture are:

- Aligning individual entities and the Group's objectives; identifying and escalating risks before they become significant issues; and
- Ensuring transparency in identifying, communicating and tracking risks; and systematically acknowledging and surfacing material risks.

RISK MANAGEMENT

To further strengthen the way risk is being managed across the Group, we continue to monitor the various initiatives introduced in 2016, as well as new initiatives introduced and executed in 2017.

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

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

The Group also introduced a Group Reputational Risk Policy aimed at protecting the various franchises from reputational risk exposures. The Group Risk Stakeholders Committee (GRSC) met regularly throughout 2017 and was actively involved in the continuous review of the proposed Large Exposure Policy, Reputational Risk Policy, Group Risk Appetite and the Group ERM Framework, as well as putting in place measures towards managing evolving risks across the Group. The Committee's activity has consistently reinforced the Group's strong risk culture.

We have a common approach and process to identify, measure, and assess the risks we assume. We evaluated all potential new business initiatives, acquisitions, product offerings, reinsurance arrangements, investment and financing transactions on a comparable risk-adjusted basis.

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

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

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

RISK FACTORS OVERVIEW

General Macroeconomic Risk Factors

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

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

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

The spending and savings patterns of our customers can significantly be influenced by the macro-economic environment and could have an impact on our product and service offerings.

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

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

RISK MANAGEMENT

STRATEGIC RISKS

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

Strategic Risk Mitigating Strategies

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

- The Group commences every financial year with the review and analyses of previous strategies, then come up with strategic business, risk and capital planning that is reviewed with the Board of Directors and the Executive Committees of the operating entities.

- Performance and risk reviews of all key businesses with the CEO and annual reviews with the Board of Directors.

CREDIT RISKS

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations.

Credit risk are: Default/counterparty risk, Performance risk, Payment risk, Diversion risk, Managerial risk.

Potential Impacts On business

- Poor asset quality arising from high level of non-performing loans and ultimately low yield on risk assets; and

- Financial loss due to increased loan loss provisions and charges on impaired assets, possibly leading to impairment of shareholders' funds.

Credit Risk Mitigating Strategies

- Credit risk is governed by the Credit Committees which oversees the overall Credit Risk Management Programme. The Group has established objectives for overall quality and diversification of our credit portfolio and criteria for the selection of obligors, counterparties, including derivative counterparties and reinsurers. Our policies establish exposure limits by single or connected borrowers, corporate connections, quality rating, industry, and geographic region, and govern the usage of credit derivatives. Corporate connection limits are governed by our large exposure policy.

- Our credit granting subsidiaries follow a defined evaluation process that provides an objective assessment of credit proposals. We assign a risk rating based on a detailed examination of the borrower that includes a review of business strategy, market competitiveness, industry trends, financial strength, access to funds, and other risks facing the organisation.

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

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

MARKET AND LIQUIDITY RISKS

MARKET RISKS

Market risk is the risk of loss resulting from market price volatility, interest rate change, credit and swap spread changes, and from adverse foreign currency rate movements. Market price volatility primarily relates to changes in prices of publicly traded equities and alternative long-duration assets.

Potential Impacts On Business

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

RISK MANAGEMENT

Market Risk Mitigating Strategies

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

Foreign Exchange Mitigating Strategies

The Group's policy on foreign exchange is to generally match the currency of our assets with the currency of the liabilities being supported and to generally match the currency of the assets in our shareholders' equity account to the currency of our required capital. Where assets and liabilities are not matched, we would seek to stabilise our capital ratios using forward contracts and currency swaps.

Other strategies are:

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

INVESTMENT RISKS

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

Potential Impacts On business

- Could lead to diminution in the value of investments

Investment Risk Mitigating Strategies

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

COUNTERPARTY RISK

The Group is also exposed to counterparty risks arising from pre-settlement and settlement risks. Pre-settlement risk is the risk that one party to a contract will fail to meet the terms of the contract and default before the contract's settlement date. Settlement risk is the risk that one party will fail to deliver the terms of a contract at the time of settlement.

Potential Impacts On business

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

Counterparty Mitigating Strategies

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

LIQUIDITY RISK

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

Potential Impacts On business

- Could lead to insolvency and eventual reputational risk

Liquidity Risk Mitigating Strategies

- The asset mix of our balance sheet takes into account the need to hold adequate unencumbered and appropriate liquid assets to satisfy the requirements arising under stressed scenarios and to allow our liquidity ratios remain strong;

RISK MANAGEMENT

- Diversifying our business across different products, markets, geographical regions, funding sources and policyholders;
- Insurance products are designed to encourage policyholders to maintain their policies in-force, to generate a diversified and stable flow of recurring premium income;
- Policyholder termination features of our wealth management products and related investment strategies are designed with the objective of mitigating the financial exposure and liquidity risk related to unexpected policyholder terminations;
- We establish and implement investment strategies intended to match the term profile of the assets to the liabilities they support; and
- We forecast and monitor daily operating liquidity and cash movements in various individual entities and operations, as well as centrally, aiming to ensure liquidity is available and cash is employed optimally.

OPERATIONAL RISKS

Operational risk is the risk of loss resulting from inadequate or failed internal processes, system failures, human-performance failures (People Risk) or from external events.

PEOPLE RISKS

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

Potential Impacts On Business

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

Operational Risk Mitigating Strategies

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

Other component strategies are:

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

Responsibility

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

PROCESS RISKS

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

Examples are:

- Transaction capture, execution and maintenance errors or failures;
- Failures in the customer intake and documentation process;
- Failed mandatory reporting obligations;

RISK MANAGEMENT

- Limit breach due to inadequate internal processes;
- Inadequate reconciliation processes; and
- Manual-intensive processes.

Potential Impacts On Business

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

Process Risk Mitigating Strategies

A Comprehensive Control Administrative and Accounting Procedure (CAAP) manual is in place to guide operational activities and processes of the Group.

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

SYSTEM OR TECHNOLOGY RISKS

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

Potential Impacts On Business

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

System Or Technology Risk Mitigating Strategies

The Group has:

- Disaster Recovery Centre (DRC);
- Comprehensive Service Level Agreement (SLA) with Information Technology Service Providers;
- Regular Information Technology audit and control;
- Hardware policies covering hardware purchase, use, replacement and disposal;
- Software policies covering purchase or design, use, enhancement, patching, replacement and disposal;
- Resilience built into the Group's network platform through the installation of a back up link to over 90.0% of our branches; and
- An articulated medium-term transformation plan to optimise the Group's investment in technology.

EXTERNAL EVENTS AND THIRD-PARTY RISKS

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

Potential Impacts On Business

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

External Events And Third-Party Risk Mitigating Strategies

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

RISK MANAGEMENT

INFORMATION AND CYBER SECURITY RISK

CYBER SECURITY RISKS

Technology underpins all aspects of modern society, profoundly impacting the way people live and work. Businesses across the world face a stark dilemma, which is ensuring that the adoption of this disruptive technology does not expose the organisation to growing cyber threat. In a hyper-connected world, the survival of organisations depends on the ability to ensure instant and uninterrupted connectivity, smart physical devices and machines, and trustworthy people.

As the boundary between the physical and digital world disappears and attacks on core internet infrastructure and devices used in daily business and key people with access to mission-critical information increases, organisations must put in place technology, processes and cyber-aware staff and customers to ensure the protection of its key operational assets and data.

Potential Impacts On business

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

Legitimate access to applications and systems by staff and customers continue to be exploited through old-fashioned criminal techniques of coercion and social engineering by organised criminal groups which exploit soft human targets, finding or creating leverage over those with privileged access to extract highly valuable information used to exploit mission-critical systems.

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

Cyber Security Rist Mitgation Strategies

Given the increasing scale of cyber threats, the Group, through the operating companies, has restructured its defensive model particularly its incident and security monitoring mechanisms. In line with its in-depth defensive system, the Group set up a world-class Security Operations Centre (SOC) with a 24/7 operation. The SOC, which is responsible for monitoring, detecting, preventing and isolating security incidents and threats to the operating entities, manage the security of its products, network devices, end-user access management, systems security and acts as a one-stop shop for security needs of the Group. We have also set up a Fraud-Desk in line with regulatory mandate for industry collaboration in the fight against electronic fraud. This stance, coupled with its strong security and risk governance structure has continued to play a vital role in the security safeguards and assets protection. The Group, through the operating entities, in its implementation of best practice security standards (ISO27001 and Payment Card Industry Data Security Standard (PCI DSS) has created a cyber-savvy workforce that takes information security seriously, while fostering a culture of trust, which has helped to eradicate poor security practices, as well as reduce the number and scale of incidents.

INFORMATION SECURITY RISKS

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

Potential Impacts On business

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

Information Security Risk Mitigating Strategies

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

RISK MANAGEMENT

Responsibility

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

SUSTAINABILITY RISKS

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

Potential Impacts On Business

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

Sustainability Risk Mitigating Strategies

At FBNHoldings, the following is carried out to ensure sustainability risk is reduced to its barest minimum.

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

LEGAL AND REGULATORY COMPLIANCE RISK

Regulatory Compliance

The regulatory compliance programme is designed to promote compliance with regulatory obligations in all the environments we operate and to assist in making the operating entities aware of the laws and regulations that affect the Group and the risks associated with failing to comply.

Potential Impacts On Business

- Failure to comply with regulatory provisions or codes applicable to the financial services industry could lead to financial and reputational losses to the Group; and
- The impact of this risk category on the Group ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or bans from certain market activities; possible loss in share price and negative investors' perception occasioned by disclosure of regulatory infractions in our annual report and withdrawal of license.

Regulatory And Compliance Risk Mitigating Strategies

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

RISK MANAGEMENT

LEGAL RISKS

Litigation And Adverse Claims

Potential Impacts On Business

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

Legal Risk Mitigating Strategies

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

COLLATERAL COVER RISKS

Potential Impacts On Business

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

Collateral Cover Risk Mitigating Strategies

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

CONTRACTUAL PERFORMANCE RISKS

Potential Impacts On Business

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

Contractual Performance Risk Mitigating Strategies

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

Responsibility

Litigation and adverse claims – Head of Legal Services.

Asset security cover risk – Heads, Legal Services, Specialised Lending, Credit Analysis and Processing, Credit Risk Management and all Relationship Managers.

Contractual performance risk – Heads, Legal Services, Information Technology, Operations and General Services.

RISK MANAGEMENT

REPUTATIONAL RISKS

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

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

Potential Impacts On Business

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

Reputational Risk Mitigating Strategies

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

Responsibility

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

INSURANCE RISKS

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

Insurance risk consists of:

- Claims risk – the risk that the actual magnitude or frequency of claims will differ from the levels assumed in the pricing or underwriting process. Claims risk includes mortality risk, morbidity risk, longevity risk and catastrophe risk.
- Policyholder behaviour risk – the risk that the behaviour of policyholders relating to premium payments, withdrawals or loans, policy lapses and surrenders and other voluntary terminations will differ from the behaviour assumed in the pricing calculations.
- Expense risk – the risk that actual expenses associated with acquiring and administering policies and claims processing will exceed the expected expenses assumed in pricing calculations.
- Reinsurance risk - This is the risk of inadequate reinsurance cover which may be triggered by a situation such as the insolvency of a reinsurer, discoveries of exposures without current reinsurance coverage, or exhaustion of reinsurance covers through multiple losses. The Company has documented reinsurance policies

RISK MANAGEMENT

for adequate reinsurance arrangements and treaties for all categories of insurance business transacted. The policies include the process for reinsurer selection, monitoring, claims recovery, etc.

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

Potential Impacts On Business

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

Insurance Risk Mitigating Strategies

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

FOCUS AREAS FOR 2018

- Optimising the level and composition of capital with due consideration to business plans, current and future regulatory requirements;
- Effectively allocating resources, including capital and liquidity between product lines, trading desks, industry sectors and legal entities to enhance the overall Group economic profit and return on equity (ROE);
- Ensuring further progress on IFRS 9 Financial Instruments (IFRS 9) expected credit loss impairment calculations and methodologies, and managing the implementation thereof for reporting purposes, with focus on the 2017 parallel run and external assurance reviews later in the year;
- Increasing the attention on mitigating ongoing portfolio risks related to variable crude oil prices, foreign currency liquidity concerns and political volatility;
- Driving delivery on the objectives of enhancing credit risk data quality through the implementation of Oracle ERM/ERP resources;
- Driving efficient cost management system through robust Group shared service programme;
- Continuing to apply appropriate and responsible lending criteria and focus on risk appetite always to ensure prudent lending prevails;
- Managing exposure concentrations across counterparties, portfolios, products, industries and regions;
- Continuing to enhance the credit risk governance framework that underpins the Group's credit risk appetite;
- Continuing to diversify the Group's funding base across local and foreign currencies with a view to minimising funding costs for the Group;
- Current and emerging cybercrime and cybersecurity threats will receive increased focus through continued improvement of people, process and system vulnerabilities, including increased internal and third party attention. This will enable the proactive deployment of resources to better manage cyber threats and crimes and allow for protection of our information assets;
- The Goup's insurance programme will continue to evolve to ensure coverage for emerging cyber-related risks; and
- Focus on Risk-Adjusted Performance Measurement (RAPM) to maximise shareholder value by optimally managing financial resources within the Board-approved risk appetite.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

INTRODUCTION

We are committed to driving a sustainable business in 2017 just like in previous years. Despite the economic headwinds and operating challenges facing the banking industry in Nigeria, we remained focused on our vision of nation-building. The bedrock of our commitment to nation-building since 1894 is largely our ability to manage our relationships with our stakeholders. This includes meeting our obligations to our employees through constant engagement and empowerment. It also includes putting our customers' needs first, understanding the importance of helping the customers achieve what is important to them. Furthermore, it is about enriching the lives of the communities where we live and work to enable them grow and prosper. Therefore, to build and sustain value for our stakeholders, people, customers and the communities, we will continue to explore ways to foster deeper relationships.

Strengthening relationship with MoneyGram to better serve customers. An event which held in March 2017

Left-Right: Patricia Chris-Omon (Head, Money Transfer, FirstBank); Kemi Okusanya (Former Head, Anglophone Africa, MoneyGram); Gbenga Shobo (Deputy Managing Director, FirstBank); Andres Villareal (Chief Compliance Officer, MoneyGram); Adeyemi Ogunmoyela (Group Chief Compliance Officer, FirstBank); Abiodun Famuyiwa (Group Head, Products and Marketing Support).

Western Union 'Back-to-School' Promo Car Presentation Ceremony, which held in November 2017.

Left-Right: Grace Iruene (Product Manager, FirstBank); Patricia Chris-Omon (Head, Money Transfer, FirstBank); Ebere Nwaolikpe (Assistant Manager, Marketing, Western Union, ECOWAS) Olumide Olorunsola (Senior Country Manager, Western Union, ECOWAS); Olawale Arigbede (FirstBank Customer and Car Winner); Mercy Igbinomwanhia (Team Lead, Western Union, FirstBank); Christopher Arokoyo (Head, Product Support Services, FirstBank); Muhammed Mustapha (Head Branch Services, FirstBank, Sanusi Fafunwa Branch).

Employee Engagement, Empowerment And Inclusive Workplace

At FBNHoldings, we know that our people are critical to the success of our business therefore we are committed to ensuring that the skills and talents of our people are properly harnessed to achieve the business goals of the organisation. The Group has a talent management framework that provides guidance on hiring, staff development and training, as well as matching competencies with job requirements. Added to this is the Group's competency framework and catalogue. It indicates the competencies, attitude and behaviour required by every employee at work.

In 2017, it was important to implement talent management initiatives that would help motivate and retain our high performing talents. Towards achieving this, our focus was mainly on I-Develop Campaign; the FirstBank Management Associate Programme, development of a New Incentive Scheme for the Bank (Bonus Pay), Job Shadowing and Staff Exchange Programme.

In addition, the Merchant Banking and Asset Management (MBAM) group developed a talent management framework tagged 'Hipo' (High Potential) to promote the retention of top talent within the business, as well as the 'Step-up' boot camp aimed at equipping employees for the next level. Likewise, the sterling performance delivered by the insurance business can be attributable to the effective management and retention of quality staff.

Our dedication to diversity and inclusion has seen us build a culture where all employees are valued, respected and where their opinions count. We remain committed to ensuring a diverse and inclusive culture where employees believe that their views are heard, their concerns are attended to and fosters an environment where partiality, discrimination and harassment on any matter, including gender, age, ethnicity, religion and disability, are not tolerated and where progression is based on impartial criteria.

To this end, we are guided by our diversity policy that ensures our staff are from diverse backgrounds. Furthermore, driving gender equality has been a key aspect of the Group's culture and in 2017 we had male to female ratio at 55.6% and 44.4%.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Employee engagement is critical to our success as a Group and we have established an engagement and commitment strategy, noting the peculiarities attributable to the industry and the various locations of our individual entities. In 2017, some of the platforms for staff engagement were: town hall meetings with executives; manpower planning and resourcing for critical roles in the Group and culture change for the FirstBank Group.

To ensure employees internalise the right behaviours necessary for achieving the brand promise and ultimately the strategic objectives of the organisation, a Culture Transformation programme which will span a duration of 24 months was launched in September 2016.

Four culture themes, which will form the bedrock of behaviours for all employees as shown below, have been identified. These are Entrepreneurship; Professionalism; Integrity and Customer-Centricity.

Promoting Financial Inclusion: Putting Our Customers' Needs First

Enhancing the quality of life and financial security of our customers and their families remains a key priority. Therefore, we continue to explore ways to develop sustainable products and services tailored to meet their needs and expectations.

In putting our customers first, in 2017, our focus was on improving the quality of service delivery and customer experience across all channels. Our focus areas included enhancement of service offerings on the digital channels, availability of additional self-service options and customer engagement across locations.

Through our enhanced digital platforms; FirstMonie®, FirstMobile, and the Agent Banking model, the unbanked and under-banked have been empowered. In 2017, 10 million cards were issued to customers, making it the first Nigerian bank to achieve this feat. In addition, 80.0% of our customer initiated transactions were performed on self-service channels rather than brick and mortar branches.

The revamped FirstBank online banking platform has made it possible for new users to carry out self-registration while corporate users can enjoy the new transaction approval workflow feature. The new experience applies to Firstmobile customers and they are now able to enjoy additional services such as card management (enable or disable the use of their payment cards on different electronic channels), QR payments (secure payment by scanning QR code), transaction receipts generation and cheque management. These enhancements have positively impacted our business in 2017, as the Bank grew its user base by 84.0% to about 2 million.

Overall, our customers conducted about 97 million transactions worth ₦4.1tn using our online banking channels (FirstOnline and FirstMobile).

> **"Supporting the communities in which we live and work is our key corporate responsibility and sustainability strategic pillar."**

To further demonstrate our commitment to financial inclusion, FirstMonie was revamped. The new Agent Banking model (Human ATMs) provides the unbanked and underbanked members of society with most of the banking services available to customers in the branches. As at December 2017, individuals could deposit, withdraw and transfer funds (to FirstBank and other bank customers), pay bills and buy airtime at agent locations, just like at the ATMs. However, beyond transactions, the human interaction established between customers and agents provides a level of comfort for the financially excluded person who may be averse to the use of technology particularly for financial transactions.

In the six months of the pilot run of the revamped Agent Banking model, we witnessed tremendous growth and acceptance particularly in semi-urban regions of the country. As at December 2017, our FirstMonie agents had conducted transactions worth almost ₦7bn. Furthermore, the Bank improved its ATM services. With 2,892 active

Ibukun Awosika (Chairman, FirstBank), engaging the audience on the value of FirstGem, FirstBank's Lifestyle offering for women at the first anniversary of FirstGem in Lagos.

Left-Rght Chizor Malize (Managing Partner, Brandzone Consulting LLC) and Aderemi Banjoko, Managing Director, dkbMarkets.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

A cross-section of participants connecting with wealth creation wisdom nuggets flowing from the FirstBank Chairman, Ibukun Awosika, during the keynote address at the Women Empowerment Programme which held on Tuesday, February 28, 2017.

terminals in 2017, the Bank maintained its position as having the largest ATM network in Nigeria. The Bank had 16.0% of the total market share and dispensed over ₦2.8tn representing an 8.0% growth from 2016.

Supporting Our Communities

Supporting the communities in which we live and work is our key corporate responsibility and sustainability strategic pillar. We understand that the survival of these communities underpins our sustainability. Therefore, to drive long-lasting impact, we ensured our stakeholders' needs are considered when making business decisions.

Under community support, we focused on education, health and welfare and the environment. Our key programmes within these platforms are; Educational Endowment, FirstBank Sustainability Centre, Hope Rising Initiative, FutureFirst, Employee Giving and Volunteering, Youth Leadership and Development and the FirstBank Conservation Initiative.

Our Corporate Responsibility And Sustainability Approach

Corporate responsibility and sustainability (CR&S) involves meeting the needs of our current stakeholders without compromising the ability of our future stakeholders to meet their needs and aspirations. It goes beyond financing economic activity in a responsible way to ensuring an inclusive, positive impact on our communities.

It is about creating long-term stakeholder value by adopting the opportunities and managing the associated environmental, social and governance risks. CR&S is not bolted on to our corporate strategy, but is embedded in our business strategy and our daily operations.

Our CR&S approach is three-pronged: citizenship, stakeholder management and impact management. Citizenship and stakeholder management involve considering the needs of stakeholders when making decisions while impact management is about minimising negative impacts and increasing our positive impacts on society.

The CR&S approach is contained in the Group's corporate responsibility policy. The policy clearly outlines our commitments and approach to corporate responsibility, as well as the Group's CR&S governance framework. The policy's scope and respective guidelines apply to operations and activities throughout the Group, including the subsidiaries in all locations, stakeholders and associated partners representing the Group.

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

- Driving Sustainable Finance And Investments: Our customers remain a vital element of our business. We constantly seek ways of providing products and services to meet their needs while ensuring that we manage our environmental, social and governance impacts in the process, thus contributing to overall sustainable growth and development.

- Empowering People: We are committed to the growth of our people by providing opportunities and a supportive environment and culture for personal development.

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

- Contributing To Environmental Sustainability: We are committed to avoiding or minimising environmental impacts beyond responsible lending.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

SUPPORTING OUR COMMUNITIES

The year 2017 was another opportunity for us to demonstrate our commitment to our host communities, as we intensify our corporate responsibility and sustainability efforts. We have structured our focus around four key themes that would deliver long-lasting impact, these are: education, health and welfare, economic empowerment as well as the environment, which are further subdivided into series of programmes that are listed and detailed below:

- Educational Endowment Programme;
- The FirstBank Sustainability Centre;
- Hope Rising Initiative;
- Youth Leadership and Development;
- FutureFirst;
- Junior Achievement Nigeria; and
- Employee Giving and Volunteering.

EDUCATIONAL ENDOWMENT PROGRAMME

Our Educational Endowment Programme was instituted in 1994. This programme is aimed at empowering young people and stakeholders through education. The programme's key objectives are:

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

Programme Structure

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

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

Currently, the value of our total endowment portfolio is more than ₦497mn. The fund is managed in a phased approach by FBNQuest Funds to ensure maximum yield.

The fund currently supports the following professorial chairs:

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

CFA Universities Ethics Challenge And Samuel Asabia Chair On Business Ethics

To demonstrate the Organisation's commitment to ethics, professional excellence, capacity building, inclusive growth of Nigerians, support for youth education as well as the drive for nation building, we partnered with CFA Society in its yearly Universities Ethics Challenge.

CFA Institute is a global, not-for-profit association of investment professionals with a mission to lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society.

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

The Ethics Challenge which took place at FirstAcademy on the 9th and 10th of November 2017, FirstBank's strategic platform for competence development, knowledge management and workplace culture change. The final result of the Ethics Challenge was announced during the CFA Society Nigeria's 2017 Charter Award dinner, which held on November 12, 2017 at the Grand Banquet Hall, Civic Centre, Lagos.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

THE FIRSTBANK SUSTAINABILITY CENTRE

The FirstBank Sustainability Centre, located at the Lagos Business School at the Pan-Atlantic University, is a demonstration of our commitment to promoting sustainable finance and adherence to global best practices in our business operations, particularly around collaborative partnerships and capacity building.

The Centre is designed to empower our staff, other financial institutions that are signatories to the Nigeria Sustainable Banking Principles (NSBP), FBNHoldings' customers and other stakeholders, including non-Governmental organisations (NGOs), media practitioners and SMEs. This is achieved through relevant applied research in specified areas of interest, open and in-company seminars, workshops as well as international and local conferences for the cross-fertilisation and exchange of ideas on sustainability. Some of the centre's activities are:

Sustainability Workshop For NGOs

The Sustainability Workshop for NGOs was designed to create an enabling platform for NGOs and corporate organisations to better understand and appreciate the imperative of inclusive partnerships, the reasons why and how such partnerships are fostered.

This highlights the fact that NGOs continue to hold emerging roles in contemporary society, creating awareness, driving advocacy, proffering solutions and implementing workable initiatives within the context of social issues. Furthermore, NGOs' commitment to addressing societal problems cannot be situated within an isolated or exclusive framework. It is important to foster collaboration of governments, businesses, society and NGOs. This promotes systemic thinking and solutions that could engineer sustainable development.

The workshop featured over 25 participants, including senior NGO executives, individuals interested in setting up NGOs, company executives who work with NGOs, corporate social responsibility/ sustainability units and corporate foundations.

The SME And International Sustainability Conference

The International Sustainability Conference attracted reputable speakers and stakeholders across different sectors. Detailed below are highlights of the communique from the conference:

- Amid the reality of extreme poverty, unemployment, environmental degradation and the inability of governments especially in developing countries to tackle these problems, there is an urgent need for creative and innovative thinking by all strata of society, public, private sector and civil society to promote sustained and inclusive economic growth, social development as well as environmental protection.
- Partnerships and collaborations are at the heart of the sustainable development agenda. Clearly, the scale and ambition of this agenda call for smart partnerships, collaborations, ecosystem thinking, co-creation and alignment of various intervention efforts by the public and private sectors as well as civil society.
- The private sector, being the key drivers of the sustainable development agenda, must desist from the perception that their contribution to sustainable development is just philanthropy and voluntary corporate social responsibility. However, the private sector must begin to develop inclusive and sustainable business models that deliver sustainable development without undermining profitability.
- To alleviate societal problems, we must leverage technology that is accessible and affordable towards creating solutions or innovations. Technology in business is essential for poverty resolution and shared value creation.
- Sustainable businesses contribute to societal development, human rights, labour standards and environmental practices.
- Sustainable innovation to solve societal problems must involve youth development and creating a mindset that will lead to innovations for the future.
- Government should partner with the private sector for the provision of infrastructure for sustainability development,
- Growth figures are meaningless if it does not address poverty, gender equality and sustainable jobs for the youths.

HOPE RISING INITIATIVE

The Hope Rising Initiative is one of our key programmes designed to empower people living with disabilities. The objective is to engender inclusivity and diversity through education, advocacy, enlightenment, encouraging skills acquisition through training and organising inclusive events. In 2017, some of the initiatives supported under this programme are:

- The Down Syndrome Foundation Inter House Sports and donation to Down Syndrome Foundation from from the Gift Policy proceeds;
- The Benola First Annual Symposium;
- The Folawiyo Adisa physically challenged para-badminton championship;
- The Sickle Cell Foundation commemoration of the World Sickle Cell Day;
- The Grace Eniekebi Foundation in Trilogy event for seniors;

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

- The National Association of the Blind's Braille Reading and Writing Competition;
- Partnership with Nigeria Red Cross Society in the commemoration of the World Red Cross Day;
- The Nigeria Society for the Blind towards the 2017 May Ball support;
- Partnership with Bunmi Adedayo Foundation in the implementation of the Children's Day event;
- Partnership with DUSUSU Foundation in the Zuriel Oduwole's Screening of 'Follow the Ball for Education';
- The Benola Cerebral Palsy Initiative;
- The Chinwe Bode-Akinwande Foundation (CBA), fundraising Charity walk tagged 'Walk4Hope', to support underprivileged widows and their children;
- The Hope 4 Sure Foundation support;
- The Pacelli School for blind and partially sighted children; and
- Support for the Patrick Speech and Languages Centre on the Autism Concert talent.

YOUTH LEADERSHIP AND DEVELOPMENT PROGRAMME

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

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

Activities in 2017 include partnership with LEAP Africa on its International Youth Day Commemoration where over 700 young people participated in the online art competition targeted at peace and development.

FUTUREFIRST PROGRAMME

In keeping with the Bank's objective to promote financial inclusion, FutureFirst initiative was developed. FutureFirst is a financial literacy and career counselling programme designed to empower secondary school students to build fulfilling careers and create financial awareness. The programme's key objectives are directed at assisting students to:

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

A total coverage of 15,000 secondary school students with over 43,000 volunteering hours expended.

JUNIOR ACHIEVEMENT NIGERIA

In 2017, our partnership with Junior Achievement Nigeria (JAN), a non-profit organisation that aims to inspire and educate young people to become the business leaders of the future continued.

The Bank worked with JAN to implement different programmes which held in various locations across the country. The Bank provided senior secondary school students with practical business experience that would enable them organise and operate after-school business enterprises. The programme offers experiential support to the students' business and economics studies. It provides a platform to better understand how businesses are organised and operated, develop critical thinking, encourage speaking and leadership skills, understand the rewards of the free enterprise system, learn about career opportunities and gain basic workforce-readiness skills. Overall, the programme promotes positive relationship between young people and the business community.

To maintain FirstBank's membership on the JAN's Board, the Bank supported four students who took part in the Africa Regional Competition that held in South Africa.

EMPLOYEE GIVING AND VOLUNTEERING

Our Employee Giving and Volunteering programme was established to encourage employees to give back to the community and instil the integral corporate culture of giving. The programme is structured around two elements, namely:

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

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

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

The approach is three-pronged:

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

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

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

The programme is also aligned with the four core areas of our Community Support Pillar; education, health and welfare, economic empowerment as well as the environment:

- **Education:** volunteers are expected to train or teach students and members of the local community on specific subjects identified as knowledge gaps that hinder them from doing business. Programmes supporting this initiaitive include: FutureFirst and the Youth Leadership and Development programme.

- **Economic Empowerment:** volunteers use their skills to empower students, community groups and displaced people through coaching and teaching. Programmes supporting this initiaitive include: FutureFirst and entrepreneurship.

- **Health And Welfare:** volunteers give their time, energy and financial resources to the aged, orphans, the less privileged and the sick. The Hope Rising programme and visits to the less privileged support this initiaitive.

- **Environment:** the Bank supports training that encourages employees to adopt responsible practices that impact the community positively. Staff training and the Environment Conservation programme support this initiative.

In 2017, staff volunteers from the Bank participated in the 7th Annual Down Syndrome Inter-House Sports Competition, held in support of World Down Syndrome Day. Staff took part in some of the sporting activities alongside the children and encouraged and cheered them in the different events. Organised by the Down Syndrome Foundation, the annual competition aims to improve the physical and intellectual development of people living with Down Syndrome through sporting activities. The events are designed to develop appropriate skills and values, such as a good sense of judgement, hard work, integrity, confidence and working together.

Celebrating Corporate Responsibility And Sustainability Week: Promoting Random Acts Of Kindness

As part of the Employee Giving and Volunteering programme activities, FirstBank initiated a whole week of celebrating its Corporate Responsibility and Sustainability initiatives from 25–29 September 2017. The historical FirstBank CR&S week themed 'Promoting Kindness; Putting You First' witnessed the culmination and consolidation of the Bank's interventions in social responsibility, promoting random acts of kindness across communities in the six geo-political zones of Nigeria and FirstBank subsidiaries in the United Kingdom and Middle Africa. The programme was a reflection of FirstBank's brand promise to always put its customers first while it reinforces the Bank's role in driving sustainable development in the communities where it operates.

The CR&S week is specially designed to reignite acts of kindness in our society and the events are tailored towards re-orientating the society along the right values; encouraging the citizenry to intentionally create positive impact in their immediate environment. One of the major highlights of the week has been dubbed the SPARK initiative - Staff Promoting Acts of Random Kindness. The week-long activities provided an opportunity for FirstBank's employees to give their time and resources to promote random acts of kindness within their communities; driving welfare through giving and visits to orphanages and less-privileged homes and internally displaced persons (IDPs). The Bank held career counselling sessions with secondary school students across the regions towards inculcating financial literacy and inclusion in young students.

FirstBank's CR&S Week is the first of its kind in the Financial Service industry in Nigeria and highlights the Bank's corporate citizenship interventions to drive positive impact across various communities all in one week. It encouraged people everywhere to step out of their comfort zones and perform a random act of kindness.

COMPLAINTS HANDLING

The Group through its subsidiaries, has identified attainment of service excellence as a crucial non-financial priority. Central to this is the enrichment of customers' experience through proactive management of complaints and issues. All complaints received pass through the approved stages of the complaints handling process which are: acknowledging, assessing, investigating and providing feedback.

Response to requests and enquiries, as well as complaints resolution occur 24 hours a day and seven days a week. This is managed through our contact centre and various other channels available to customers - emails via our online platform, SMS (text) alerts through the relationship managers, and direct contact with customer service officers in branches. In addition, we ensure customers are aware of our complaints channels by displaying the information in all our branches and informing customers of the timeframe within which their complaints will be treated. There are also escalation channels for complaints that are not adequately resolved within specified timeframe. To further protect our customers, the Bank renders customers' complaints to the Central Bank of Nigeria (CBN) on a daily basis to ensure outstanding cases are resolved within defined timelines.

At the commencement of the year 2017, the primary focus of the Customer Complaints Management was on the following:

- Improving resolution time on customer complaints
- Standardising our complaints handling processes

Improving Resolution Time On Customer Complaints

The team sought to reduce the waiting time customers experience when lodging complaints with the Bank by deploying an Online Complaints Portal. Taking cognisance of the performance and security of the portal to ensure customers' complaints are logged and tracked easily, complaints are routed to proper resolving teams or external service providers as required. This increased focus has seen a growing migration of customers to the self-service channel as adoption of the portal grew by 1,079.0% in November relative to May 2017.

As customers continue to adopt the use of Electronic Channels for processing transactions, the Bank continues to seek ways to automate its complaint resolution channels with a view to improving the quality and speed of resolutions provided to customers. In September 2016, the Bank successfully integrated its Customer Relationship Management (CRM) solution with its Business Performance Monitoring Suite, a workflow based solution for automated resolution of electronic complaints. The Naira MasterCard module of this solution went live across all the Bank's branches and Contact Centers in June 2017. Early gains of this integration witnessed improvement of 77.0% in the Bank's complaints resolution rate in November compared to 48.0% recorded in September 2016. We are making progress to ensure this process is constantly enhanced towards improving overall resolution rate to 90.0% by the first quarter of 2018.

The Commercial Bank's wide footprint across the country and its position as the industry leader in transaction processing is unparalled and central to boosting our customer experience rating, as well as improved speed for refunding transaction dispute by customers. The Bank's complaint's management team recently engaged key switching companies (InterSwitch – Verve, Naira MasterCard and UPDM – Visa Cards) to review current failures that affect complaints and set minimum expectations for both parties, we expect to witness further improvements in year 2018.

Standardising Our Complaints Handling Processes

As part of the Group's continuous improvement objectives and in adherence to the guidelines of the ISO 9001:2015 certification, the Commercial Bank invited auditors from the British Standards Institution to re-certify its complaints handling process. The audit process took place between August 21-24, 2017. This process involved visits to branches, head office customer complaints and resolving units, as well as the Bank's contact centers. Following the conclusion of the exercise, the Bank was found to have met the requirements for certification and its license was renewed for another year.

Consumer Complaints Received In 2017

S/N	Description	Number 2017	Number 2016	Amount Claimed (₦) 2017	Amount Claimed (₦) 2016	Amount Refunded (₦) 2017	Amount Refunded (₦) 2016
1.	Pending complaints brought forward	9,981	9,026	139,739,723.80	352,146,882.16	108,735,478.80	199,055,568.35
2.	Received complaints	437,522	287,309	45,563,075,066.83	68,277,756,465.16	7,092,749,481.61	4,234,867,129.55
3.	Resolved complaints	435,876	286,354	41,145,608,841.48	68,490,163,623.52	7,201,484,960.41	4,433,922,697.90
4.	Unresolved complaints escalated to CBN for intervention	0	0	0	0	0	0
5.	Unresolved complaints pending with the Bank carried forward	11,627	9,981	4,557,205,949.16	139,739,723.80	0	0

GOVERNANCE

The Board and Management of FBN Holdings Plc remained steadfast in the unified belief that good corporate governance practice remains the best tool to deliver increased shareholder value.

BOARD OF DIRECTORS

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

Appointment Philosophy

Relevant regulatory guidelines and laws guide FBNHoldings' appointment philosophy. The Board appointment process is transparent. Our Directors are selected based on their skills, competencies and experience. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment. Thereafter, recommendations on candidates' suitability are made to the 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.

> "The Board appointment process is transparent. Our Directors are selected based on their skills, competencies and experience."

Training Philosophy

Regardless of the expected depth of knowledge and experience of those appointed to the Board, 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. Details of the Board's training plan for the 2017 financial year is stated below:

BOARD OF DIRECTORS

Dr Oba Otudeko, *CFR*
Group Chairman

Dr Oba Otudeko, *CFR,* is the pioneer Chairman of FBN Holdings Plc and founding Chairman, Honeywell Group. He is a foremost and visionary Nigerian entrepreneur reputed for his highly successful domestic and foreign investments cutting across diverse sectors of the economy. He served on the Board of FirstBank between May 1997 and December 2010, when he retired as Chairman. He became the Chairman of FBNHoldings in 2012. He was also the founding Chairman of FBNBank (UK) Ltd. He has, at various times, served on the Boards of the Central Bank of Nigeria (1990–1997), Guinness Nigeria Plc (1999–2003), British American Tobacco Ltd (2001–2004) and Ecobank Transnational Incorporated, headquartered in Lome, Togo (2002–2010).

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

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

Oye Hassan-Odukale, *MFR*
Executive Director

Oye Hassan-Odukale, *MFR,* is a pioneer Director on the Board of FBN Holdings Plc. He holds Bachelor and Masters' degrees in Business Administration from the University of Houston. He is the current Managing Director/CEO of Leadway Assurance Company Limited, a leading Insurance Company in Nigeria, a position he has held for several years. His appointment was preceded by several years of experience in insurance brokerage, underwriting, investments and general management. He is a recipient of the national honour of Member of the Order of the Federal Republic of Nigeria (MFR) and sits on the Board of several companies in Nigeria, both for profit and non-profit. He was a Non-Executive Director on the Board of First Bank of Nigeria Plc; and now the current Chairman of FBNBank (UK) Ltd, a wholly owned subsidiary of FirstBank. Oye is a Securities and Exchange Commission-accredited investment manager and portfolio advisor. He is married with children and enjoys listening to music, reading and travelling.

BOARD OF DIRECTORS

'Debola Osibogun
Non-Executive Director

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She brings to the Board 33 years of extensive financial services experience, covering real estate financing, trusteeship, retail savings and loans at various institutions. She holds a Master of Science degree in Banking and Finance and a Bachelor of Education degree in Economics, both from the prestigious University of Ibadan. A Fellow and former President of the Chartered Institute of Bankers of Nigeria, she is also Fellow of the Chartered Institute of Taxation of Nigeria, the Nigerian Institute of Management, Association of Enterprise Risk Management Professionals and a member of Institute of Directors. Currently the Managing Director of Davidfinn Global Concept Limited and President of Consumer Awareness and Financial Enlightenment Initiative (CAFEi), a non for profit organisation Limited by guarantee. Debola has had an illustrious financial services career, serving meritoriously at Co-operative Bank Plc, COOP Savings & Loans Limited, Skye Bank Plc and Skye Trustees Limited as the Managing Director. She also served as the Managing Director of COOP Savings and Loans Limited and Non-Executive Director of FBN Mortgages Limited. She was the National President of the Mortgage Bankers Association of Nigeria. An astute researcher and writer, she has published several articles and papers on primary mortgage institutions and creation of mortgages as well as on Financial Literacy. At the National level, she served as a member of the Presidential Committee on Urban Development and Housing, the Presidential Committee on Mortgage Finance and as Executive Member of the Nigerian Real Estate Developers Association. She is married with children and enjoys playing basketball, polo and golf.

Chidi Anya
Non-Executive Director

Chidi Anya joined the Board in 2013. He has nearly three decades of professional practice within the Nigerian legal system, including pupillage with LN Mbanefo SAN, and roles as as Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria. Since 1997, he has been Managing Partner of The Channings Law Firm, providing leadership and strategic direction as it has grown. The firm currently acts as Company Secretary to several leading indigenous conglomerates operating in strategic sectors of the Nigerian economy, provides guidance on corporate governance and compliance matters. For many years, Chidi has been recognised by clients and peers as a leading commercial and corporate law specialist and his legal career has equipped him with high-level skills in negotiation, administration, communication, management, advocacy and ethical leadership, all of which he brings to the Board. A member of the Nigerian Bar Association, he is married with children and his interests include gardening, reading, writing and intellectual debates . He also contributes to the building of stronger and more resilient communities.

BOARD OF DIRECTORS

Cecilia Akintomide, OON
Independent Non-Executive Director

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

Cecilia brings to the Board of FBN Holdings Plc her wealth of management experience, particularly from an international financial institution, and her legal experience spanning more than 31 years since her call to bar. She has expertise in corporate governance, institutional affairs, business reorganisations and financing. She has practised law in different jurisdictions, including as a business reorganisation associate in the law firm of Weil, Gotshal & Manges in New York, and as a junior associate at O. Thomas & Co., Lagos. She was a member of the United Nations election monitoring team for the 1994 presidential election in South Africa, which was won by Nelson Mandela.

In 2014, Cecilia was awarded the honour of Officer of the Order of the Niger (OON) by the Government of the Federal Republic of Nigeria for her meritorious contributions in the field of international development. Cecilia is experienced in working and leading in a multicultural and bilingual environment and is a frequent speaker at international events on law, development and gender. She is a member of the Nigerian Bar and the New York Bar.

Oluwande Muoyo
Independent Non-Executive Director

Oluwande Muoyo joined the Board of FBN Holdings Plc in July 2016. She brings to the Board over 31 years' post-professional qualification experience in the private and public sectors, with key strengths in policy formulation, relationship management and business development. Oluwande holds a BSc degree in Accounting from the University of Lagos. She is a Chartered Accountant and banker and the immediate past Honourable Commissioner for Budget and Planning in Ogun State.

Prior to this appointment, she had worked with Stanbic IBTC for over 22 years, in various parts of the bank, including financial control, treasury and financial services, trade finance and corporate banking. Oluwande started her professional career with the international firm PricewaterhouseCoopers. A Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria, Oluwande has acquired competencies and skills in public financial management, banking, budgeting, planning, auditing and taxation.

She sits on the Governing Board of the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), which is a member of CGIAR (formerly known as the Consortium Group of Institutes of Agricultural Research). Oluwande has attended many training programmes including Strategic Marketing Management at Harvard Business School and Advanced Management Programme at Lagos Business School. She is married with children and enjoys walking, cycling and playing golf.

BOARD OF DIRECTORS

Omatseyin Ayida
Non-Executive Director

Omatseyin Ayida joined the Board of FBN Holdings Plc in 2015. He brings to the Board his expertise spanning over two decades in portfolio management, risk and strategic human resource management. He holds a Bachelor of Arts degree in Economics and Politics from the University of Kent, Canterbury, United Kingdom. Omatseyin is currently the Managing Director of Ruyat Oil Ltd.

He was previously the Managing Director of Capital Bank International Plc, where he led the successful buyout of the Bank and its merger with Access Bank Plc and Marina International Bank in 2005. Before joining Capital Bank International in 2001, he worked with Commercial Bank (Credit Lyonnais Nigeria) Ltd in various capacities in the Corporate Finance department and Multinational Corporate Banking. He rose to become Deputy Managing Director in 1998, where he oversaw human resource management for the institution.

He also led the successful transformation of Credit Lyonnais to Capital Bank over an 11-month period in 2001. An honorary member of the Chartered Institute of Bankers, Omatseyin has served on the Boards of several institutions. He has attended several executive programmes at Harvard Business School, Lagos Business School and Centre International de Management et d'Enseignement Strategique (CIMES). He is married with children and enjoys playing golf.

Dr Hamza Wuro Bokki
Non-Executive Director

Dr Hamza Wuro Bokki is an alumnus of Harvard Business School, and an experienced Chief Executive Officer with a demonstrated history of working in the financial services industry. He currently serves as Managing Director/CEO of NPF Pensions Ltd.

He is a strong business development professional skilled in Negotiation, Business start-up, Planning, Analytical Skills, Capital Markets, Board administration (having served on Boards of about 20 companies and still serving), and Business Transformation. Hamza joined the Board of FBN Holdings Plc as a Non-Executive Director in August 2014. Hamza was the first student to be awarded a first-class degree in Public Administration from the University of Maiduguri and holds a master's degree and a PhD in Public Administration and Policy Analysis. A Fellow of the Chartered Pension Institute of Nigeria and a member of the Nigerian Institute of Management, he serves on the Boards and Audit Committees of several companies in the public and private sectors.

He was Managing Director of the Gombe State Investment and Property Development Company Limited, where he revamped the company's financial position, as well as the pioneer MD/CEO of APT Pensions, which he brought to profitability within four years. Between 2012 and 2014, he served as Honourable Commissioner for Trade and Industry, Gombe State. During this time, he successfully ran the GMSG/BOI entrepreneurship development programme, which was adjudged the best in the country. He has attended several executive programmes on Corporate Governance and Audit Committee. He is married with children and enjoys reading, as well as travelling.

BOARD OF DIRECTORS

UK Eke, *MFR*
Group Managing Director

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

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

UK, a Fellow of the Institute of Management Consultants, Fellow of the Institute of Directors, and a Fellow of the Institute of Chartered Accountants of Nigeria, holds a first degree in Political Science (University of Lagos) and an MBA in Project Management Technology (Federal University of Technology, Owerri). He is a Non-Executive Director of First Bank of Nigeria Limited and FBN Merchant Bank Limited.

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

Dr Adesola Adeduntan
Non-Executive Director

Dr Adesola Adeduntan joined the Board of FBN Holdings Plc as a Non-Executive Director in January 2016. Sola attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He also holds a Master's Degree in Business Administration (MBA) from Cranfield University Business School, United Kingdom, which he attended as a British Chevening Scholar. He has attended executive/leadership programmes at Harvard, Cambridge, Oxford and INSEAD, and is a Fellow of the Institute of Chartered Accountants of Nigeria. Sola is the Managing Director/CEO of FirstBank of Nigeria Ltd and subsidiaries. Prior to this appointment, he was an Executive Director and Chief Financial Officer of FirstBank.

Before joining FirstBank in 2014, Sola was the pioneer Chief Financial Officer/Business Manager of the Africa Finance Corporation (AFC), where he remains a Director. He has served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen Nigeria. He also had a brief stint at the defunct Afribank Nigeria Plc (now acquired by Skye Bank) as a graduate trainee where he worked mainly in Banking Operations.

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

BOARD OF DIRECTORS

Oluseye Kosoko
Company Secretary

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

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

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

He is an Advisory Board Member of the General Counsel Summit, Association of Corporate Counsel (ACC) and Member of the Nigerian Bar Association. He loves reading, community activity, music, sports and enjoys meeting people. He is married with children.

BOARD OF DIRECTORS

ATTENDANCE AT BOARD MEETINGS

The Board of FBNHoldings met eight times in 2017. The record of attendance is provided below:

Name	January 31	April 6	April 25	May 18	August 1	October 24	November 2	December 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	✓	✓	✓	✓	✓	✓	✓	✓

BOARD COMMITTEE REPORTS

Board And Committee Governance Structure

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

BOARD GOVERNANCE AND NOMINATION COMMITTEE

'Debola Osibogun
Chairman

Membership

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

Attendance At The Board Governance And Nomination Committee Meetings In 2017

Name	January 30	February 17	March 8	April 24	May 18	July 26	October 17	November 1	December 18
'Debola Osibogun	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oluwande Muoyo	✓	✓	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓	✓	✓

Key Responsibilities

The responsibilities of the Committee are to:

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

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

- 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.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

BOARD AUDIT AND RISK ASSESSMENT COMMITTEE

Oluwande Muoyo
Chairman

Membership

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

Attendance At The Board Audit And Risk Assessment Committee Meetings In 2017

Name	January 24	February 17	April 3	April 12	July 25	October 17	November 2
Oluwande Muoyo	✓	✓	✓	✓	✓	✓	✓
‘Debola Osibogun	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓

Role And Focus

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

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

Key Responsibilities

The responsibilities of the Committee are to:

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

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

BOARD FINANCE AND INVESTMENT COMMITTEE

Oye Hassan-Odukale, *MFR*
Chairman

Membership

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

Attendance At The Board Finance And Investment Committee Meeting In 2017

Name	January 24	February 17	August 1	October 18	November 1	December 13
Oye Hassan-Odukale, *MFR*	-	✓	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓
UK Eke, *MFR*	✓	✓	✓	✓	✓	✓

Role And Focus

The purpose of the Committee is to provide:

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

Key Responsibilities

The responsibilities of the Committee are to:

- understand, identify and discuss with Management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Group's strategy;
- participate in an annual strategy retreat for the Board and Management, ensuring that the Board retains sufficient knowledge of the Group's business and the industries in which it operates 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.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

GROUP EXECUTIVE COMMITTEE (GEC)

UK Eke, *MFR*
Chairman

The role of the Committee is ensuring implementation and alignment of the Group's strategy. The GEC is a management committee and meets quarterly, or as may be required. The Committee met four times in 2017.

Membership

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 the Committee includes:

- 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 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.

STATUTORY AUDIT COMMITTEE (SAC)

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.

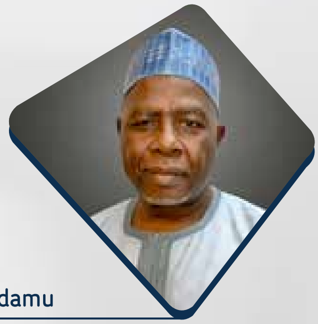
Shareholder Representative Profiles

Ayodeji Shonubi,

Chairman, Statutory Audit Committee

Ayodeji Shonubi is the Principal Partner of Ayo Shonubi & Co. He attended The Polytechnic, Huddersfield, England and University of Strathclyde, Glasgow, Scotland. Ayodeji holds a Post Graduate Diploma in Financial Studies and is a Fellow of the Institute of Chartered Accountants of Nigeria, Association of Chartered Certified Accountants and Chartered Institute of Taxation of Nigeria. A former Managing Director, Frontline Savings and Mortgage Ltd between 1992 and 1993, Ayodeji is a member of Honeywell Flourmills and Oando Plc Audit Committees. He was Chairman, Guinness Nigeria Plc. Audit Committee between 1995 and 2008.

Ayodeji was a member of the Finance and General-Purpose Committee and currently a member of the Professional Examination Committee of the Institute of Chartered Accountants of Nigeria. Ayodeji was Assistant General Manager (Finance), Federal Mortgage Bank of Nigeria from 1989 to 1992, Principal Manager, Peat Marwick Ani Ogunde & Co from 1979 to 1989. He served as Audit Senior and Audit Trainee at Price Waterhouse & Co and Z.O. Ososanya & Co respectively. He is presently a member of the Finance and General-Purpose Committee of the Chartered Institute of Taxation of Nigeria after serving as Vice Chairman, Membership Committee of the Institute from 1998 to 2005. Ayodeji has acquired considerable experience in Auditing and Accountancy Services, Management Consultancy Services, Investigation, Tax Consultancy Services and Financial and General Management. He is married with children.



Ismail Adamu

Ismail Adamu was appointed member of the Audit Committee in May 2016. A Fellow of the Chartered Institute of Credit Administration and an Honorary Senior Member of the Chartered Institute of Bankers, Ismail holds a Master's degree in Banking and Finance from Bayero University Kano. He has over 33 years' banking experience which cuts across Banking Operation, Credit Administration, Mortgage Banking, Business Development, Management, Finance and Investment.

While in the banking service, he held several positions including pioneer Bank Manager, Guyuk Branch, Adamawa, Branch Manager, Murtala Mohammed Way Branch, Kano and Relationship Manager, Corporate Banking Group, Union Bank Plc.

He is skilled in general banking practices and internal control and internal audit. He is the Executive Director of Adona Property Support Services Ltd. Ismail is a purposeful and result-oriented leader with excellent interpersonal skills and good professional ethical conduct. He is married with children and enjoys music and football.

Christopher Okereke

Christopher ('Chris') Okereke was appointed member of the Audit Committee in May 2016. Chris has over 18 years' experience with the Securities and Exchange Commission, where he initiated and extensively contributed to policy formulation for the Regulation of the Nigerian Capital Market and initiated and collaborated with others in developing and implementing the strategic and structural agenda for the Commission.

He spent about 12 years as Audit Manager, Chief Accountant/Company Secretary, Finance Controller and Senior Auditor in different investment and auditing companies. He was also a lecturer at the Federal Polytechnic, Unwana – Afikpo. He was Honourable Commissioner, Economic Empowerment and Poverty Reduction, Ebonyi State from 2007 to 2009. He is a member of several committees including Technical Committee of National Council on Privatisation and Committee on Guidelines for Universal Banking in Nigeria.

He holds a Doctor of Philosophy degree in Economics from the University of Lagos, a Fellow of the Institute of Chartered Accountants of Nigeria; an Associate Member of the Institute of Chartered Stockbrokers and a Member of American Economics Society. Chris is a Principal Partner at Onyejekwe Okereke & Co and Director, KST Investment & Financial Services Ltd. He is married with children and enjoys reading and playing golf.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

Financial Literacy On The Statutory Audit Committee

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

Summary Of Educational Qualifications Of Statutory Audit Committee Members

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

Independence Of The Statutory Audit Committee

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

No Executive Director sits on the SAC. Of the six members of the Committee as 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.

Role And Focus

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

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on Management matters in conjunction with the external auditor and departmental responses thereon (Management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board 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 financial statements and establish and develop the internal audit function.

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

*** Please refer to the profile of Directors on pages 60 to 65.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

The SAC was established in accordance with the Companies and Allied Matters Act (CAMA); listed below are details of the SAC, including the auditors. The record of SAC attendance for the year 2017 is provided below:

Attendance At Statutory Audit Committee (SAC) Meetings:

Name	April 4	May 9	August 15	December 18
Ayodeji Shonubi	✓	✓	✓	✓
Ismail Adamu	✓	✓	✓	✓
Christopher Okereke	✓	✓	✓	✓
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓

Going Concern

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

External Auditors

The external auditors for the 2017 financial year were Messrs' PricewaterhouseCoopers (PwC).

Section 33 of the Securities and Exchange Commission (SEC) Code (the Code) of corporate governance regulates the rotation of external auditors and provides that to safeguard the integrity of the external audit process and guarantee the independence of the external auditors, companies should rotate both the audit firms and audit partners.

It further provides that companies should require external audit firms to rotate audit partners assigned to undertake external audit of the company from time to time. Audit personnel should be regularly changed without compromising the continuity of the external audit process. The Lead Audit Partner was changed during the 2017 financial year.

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

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

FBNHoldings is in full compliance with the Code as its external auditors were appointed as sole auditors starting from the 2014 financial year and hence have been retained for four years. They are subject to re-appointment annually and hence will be considered for re-appointment at the 2017 Annual General Meeting.

2017 Audit Fees

The audit fees paid by the FBNHoldings (the Company) to the external auditors for the 2017 statutory audit was ₦25million. There were no non-audit services rendered to the company during the year.

Prohibition Of Insider Dealings

In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, structures have been put in place to ensure compliance accordingly and to communicate closed periods to insiders and the Nigerian Stock Exchange. Compliance is ensured through the Registrars that, within this period, Directors, persons discharging managerial responsibility, advisers and other persons with access to insider information or their connected persons are not allowed to deal in the securities of FBNHoldings.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

Succession Planning

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

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

Thereafter, the Committee defines the competency requirements for the key positions. The competency 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 requirements are 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 the 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 needs of the Board.

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

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

In line with Section 14 of the Nigerian Stock Exchange (NSE) Amendments to the Listing Rules (Rules), we wish to state that we have adopted a code of conduct regarding securities transactions by our Directors and it is in line with the required standard set out in the Rules.

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

Dr Oba Otudeko, *CFR*
Group Chairman

Seye Kosoko
Company Secretary

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

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

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

Dr Oba Otudeko, *CFR*
Group Chairman

Seye Kosoko
Company Secretary

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

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

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

Dr Oba Otudeko, *CFR*
Group Chairman

Seye Kosoko
Company Secretary

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

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

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

Dr Oba Otudeko, *CFR*
Group Chairman

Seye Kosoko
Company Secretary

WHISTLEBLOWING IN FBN HOLDINGS PLC

Commitment To High Ethical Standards

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

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).*

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;

WHISTLEBLOWING IN FBN HOLDINGS PLC

- Dedicated email address; *FBNHoldingsWhistleBlowing@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.

Wider Disclosure

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

Regulator	Address
Central Bank of Nigeria (CBN)	Central Business District, P.M.B. 0187, Garki, Abuja. +234 9 462 39246 anticorruptionunit@cbn.gov.ng
Nigeria Deposit Insurance Corporation (NDIC)	Plot 447/448, Constitution Avenue Central Business District P.M.B. 284, Garki, Abuja +234 (0) 9460 1380 - 9 info@ndic.org.ng, helpdesk@ndic.org.ng
Securities and Exchange Commission (SEC)	SEC Towers, Plot 272, Samuel Adesujo Ademulegun Street, Central Business District P.M.B. 315, Garki, Abuja. +234 (0) 9462 1159 sec@sec.gov.ng
Nigeria Insurance Commission (NAICOM)	Plot 1239, Ladoke Akintola Boulevard, Garki II, P.M.B. 457, Garki Abuja, Nigeria. +234 (0) 9291 5101 info@naicom.gov.ng
National Pension Commission (PENCOM)	Plot 174, Adetokunbo Ademola Crescent, Wuse, Abuja, +234 (0) 9460 3930 info@pencom.gov.ng
Nigerian Stock Exchange (NSE)	Stock Exchange House 2-4, Customs Street, P. O. Box 2457, Marina, Lagos +234 (0) 1448 9373, 081 724 3061, 081 201 60463 x-whistle@nse.com.ng

WHISTLEBLOWING IN FBN HOLDINGS PLC

FBNHoldings Two-Year Analysis Of Whistleblowing Cases

Whistleblowing Cases	2017*	2016*
Probable irregularities and non-compliance with the policies of the Group	10	5
Disciplinary measures	10	6
Cases under investigation	7	5
Unsuccessful attempts by outsiders to lure members of staff into committing fraud	0	1
Cases investigated but found to be untrue	5	10
Total	**32**	**27**

**includes all subsidiaries within the Group*

DIRECTORS' REPORT

The Directors present their report on the affairs of FBN Holdings Plc ("the Company") together with the financial statements and auditors' report for the period ended 31 December 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 Company's shares were listed on the floor of the Nigerian Stock Exchange on 26 November 2012 after the shares of First Bank of Nigeria Plc were delisted on 23 November 2012.

b. Principal Activity And Business Review

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

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

The Company consists of three groups namely:

- Commercial Banking Group comprising First Bank of Nigeria 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 Directors' shareholding and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are noted as follows:

DIRECTORS' REPORT

Directors' Shareholdings

S/N	NAME	2017 HOLDINGS DIRECT	2017 HOLDINGS INDIRECT	2016 HOLDINGS DIRECT	2016 HOLDINGS INDIRECT	ENTITIES
1.	Dr Oba Otudeko, *CFR*	5,895,264	-	5,895,264	-	
			113,079,843		113,079,843	Metropolitan Trust Nig. Limited
			44,188,168		44,188,168	Honeywell Staff Ct & Cs
			70,206,271		70,206,271	Orbit International Limited
			111,663,659		111,663,659	Springwater Limited
			72,138,423		72,138,423	Landbond Limited
			52,394,669		52,394,669	Coral Products Limited
			68,404,806		68,404,806	Network Securities Limited
	TOTAL	**5,895,264**	**532,075,839**	**5,895,264**	**532,075,839**	
2.	Oye Hassan-Odukale, *MFR*	1,854,003	-	1,854,003	-	
			112,320		102,320	Lac Investments Limited
			1,467,506		1,467,506	Haskal Holdings Limited
			28,723,469		36,830,410	Oho Investments Limited
			2,175,578		2,175,578	Leadway Capital & Trusts Limited
			266,697,449		222,403,327	Leadway Assurance Co. Limited
	TOTAL	**1,854,003**	**299,176,554**	**1,854,003**	**262,979,141**	
3.	Chidi Anya	-	52,168	-	52,168	Muonta And Guonta Limited
4.	Hamza Wuro Bokki	3,389,061	-	3,327,000	-	-
5.	'Debola Osibogun	1,171,612	-	595,968	-	-
6.	Omatseyin Ayida	1,100,000	-	1,100,000	-	-
7.	UK Eke, *MFR*	14,575,178	-	14,575,178	-	-
8.	Dr Adesola Adeduntan	10,942,189	-	52,189	-	-
9.	Oluwande Muoyo	674,043	-	581,748	-	
		-	798,596	-	798,596	Clayder Limited
10.	Cecilia Akintomide, *OON*	5,500	-	5,500	-	-
11.	Muhammad Ahmad, *OON* *(resigned w.e.f. 19 July 2016)*	-	-	218,686	-	-

d. Operating Results

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

	Group 31 Dec 2017 ₦'m	Group 31 Dec 2016 ₦'m	Company 31 Dec 2017 ₦'m	Company 31 Dec 2016 ₦'m
Gross earnings	595,444	581,831	13,715	12,715
Profit before tax	56,826	22,948	9,382	7,611
Taxation	(9,040)	(5,807)	(107)	(104)
Profit for the year from continuing operations	47,786	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 from 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

DIRECTORS' REPORT

e. Directors Interests In Contracts

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

f. Property And Equipment

Information relating to changes in property and equipment is given in note 32 to the Accounts. In the Directors' opinion, the market value of the Company's properties is not less than the value shown in the financial statements.

g. Shareholding Analysis

Shareholding Range Analysis as at 31 December 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**

Shareholding 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.

DIRECTORS' REPORT

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

KPMG

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

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the Code") and the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code"), FBN Holdings Plc ("FBNHoldings" or "the Company" engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2017. The CBN Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

Our approach to the appraisal of the Board involved a review of Company's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed the Company's Corporate Governance report prepared by the Board and included in the Annual Report for the year ended 31 December 2017, and assessed the level of compliance of the Board with the CBN and SEC Codes.

On the basis of our review, except as noted below, the Company's corporate governance practices are largely in compliance with the key provisions of the CBN and SEC Codes. Specific recommendations for further improving the Company's governance practices have been articulated and included in our detailed report to the Board. The key areas identified include enhancement of the Company's related party process.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
26 April, 2018

FINANCIAL STATEMENTS

The audited financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS

Dr Oba Otudeko, *CFR*	Non-Executive Director (Group Chairman)
UK Eke, MFR	Group Managing Director
Oye Hassan-Odukale, *MFR*	Non-Executive Director
Chidi Anya	Non-Executive Director
Dr Hamza Bokki	Non-Executive Director
'Debola Osibogun	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Dr Adesola Adeduntan	Non-Executive Director
Cecilia Akintomide, *OON*	Independent Non-Executive Director
Oluwande Muoyo	Independent Non-Executive Director
COMPANY SECRETARY:	Oluseye Kosoko
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Oniru, Lagos
REGISTRAR:	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKERS:	First Bank of Nigeria Limited 35 Marina Lagos FBNQuest Merchant Bank Limited 10 Keffi Street, Ikoyi Lagos

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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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.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers – (refer to notes 2.12a, 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.

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

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

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.

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.

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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.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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.

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

23 April 2018

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

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended 31 December 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 23 March 2018

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

MEMBERS OF THE COMMITTEE

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

INCOME STATEMENT

	Notes	Group 31 December 2017 ₦'million	Group 31 December 2016 ₦'million	Company 31 December 2017 ₦'million	Company 31 December 2016 ₦'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 tax		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 owners 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

		Group		Company	
	Notes	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Profit for the year		**40,011**	12,243	**9,275**	7,507
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
-Unrealised net gains/(losses) arising during the year		**50,899**	(17,800)	**163**	2
-Net reclassification adjustments for realised net gains		**-**	(13,517)	**-**	-
Share of other comprehensive loss of associates		**(65)**	-	**-**	-
Exchange difference on translation of foreign operations		**13,362**	26,724	**-**	-
Items that will 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 owners 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

STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Notes	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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

STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Notes	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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
Group Chairman
FRC/2013/ICAN/00000002365

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Share capital	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 equity
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Balance at 1 January 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 tax	-	-	-	-	-	-	(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 with owners													
Dividends	-	-	(5,384)	-	-	-	-	-	-	-	(5,384)	(1,243)	(6,627)
Loss of control in NSIA II and FBN Heritage fund	-	-	(224)	-	-	-	(24)	-	-	-	(248)	1,558	1,310
Business restructuring	-	(19,500)	19,500	-	-	-	-	-	-	-	-	-	-
Other changes	-	-		-	-	-	-	-	-	-	-	(52)	(52)
Transfer between reserves	-	-	(31,075)	-	9,579	-	-	289	21,207	-	-	-	-
Total transactions with owners	-	(19,500)	(17,183)	-	9,579	-	(24)	289	21,207	-	(5,632)	263	(5,369)
At 31 December 2016	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123	(548)	582,575
Balance at 1 January 2017	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123	(548)	582,575
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 tax	-	-	-	-	-	-	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 with owners													
Dividends	-	-	(7,179)		-	-	-	-	-	-	(7,179)	(760)	(7,939)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(611)	(611)
Transfer to retained earnings	-	-	315		-	-	-	-	-	-	315	(315)	-
Transfer between reserves	-	-	(27,583)	-	7,877	(0)	-	530	19,176	-	-	-	-
Total transactions with owners	-	-	(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

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Available-for-sale fair value reserve ₦'million	Total ₦'million
Balance at 1 January 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 with owners						
Dividends	-	-	(5,384)	-	-	(5,384)
Business restructuring	-	(19,500)	-	-	-	(19,500)
Total transactions with owners	-	(19,500)	(5,384)	-	-	(24,884)
At 31 December 2016	17,948	233,392	8,008	10	347	259,705
Balance at 1 January 2017	**17,948**	**233,392**	**8,008**	**10**	**347**	**259,705**
Profit for the year	-	-	9,275	-	-	9,275
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	163	163
Total comprehensive income	-	-	9,275	-	163	9,438
Transactions with owners						
Dividends	-	-	(7,179)	-	-	(7,179)
Total transactions with owners	-	-	(7,179)	-	-	(7,179)
At 31 December 2017	**17,948**	**233,392**	**10,104**	**10**	**510**	**261,964**

STATEMENT OF CASH FLOWS

	Notes	Group 31 December 2017 ₦'million	Group 31 December 2016 ₦'million	Company 31 December 2017 ₦'million	Company 31 December 2016 ₦'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 flow 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 flow (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)	**-**	-
Disposal by non-controlling interest		**(611)**	(52)	**-**	-
Net cash flow generated from/(used in) financing activities		**43,238**	(46,707)	**(7,179)**	(5,384)
Increase/(decrease) in cash and cash equivalents		**315,296**	(27,078)	**6,932**	(4,252)
Cash and cash equivalents at start of year		**746,231**	666,368	**645**	4,792
Effect of exchange rate fluctuations on cash held		**104,920**	106,941	**8**	105
Cash and cash equivalents at end of year	21	**1,166,447**	746,231	**7,585**	645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

2.1 Basis of preparation

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.

2.1.1 Basis of measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2017.

(i) Amendments to IFRS 12 - Disclosure of Interest in Other Entities (effective 1 January 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 Taxes (effective 1 January 2017)

The amendment to IAS 12 sheds more light on the position regarding unrealised loss on debt instruments measured at fair value and the recognition of deferred tax assets for such items. Unrealised 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 utilisation 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 recognise 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 recognised 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 Flows (effective 1 January 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(i) IFRS 15 – Revenue from contracts with customers (effective 1 January 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 January 2018)

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

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

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

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 First Bank of Nigeria 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.

First Bank of Nigeria 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, First Bank of Nigeria 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 ₦49.8billion.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

2.3 Consolidation

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

a. Subsidiaries

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2.4 Segment reporting

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

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

a. Functional and presentation currency

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

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

b. Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as 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.

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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 taxation

a. Current income tax

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

b. Deferred tax

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

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

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

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

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

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

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

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2.8 Inventories

The Group purchases and constructs properties for resale.

The Group recognises property as inventory under the following circumstances:

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

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

2.9 Financial assets and liabilities

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

2.9.1 Financial assets

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

a. Financial assets at fair value through profit or loss

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

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

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/(losses) on financial instruments 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.

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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:

- 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;
- those that the Group upon initial recognition designates as available-for-sale; or
- 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:

- those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group designates as available-for-sale; and
- 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.

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e. Recognition

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

2.9.2 Financial liabilities

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

a. Financial liabilities at fair value through profit or loss

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

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

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

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

b. Other liabilities measured at amortised cost

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

2.9.3 Derivative financial instruments

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

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

2.9.4 Embedded derivatives

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

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2.9.5 Determination of fair value

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

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

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

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

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

2.9.6 De-recognition of financial instruments

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

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2.9.7 Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

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.

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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.

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

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

2.14 Collateral

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

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

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

2.15 Discontinued operations

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

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

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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.

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

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

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

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

- commencement of owner-occupation (transfer from investment property to owner-occupied property).
- commencement of development with the view to sale (transfer from investment property to inventories).
- end of owner-occupation (transfer from owner-occupied property to investment property).
- commencement of an operating lease to another party (transfer from inventories to investment property).
- end of construction or development (transfer from property in the course of construction/ development to investment 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 equipment

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

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

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

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	$33^1/_3$%
Plant and machinery	20
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for leases under 50 years
Land	Not depreciated

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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:

- It is technically feasible to complete the software product so that it will be available-for-use;
- Management intends to complete the software product and use or sell it;

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- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- 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 equivalents

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

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

2.22 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans

a. Defined contribution plan

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

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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.

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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 FirstBank builds up, we will be able to adjust for company-specific claims settlement patterns.

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(ii) Long-term insurance contracts with fixed and guaranteed terms

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. Insurance contract liabilities

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

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

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

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2.25 Fiduciary activities

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

2.26 Issued debt and equity securities

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

2.27 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. Earnings per share

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

c. Treasury shares

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

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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 RISK MANAGEMENT

3.1 Introduction and overview

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

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

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

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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
- Risk officers work as allies and thought partners to other stakeholders within and outside the Group, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.
- All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.2 Credit risk

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

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

3.2.1 Credit risk measurement

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

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

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3.2.1 Credit risk 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	0.01	0.01	Investment
Very low risk	AA	2	100%-83.33%	0.01	0.02	0.02	
Low risk	A	3	100%-72.22%	0.02	0.02	0.02	
Low risk	BBB	4	72.21%-66.67%	0.02	0.04	0.04	
Acceptable - moderately high risk	BB	5	66.66%-55.56%	0.04	0.06	0.06	Non-investment
High risk	B	6	55.55%-44.44%	0.06	0.09	0.09	
Very high risk	CCC	7	44.43%-33.33%	0.09	0.13	0.13	
Extremely high risk	CC	8	33.32%-16.67%	0.13	0.15	0.15	
High likelihood of default	C	9	16.65%-5.56%	0.15	1.00	1.00	
Default risk	D	10	5.55%-0.00%	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/government securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture Trust Deed/Fixed Debenture and Mortgage Debenture
4	Legal mortgage on residential business real estate in prime locations A & B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A & B
5	Domiciliation of receivables from acceptable Corporates
5	Enforceable lien on fast moving inventory in bonded warehouses
6	Equitable mortgages on real estates in any location
6	Negative pledge/clean lending
6	Domiciliation of other receivables
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Letter of hypothecation, personal guarantee

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3.2.2 Risk limit control and mitigation policies

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

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

(a) Portfolio limits

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

The Group's Portfolio limit includes:

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

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 realisable value of collateral. The Group shall apply the granularity criterion on its retail credit portfolio:

- No single retail loan should amount to more than 0.2% of total retail portfolio.

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

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

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

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.

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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 realised. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers.

3.2.4 Exposure management

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

3.2.5 Delinquency management/loan workout

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

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3.2.6 Credit recovery

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

3.2.7 Management of concentration risk

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

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

3.2.8 Impairment and provisioning policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3.2.9 Measurement basis of financial assets and liabilities

	Fair value through profit and loss	Fair Value through OCI	Amortised cost	Amortised cost	
Group	Held-for-trading ₦'million	Available-for-sale ₦'million	Loans and receivables ₦'million	Held-to-maturity ₦'million	Total ₦'million
31 December 2017					
Financial assets					
Cash and balances with central banks	-	-	641,881	-	641,881
Loans and advances to banks	-	-	742,929	-	742,929
Loans and advances to customers:					
- Overdrafts	-	-	296,135	-	296,135
- Term loans	-	-	1,670,334	-	1,670,334
- Staff loans	-	-	7,947	-	7,947
- Project finance	-	-	26,296	-	26,296
- Advances under finance lease	-	-	511	-	511
Financial assets at fair value through profit or loss	83,713	-	-	-	83,713
Investment securities:					
- Available-for-sale investments	-	1,122,757	-	-	1,122,757
- Held-to-maturity investments	-	-	-	108,283	108,283
- Loans and receivables	-	-	17,568	-	17,568
Asset pledged as collateral	-	134,513	-	74,412	208,925
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 profit and loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	665,366	665,366
Deposits from customers	-	3,143,338	3,143,338
Financial liabilities at fair value through profit or loss	9,404	-	9,404
Other liabilities	-	226,410	226,410
Liability on investment contracts	-	13,399	13,399
Borrowings	-	420,919	420,919
Total financial liabilities	9,404	4,469,432	4,478,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3.2.9 Measurement basis of financial assets and liabilities (continued)

	Fair value through profit and loss	Fair Value through OCI	Amortised cost	Amortised cost	
Group	Held-for-trading ₦'million	Available-for-sale ₦'million	Loans and receivables ₦'million	Held-to-maturity ₦'million	Total ₦'million
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 ssets	57,123	1,025,081	3,273,887	192,158	4,548,251

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3.2.9 Measurement basis of financial assets and liabilities (continued)

	Fair value through profit and loss	Fair Value through OCI	Amortised cost	Amortised cost	
Company	Held-for-trading ₦'million	Available-for-sale ₦'million	Loans and receivables ₦'million	Held-to-maturity ₦'million	Total ₦'million
31 December 2017					
Financial assets					
Loans and advances to banks	-	-	7,585	-	7,585
Loans and advances to customers					
- Staff loans	-	-	108	-	108
Investment securities:					
- Available-for-sale investments	-	9,842	-	-	9,842
- Held-to-maturity investments					-
Other assets	-	-	8,832	-	8,832
Total financial assets	-	9,842	16,524	-	26,367

	Fair value through profit and loss ₦'million	Amortised cost ₦'million	Total ₦'million
Other liabilities	-	7,553	7,553
Total financial liabilities	-	7,553	7,553

	Fair value through profit and loss	Fair Value through OCI	Amortised cost	Amortised cost	
Company	Held-for-trading ₦'million	Available-for-sale ₦'million	Loans and receivables ₦'million	Held-to-maturity ₦'million	Total ₦'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
- Held-to-maturity investments					-
Other assets	-	-	10,260	-	10,260
Total financial assets	-	12,350	10,970	-	23,320

	Fair value through profit and loss ₦'million	Amortised cost ₦'million	Total ₦'million
Other liabilities	-	7,114	7,114
Total financial liabilities	-	7,114	7,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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	-	-
	5,256,369	4,866,550	**23,513**	20,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3.2.11 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 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 ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'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 profit or loss	68,753	-	-	2,238	4,166	-	75,157
Investment securities							
- Available-for-sale investments	593,590	3,233	1,933	17,131	56,263	354,589	1,026,739
- Held-tommaturity 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

(a) Geographical sectors (continued)

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with central bank	573,072	-	-	15,526	312	-	588,910
Loans and advances to banks	178,607	-	-	40,494	168,388	57,382	444,871
Loans and advances to customers							
- Overdrafts	153,687	67,650	19,408	40,457	620	865	282,687
- Term loans	1,212,318	190,685	57,318	102,969	13,180	111,233	1,687,703
- Staff loans	5,324	-	20	2,030	43	-	7,417
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets at fair value through profit or loss	39,148	-	-	449	1,586	-	41,183
Investment securities							
- Available-for-sale investments	592,323	3,953	1,950	16,170	18,486	229,127	862,009
- Held-to-maturity investments	87,479	3,184	-	17,816	-	-	108,479
- Loans and receivables	20,356	-	-	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	10,043	-	-	197,420
Other assets	21,303	3,746	919	5,100	3,534	-	34,602
31 December 2016	3,129,242	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	470,624
31 December 2016	308,555	125,280	15,416	10,073	11,736	13,767	484,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

(a) Geographical sectors (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Industry sectors (continued)

Group	Other assets ₦'million	Loans to customers: Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	-	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

Group	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities (Debt) - Available-for-sale ₦'million	Investment Securities - Held-to-maturity ₦'million	Investment Securities - Loans and receivables ₦'million	Asset pledged as collateral ₦'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Industry sectors (continued)

Group	Other assets ₦'million	Loans to customers: Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	2,285	7,632	108,397	-	-	1	116,030
Oil and gas	-	78,915	569,995	-	50,415	-	699,325
Consumer credit	-	5,964	112,932	5,410	-	-	124,306
Manufacturing	-	45,797	308,501	-	18,304	179	372,781
Real estate	-	29,630	117,349	1,717	-	-	148,696
Construction	968	40,246	18,376	-	15,859	9	74,490
Finance and insurance	24,917	638	7,922	-	4,121	-	12,681
Transportation	-	1,818	11,833	-	9,080	13	22,744
Communication	-	12,790	62,388	-	6,185	-	81,363
General commerce	2,687	25,501	27,282	-	-	3	52,786
Utilities	2,790	4,392	99,573	-	-	-	103,965
Retail services	457	29,173	44,031	290	-	1,099	74,593
Public sector	500	191	199,124	-	819	-	200,134
Total at 31 December 2016	34,602	282,687	1,687,703	7,417	104,783	1,304	2,083,894

Company	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities (Debt) - Available-for-sale ₦'million	Investment Securities - Held-to-maturity ₦'million	Investment Securities - Loans and receivables ₦'million	Asset pledged as collateral ₦'million
Finance and insurance	-	7,585	-	-	-	-	8,832
Public sector	-	-	6,989	-	-	-	-
Total at 31 December 2017	-	7,585	6,989	-	-	-	8,832

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Industry sectors (continued)

Company	Balances with central bank ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities (Debt) - Available-for-sale ₦'million	Investment Securities - Held-to-maturity ₦'million	Investment Securities - Loans and receivables ₦'million	Asset pledged as collateral ₦'million
Finance and insurance	-	645	-	-	-	-	10,260
Public sector	-	-	9,516	-	-	-	-
Total at 31 December 2016	-	645	9,516	-	-	-	10,260

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

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

Group	Loan commitments 31 December 2017 ₦'million	Letter of credit and other related obligations 31 December 2017 ₦'million	Loan commitments 31 December 2016 ₦'million	Letter of credit and other related obligations 31 December 2016 ₦'million
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**	-	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**	-	24,295
Retail services	113	**11,581**	21	25,814
Public sector	4	**26,996**	-	-
Total	8,263	**530,969**	14,203	470,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3.2.12 Loans and advances to customers

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

	Loans to customers					
Group	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
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	2,280,393
Less: allowance for impairment (note 23)	(49,493)	(228,341)	(296)	(479)	(561)	(279,170)
Net	296,135	1,670,334	7,947	26,296	511	2,001,223
Individually impaired	44,205	185,326	4	-	533	230,068
Portfolio allowance	5,288	43,015	292	479	28	49,102
Total	49,493	228,341	296	479	561	279,170
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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GROUP

December 2017

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

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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
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

(b) Loans and advances past due but not impaired

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	21,881	61,599	9	-	110	83,599
Past due by 30 - 60 days	11,313	20,852	5	-	-	32,170
Past due 60-90 days	1,087	26,565	-	-	-	27,652
Gross amount	34,281	109,016	14	-	110	143,421

(c) Collectively impaired loans

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
	2,378	26,794	-	-	54	29,226

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(d) Loans and advances individually impaired

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	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

December 2016

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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
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

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	16,112	143,171	4	8,581	186	168,054
Past due by 30 - 60 days	18,175	25,850	2	-	70	44,097
Past due 60-90 days	4,202	22,520	-	417	-	27,139
Gross amount	38,489	191,541	6	8,998	256	239,290

(c) Collectively impaired loans

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

	1,415	11,972	45	-	27	13,459

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3.2.12 Loans and advances to customers continued

(d) Loans and advances individually impaired

	Loans to customers					
	Overdraft ₦'million	Term loans ₦'million	Staff loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	152,773	393,568	15	23,885	497	570,738
Specific impairment	(106,323)	(156,756)	(3)	(10,837)	(497)	(274,416)
Net amount	46,450	236,812	12	13,048	-	296,322

(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 realising collaterals pledged.

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

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	Impairment charge in profit or loss		
	Current year ₦'million	Scenario 1 ₦'million	Scenario 2 ₦'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	-	12	12
- Project finance	1,531	1,591	1,591
- Advances under finance lease	181	188	189
Total	159,351	166,122	166,718

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3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

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

Group	Loans to banks ₦'million
31 December 2017	
A+ to A-	158,919
B+ to B-	238,042
Unrated	345,967
	742,929
31 December 2016	
A+ to A-	112,514
B+ to B-	69,709
Unrated	262,646
	444,871

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

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

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

Group 31 December 2017	Treasury bills as reported in the AFS portfolio ₦'million	Bonds as reported in the AFS portfolio ₦'million	Treasury bills as reported in the HTM portfolio ₦'million	Bonds as reported in the HTM portfolio ₦'million	Loans and receivables ₦'million	Other assets ₦'million
A+ to A-	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

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3.2.14 Credit quality of investment in debt securities and other assets is summarised as follows (continued):

Company 31 December 2017	Treasury bills as reported in the AFS portfolio ₦'million	Bonds as reported in the AFS portfolio ₦'million	Treasury bills as reported in the HTM portfolio ₦'million	Bonds as reported in the HTM portfolio ₦'million	Loans and receivables ₦'million	Other assets ₦'million
A+ to A-	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 Collaterized assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2017 and 31 December 2016 are as shown below:

	Over-collateralised assets		Under-collateralised assets	
Group 31 December 2017	Carrying value of the assets ₦'million	Fair value of collateral held ₦'million	Carrying value of the assets ₦'million	Fair value of collateral held ₦'million
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
31 December 2016				
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.

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3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

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

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

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

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

Group

(a) Table A - Liquidity analysis on a contractual basis

31 December 2017	0 - 30 days ₦'million	31-90 days ₦'million	31-90 days ₦'million	181-365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
Financial liabilities							
Deposits from banks	605,683	11,798	2,414	45,471	-	-	665,366
Deposits from customers	2,299,832	322,019	175,699	156,664	173,416	15,709	3,143,338
Financial liabilities at fair value through profit or loss	9,372	-	33	-	-	-	9,404
Borrowings	18,050	20,431	10,262	21,466	337,195	13,515	420,919
Other liabilities	108,611	54,190	62,529	999	81	-	226,410
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	3,041,548	409,921	251,900	226,237	519,162	30,070	4,478,837
Loan commitments	915	130	675	531	1,114	4,898	8,263
Letters of credit and other credit related obligations	27,537	31,147	98,625	307,773	65,887	-	530,969
Total commitments	28,452	31,277	99,300	308,304	67,001	4,898	539,232
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599
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

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

Company

(a) Table a - Liquidity analysis on a contractual basis (continued)

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

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3.3 Liquidity risk (continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (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 -Liquidity analysis on a behavioural basis

Group

31 December 2017	0 - 30 days ₦'million	31-90 days ₦'million	31-90 days ₦'million	181-365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
Financial liabilities							
Deposits from banks	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 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	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	3,111,993
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

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3.3.4 Assets held for managing liquidity risk

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

- Cash and balances with the central 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 ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2017							
Derivative liabilities							
Cross-currency swap	32	20	-	-	-	-	52
Accumulator-forward FX contract	-	139	4	19	-	-	162
Put options	(346)	2,275	3,244	5,680	6,932	-	17,785
	(313)	2,434	3,248	5,699	6,932	-	17,999
Derivative assets							
Cross-currency swap	32	-	-	-	-	-	32
Forward contract	371	2,320	3,939	7,087	7,848	-	21,565
Put options	-	146	4	19	-	-	169
	403	2,466	3,943	7,106	7,848	-	21,766
	90	4,900	7,190	12,805	14,780	-	39,764

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3.3.5 Derivative liabilities (continued)

(a) Derivatives settled on a net basis (continued)

Group	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2016							
Derivative liabilities							
Put options	(295)	(364)	(468)	(917)	(1,458)	-	(3,502)
	(295)	(364)	(468)	(917)	(1,458)	-	(3,502)
Derivative assets							
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.

Group	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2017							
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)

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3.4 Market risk

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

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

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

- interest rate movements in reaction to monetary policy changes by the Central Bank of Nigeria, fiscal policies changes, and market forces;
- foreign exchange fluctuations arising from demand and supply, as well as government policies; and
- equity price movements in response to market forces and changing market dynamics, such as market making on the Nigerian Stock Exchange.

3.4.1 Management of market risk

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.

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3.4.2 Market risk measurement techniques

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

(a) Value at risk (VAR)

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

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the bank) is subject to the VaR methodology. The 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 ₦787 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 ₦27 million as at 31 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	Scenario 2
Foreign exchange risk	58	280	4
Interest rate risk	1,493	5,870	34
Total VAR	1,551	6,150	38

Group	12 months to 31 December 2016		
	Average	High	Scenario 2
Foreign exchange risk	32	118	-
Interest rate risk	943	3,241	219
Total VAR	975	3,359	219

3.4.2 Market risk measurement techniques continued

(b) Stress tests

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

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

The 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 market risk exposures

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

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3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2017 and 31 December 2016. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group 31 December 2017	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
Financial assets						
Cash and balances with Central Banks	514,992	99,284	1,759	7,565	18,281	641,881
Loans and advances to banks	186,112	260,089	268,516	19,729	8,483	742,929
Loans and advances	-	-	-	-	-	
- Overdrafts	154,324	96,780	12,932	27,799	4,300	296,135
- Term loans	576,675	1,017,184	48,950	16,771	10,755	1,670,334
- Staff loans	6,069	1,416	41	1	420	7,947
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities	-	-	-	-	-	-
- Available-for-sale investments	646,143	476,614	-	-	-	1,122,757
- Held-to-maturity investments	67,688	-	-	-	40,595	108,283
- Loans and receivables	-	17,568	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	-	5,100	208,925
Financial assets at fair value through profit or loss	60,570	23,143	-	-	-	83,713
Other assets	55,143	4,843	356	336	2,784	63,462
	2,489,162	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

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3.4.3 Foreign exchange risk (continued)

Group 31 December 2016	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
Financial assets						
Cash and balances with Central Banks	631,916	5,476	610	16,115	36,048	690,165
Loans and advances to banks	85,874	43,650	16,028	281,821	17,497	444,871
Loans and advances	-	-	-	-	-	-
- Overdrafts	163,822	105,351	1,102	7,128	5,283	282,687
- Term loans	580,231	1,009,017	56,769	30,563	11,123	1,687,703
- Staff loans	5,345	1,489	43	8	532	7,417
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
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	-	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	102,446	116,512	1,727	9,202	5,501	235,388
Investment contracts	9,440	-	-	-	-	9,440
	2,283,890	1,318,209	400,659	53,231	63,067	4,119,056

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3.4.3 Foreign exchange risk (continued)

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 December 2017	31 December 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

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3.4.4 Interest rate risk

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

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

Group 31 December 2017	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
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
	4,990,742	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	112,611	74,833

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3.4.4 Interest rate risk (continued)

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

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3.4.5 Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31 December 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 ₦'bn	<=30 days	31-90 days	91-180 days	181-365 days	1 - 2 years	2 years and above	Rate sensitive
Treasury bills	38	53	136	203	-	-	431
Government bonds	-	-	9	-	15	80	103
Corporate bonds	-	-	-	-	-	1	1
Loans and advances to banks	-	21	-	-	-	-	21
Project finance	-	-	15	-	-	12	26
Term loans	57	5	6	54	100	1,206	1,428
Overdraft	1	-	182	16	-	-	199
Equipment 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 banks	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.

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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 December 2017	31 December 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 flow interest rate risk).

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Decrease	23,044	16,705	14,464	11,388
Asset	-	-	-	-
Liability				
Increase	(22,099)	-16,328	-13,519	(11,011)
Asset	-	-	-	-
Liability	26,296	104,783	-	-

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

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	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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 risk

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

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3.5 Management of insurance risk continued

3.5.1 Underwriting risk

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

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

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

- All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
- The Group's underwriting strategy aims to ensure that the underwriting risks are well-diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.

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

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

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

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

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3.5 Management of insurance risk continued

3.5.2 Frequency and severity of claims

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

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

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

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

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised in the next table, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from all life and non-life insurance contracts:

	31 December 2017			31 December 2016		
	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'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	-	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	-	221	94	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5 Management of insurance risk continued

3.5.2 Frequency and severity of claims

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

	31 December 2017			31 December 2016		
	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net liability ₦'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	-	-	-	2		2
General business	1,210	(454)	756	917	(647)	270
Total	4,113	(1,262)	2,851	3,113	(776)	2,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.3 Sources of uncertainty in the estimation of future claim payments

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

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

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

Product	Types of insurance risk	Product features	Risk
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in 4 equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the Sum Assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of ₦100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a max. of ₦5million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a 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 and critical Illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of ₦500,000.00 (subjected to ₦1million for a maximum of 2 lines) for 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 and general accident, fire outbreak, burglary and other hazards

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.3 Sources of uncertainty in the estimation of future claim payments continued

The insurance liabilities have been made on the following principles:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

Net valuation interest rate of 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	
	Risk	Annuity
Long-term FGN bond yield		
Less 0.25% risk adjustment	14.00%	14.00%
Less reinvestment risk margin	(0.25%)	(0.25%)
Less 6% tax	0.00%	(0.25%)
Net valuation rate	(0.81%)	0.00%
Rates adopted	12.94%	13.50%
	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%

Expenses

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

Future maintenance expenses

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

- Per policy maintenance charges
- 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.

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3.5.4 Process used to decide on assumptions (continued)

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

- Individual life: ₦5,000 per policy
- Credit life: ₦1,540 per policy
- Family shield: ₦620 per policy
- Group life: 42% of premium

The Group adopted a valuation expense assumption of ₦5,000 per policy on risk policies excluding family shield and ₦1,540 per policy for credit life while expense per policy for family shield is set at ₦620. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of business	Current valuation	Previous valuation
Individual Life	₦5,000 pp	₦4,200 pp
Credit Life	₦1,540 pp	₦550 pp
Family Shield	₦620 pp	₦770 pp

Expense Inflation

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.

Mortality

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

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

Annuity valuation and Future mortality improvements

For annuity, we have adopted the UK Pensioner table PA (90) with age rating of -1.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and Flexisave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the Flexisave surrender values are apportioned on the basis of sum insured.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.4 Process used to decide on assumptions (continued)

Lapses

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and Cashflow	Lapse Rate p.a	Surrender Rate p.a
Year 1	25.0%	-
Year 2	-	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.

Bonuses

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

Group and credit life businesses

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.4 Process used to decide on assumptions (continued)

Group and Credit life businesses continued

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.

(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.

(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission. 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 agreements

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

Changes in assumptions

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

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3.5.5 Insurance and Market risk sensitivities

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

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

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

a) Valuation interest (discount) rate +/-1%

b) Expenses +/- 10%

c) Expense inflation +/-2%

d) Mortality +/-5% (including Group Life)

	Base	VIR		Expenses		Expense inflation	
2017 ₦'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)

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3.5.5 Insurance and Market risk sensitivities continued

	Base	Mortality	
2017 **₦'million**	**-10%**	**-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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.5.5 Insurance and market risk sensitivities (continued)

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

	Base	Mortality	
2016 **₦'million**	**-10%**	**-5%**	**-5%**
Individual risk reserves	6,207	6,282	6,134
PRA Regulated annuities	1,519	1,524	1,515
Investment linked contracts	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152
Group Life - IBNR	362	362	362
Additional reserves	-	-	-
Reinsurance	35	35	35
Net liability	18,718	18,798	18,642
% change in net liability		0.4%	(0.4%)
Assets	26,769	26,773	26,773
Surplus	8,051	7,975	8,132

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

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3.5.6 Solvency

The solvency level at the valuation date was 280% (2016: 115%). That is, assets representing life and non-life fund on the Group's balance sheet (₦43.95bn) were 125% of the value of the actuarially calculated net liabilities (₦35.13bn).

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

	2017 ₦'million	2016 ₦'million
Government bonds	**21,364**	7,955
Treasury bills	**21,075**	13,984
Cash and bank balances	**1,403**	766
Commercial papers	**-**	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 localisation rules in Section 25 of 2003 Insurance Act were met. The life fund shows a surplus of ₦5.7billion (2016: ₦2.2billion), while life and non-life shows a surplus of ₦807million (2016: ₦478million).

3.6 Equity risk

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

As at 31 December 2017, the market value of quoted securities held by the Group is ₦2.49 billion (2016: ₦1.65 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 ₦283 million.

The Group holds a number of investments in unquoted securities with a market value of ₦94.28 billion (2016: ₦63.46 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

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

Group 31 December 2017	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
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

Group 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
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

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3.7 Fair value of financial assets and liabilities (continued)

3.7.1 Financial instruments measured at fair value (continued)

Company 31 December 2017	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	6,990	-	-	6,990
Investment securities - unlisted equity	-	2,852	-	2,852

Company 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	9,517	-	-	9,517
Investment securities - unlisted equity	-	2,834	-	2,834

(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.

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3.7 Fair value of financial assets and liabilities (continued)

(c) Financial instruments in level 3

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

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

The following table presents changes in level 3 instruments

Group	₦'million
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.

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3.7 Fair value of financial assets and liabilities (continued)

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

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

Description	Valuation technique	Range of unobservable nput(probability-weighted 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	Base	3,242
		Cash flows	Sensitivity of +2.5%	3,323
		Exit proceeds	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 31 December 2017	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
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	-	62,792
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	-	224,610
Investment contracts	-	13,399	-	13,399

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3.7.3 Financial instruments not measured at fair value (continued)

Group 31 December 2016	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
Financial assets				
Cash and balances with central banks	-	690,165	-	690,165
Loans and advances to banks	-	444,870	-	444,870
Loans and advances to Customers:				
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,687,703	1,687,703
- Staff loans	-	-	7,417	7,417
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held-to-maturity investments	64,913	43,566	-	108,479
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	34,603	-	34,603
Financial liabilities				
Deposit from customers	-	3,104,220	-	3,104,220
Deposit from bank	-	416,078	-	416,078
Borrowing	-	316,792	-	316,792
Other liabilities	-	235,388	-	235,388
Investment contracts	-	9,440	-	9,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7.3 Financial instruments not measured at fair value (continued)

Company 31 December 2017	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
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 31 December 2017		At 31 December 2016	
Group	Carrying value ₦'million	Fair value ₦'million	Carrying value ₦'million	Fair value ₦'million
Financial assets				
Loans and advances to customers	46,668	44,833	48,597	44,525
Fixed rate loans	1,954,555	1,973,851	2,035,297	2,035,298
Variable rate loans	108,284	96,875	108,479	93,472
Investment securities (held-to-maturity)	74,411	53,036	83,679	60,582
Asset pledged as collateral	8,262	8,262	14,203	14,203
Loan commitments				
Financial liabilities				
Borrowings	420,919	418,062	316,792	272,774

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3.7.3 Financial instruments not measured at fair value (continued)

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy.

Loans and advances to customers have been fair valued using average benchmarked lending rates which are adjusted to specific entity risks based on history of losses.

Borrowings which are listed on stock exchange are fair valued using market prices and are within level 1 of the fair value heirarchy while other borrowings are fair valued using valuation techniques and are within level 2 of the fair value heirarchy.

The carrying value of the following financial assets and liabilities for both the company and group approximate their fair values:

- Cash and balances with central banks
- Loans and advances to banks
- Other assets (excluding prepayments)
- Deposits from banks
- Deposits from customers
- Liability on investment contracts
- Other liabilities (excluding provisions and accruals)

4. CAPITAL MANAGEMENT

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

Name of entity	Primary regulator	Regulatory requirement
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of subsidiaries
First Bank of Nigeria Limited	Central Bank of Nigeria	₦100billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	₦15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: ₦150million; Trustee: ₦300million; Broker-Dealer: ₦300million; Underwriter: ₦200million; and Fund Manager: ₦150million
FBN Insurance Limited	National Insurance Commission	Life Business: ₦2billion General Business: ₦3billion
FBN Insurance Brokers Limited	National Insurance Commission	₦5million Capital

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Capital management (continued)

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

ii. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited

The Banks' capital is divided into two tiers:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Capital management (continued)

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 BANK		FIRST BANK OF NIGERIA	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 qualifying 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 qualifying for tier 2 capital	(421)	(2,417)	115,946	107,490
Total regulatory capital	12,098	16,591	535,692	501,256
Total risk-weighted assets	76,929	73,431	3,019,880	2,818,158
Risk-weighted Capital Adequacy Ratio (CAR)	15.73%	22.59%	17.74%	17.79%
Tier 1 CAR	16.27%	25.88%	13.90%	13.97%

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4. Capital management (continued)

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.

	Regulatory Requirement ₦'million	31 December 2017 ₦'million	Excess/ (Shortfall) ₦'million	31 December 2016 ₦'million	Excess/ (Shortfall) ₦'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 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

a Impairment charges on financial assets

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 Significant accounting judgements, estimates and assumptions continued

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

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

b Fair value of financial instruments

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

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

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

c Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held-to-maturity investment portfolio was not tainted.

d Retirement benefit obligation

For defined benefit pension plans, the measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 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 goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 ₦32.1million or decrease by ₦31.9million (2016: ₦79million and ₦77.7million 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 ₦34.7million or decrease by ₦29.8million (2016: ₦1.58million and ₦1.31million 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 Banking Business Group

This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Merchant Banking and Asset Management Business Group (MBAM)

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

Insurance Business Group

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

Others

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

6 Segment information (continued)

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.

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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 Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Others ₦'million	Total ₦'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 external customers	536,554	38,857	18,168	1,866	595,445
Interest income	436,392	25,260	6,090	1,843	469,586
Interest expense	(121,454)	(15,828)	(782)	-	(138,064)
Profit/(loss) before tax	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	-	-	(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)

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6 Segment information (continued)

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2017					
Total assets	4,949,985	183,933	50,692	51,927	5,236,537
Other measures of assets:					
Loans and advances to customers	1,961,776	39,243	96	108	2,001,223
Expenditure on non-current assets	82,794	2,258	2,180	1,031	88,263
Investment securities	1,153,363	80,713	4,690	9,842	1,248,608
Total liabilities	4,355,535	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 external customers	532,667	36,247	12,035	882	581,831
Interest income	381,672	18,890	3,955	764	405,281
Interest expense	(89,737)	(0,552)	(550)	-	(100,839)
Profit/(loss) before tax	8,276	13,708	3,414	(2,450)	22,948
Income tax expense	1,093	(3,380)	(1,021)	(2,499)	(5,807)
Profit/(loss) for the year from continuing operations	9,369	10,328	2,393	(4,949)	17,141
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

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6 Segment information (continued)

Geographical information
Revenues

	31 December 2017 ₦'million	31 December 2016 ₦'million
Nigeria	508,195	521,661
Outside Nigeria	87,250	60,170
Total	595,445	581,831
Non-current asset		
Nigeria	79,710	79,425
Outside Nigeria	8,553	8,890
Total	88,263	88,315

7 INTEREST INCOME

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦32.87billion (2016:₦30.77billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 INTEREST EXPENSE

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

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9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'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.

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11B FEES AND COMMISSION EXPENSE

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 EXCHANGE

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 DIVIDEND INCOME

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
FBNQuest Capital Limited	-	-	1,486	8,000
FBNQuest 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 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 PERSONNEL EXPENSES

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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	**-**	-
Entities outside the Group	**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 December 2017 Number	31 December 2016 Number	31 December 2017 Number	31 December 2016 Number
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:

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Below ₦2,000,000	**404**	435	**5**	6
₦2,000,001 - ₦2,800,000	**714**	309	**1**	1
₦2,800,001 - ₦3,500,000	**214**	1,035	**4**	4
₦3,500,001 - ₦4,000,000	**171**	169	**-**	-
₦4,000,001 - ₦5,500,000	**2,757**	1,948	**3**	3
₦5,500,001 - ₦6,500,000	**607**	1,893	**2**	2
₦6,500,001 - ₦7,800,000	**1,577**	1,350	**-**	-
₦7,800,001 - ₦9,000,000	**659**	843	**3**	3
₦9,000,001 and above	**1,645**	1,271	**16**	16
	8,748	9,253	**34**	35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18 OPERATING EXPENSES

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 and subscriptions	1,261	914	10	6
Stationery and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19 TAXATION - INCOME TAX EXPENSE AND LIABILITY

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
a Income tax expense				
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 tax - current period	11,306	8,356	107	104
Origination and reversal of temporary deferred tax differences	(2,266)	(2,549)	-	-
Income tax expense	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%	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19 Taxation - Income tax expense and liability (continued)

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 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
b Current income tax liability				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20 CASH AND BALANCES WITH CENTRAL BANKS

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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: ₦7.5billion).

Restricted deposits with central banks are not available for use in Group's day to day operations. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited had restricted balances of ₦449.99billion and ₦2.173billion respectively with Central Bank of Nigeria (CBN) as at 31 December 2017 (December 2016: ₦536.95billion 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 ₦2.276billion and ₦1.964billion (December 2016: ₦2.035billion and ₦2.273billion) respectively with their respective central banks.

21 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 and 25.2)	**272,227**	215,697	**-**	-
	1,166,447	746,231	**7,585**	645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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 ₦41.43 billion for Group (31 December 2016: ₦67.37billion) 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 31 December 2017	Gross amount ₦'million	Specific impairment ₦'million	Collective impairment ₦'million	Total impairment ₦'million	Carrying amount ₦'million
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Loans and advances to customers (continued)

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

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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/Bank of Industry facilities

Included in Loans and Advances to customers are term loans granted to customers in line with Central Bank of Nigeria (CBN) ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agriculture Credit (CACS)

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

	31 December 2017 ₦'million	31 December 2016 ₦'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

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23 Loans and advances to customers (continued)

Reconciliation of impairment allowance on loans and advances to customers:

Group	Overdrafts ₦'million	Term Loans ₦'million	Finance Lease ₦'million	Other ₦'million	Total ₦'million
At 1 January 2017					
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
	111,183	187,941	535	11,225	310,884
Additional provision/ (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)
	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Loans and advances to customers (continued)

Reconciliation of impairment allowance on loans and advances to customers:

Group	Overdrafts ₦'million	Term Loans ₦'million	Finance Lease ₦'million	Other ₦'million	Total ₦'million
At 1 January 2016					
At 1 January 2016	39,089	67,275	322	-	106,686
Specific impairment	2,798	29,999	32	207	33,036
Collective impairment	41,887	97,274	354	207	139,722
Additional provision*	84,260	112,100	175	10,149	206,684
Specific impairment	2,803	13,250	6	165	16,224
Collective impairment					
Loan write off	(17,451)	(35,706)	-	-	(53,157)
Specific impairment	(873)	(7,420)	-	-	(8,293)
Collective impairment					
Exchange difference	442	13,360	-	692	14,494
Specific impairment	132	(4,640)	-	15	(4,457)
Collective impairment					
Effect of adjustment on discontinued operations	(17)	(272)	-	(2)	(291)
Specific impairment	-	(41)	-	(1)	(42)
Collective impairment	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

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23 Loans and advances to customers (continued)

Loans and advances to customers include finance lease receivables as follows:

Group	31 December 2017 ₦'million	31 December 2016 ₦'million
Gross investment in finance lease, receivable	-	6
- No later than 1 year	1,072	1,928
- Later than 1 year and no later than 5 years	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 follows	-	6
- No later than 1 year	511	1,298
- Later than 1 year and no later than 5 years	511	1,304

Nature of security in respect of loans and advances:

Group	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Legal mortgage/debenture on business premises, factory assets or real estates	1,069,361	1,161,781	-	-
Guarantee/receivables of investment grade banks and state government	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.

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24 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Loans and advances to customers include finance lease receivables as follows:

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 equity 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 following derivative strategies:

Economic hedges

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

Customers risk hedge needs

The Group offers its customers derivatives in connection with their risk-management objectives to transfer modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to Senior Management.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 Financial assets and liabilities at fair value through profit or loss (continued)

a Derivatives

		Fair values	
Group 31 December 2017	Notional contract amount ₦'million	Asset ₦'million	Liability ₦'million
Foreign exchange 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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25 INVESTMENT SECURITIES

25.1 Available-for-sale investments

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25.3 Loans and receivables

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
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 ₦'million	31 December 2016 ₦'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

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26.3 Assets pledged as collateral (held-to-maturity)

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'million
Debt securities - at amortised cost	5,100	10,044
– Treasury bills	69,312	73,636
– Bonds	74,412	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 ₦33.8bn for the group in December 2017 (2016: ₦17.4bn) for which there is no related liability.

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'million
Non-current	131,408	62,075
	208,925	197,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

27 OTHER ASSETS

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

27 Other assets (continued)

Reconciliation of reinsurance assets and deferred insurance acquisition costs

	2017 Reinsurance assets					
	Claims recoverable ₦'million	Reinsurer's share of IBNR claims ₦'million	Prepaid reinsurance ₦'million	Minimum and deposit premium ₦'million	Total ₦'million	Deferred insurance acquisition costs ₦'million
At 1 January 2017	443	126	295	26	890	132
Addition	-	-	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 ₦'million	Reinsurer's share of IBNR claims ₦'million	Prepaid reinsurance ₦'million	Minimum and deposit premium ₦'million	Total ₦'million	Deferred insurance acquisition costs ₦'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	
	31 December 2017 ₦'million	31 December 2016 ₦'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

28 INVESTMENT PROPERTIES

	Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million
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/00000011465	FRC/2014/NIESV/00000003997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

29 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

i. Seawolf Oilfield Services Limited (SOSL)

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

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

ii. FBN Heritage Fund

FBN 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 31 December 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 ₦111.58 (Cost: ₦100). In 2016, the 15m units held by FBNHoldings was sold at an average price of ₦109.6 per units, resulting in gain on disposal of ₦144million.

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

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30 INVESTMENT IN SUBSIDIARIES

30.1 Principal subsidiary undertakings

	31 December 2017 ₦'million	31 December 2016 ₦'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 (n31 (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: ₦5billion; Total impairment: ₦5billion).

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 ₦5.494billion (2016: ₦548million).

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by the parent/group (%)	Statutory year end
First Bank of Nigeria Limited (note 31 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (note 31 (ii))	Investment Banking and Asset Management	Nigeria	100	31 December
FBN Insurance Limited (note 31 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (note 31 (iv))	Insurance 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 and Asset Management	Nigeria	100	31 December

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30 Investment in subsidiaries (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30.2 Condensed results of consolidated entities from continuing operations

31 December 2017	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised income statement										
Operating income	13,714	407,863	8,314	13,868	17,353	593	-	461,706	(16,871)	444,835
Operating expenses	(4,332)	(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	(24,904)	56,395
Associate	-	-	430	-	-	-	-	430	-	430
Profit before tax	9,382	57,108	4,348	6,194	4,585	114	-	81,730	(24,904)	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	(24,907)	47,785
Loss for the year from discontinued operations		(1,521)					(11,060)	(12,580)	4,807	(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	(20,101)	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
Summarised financial position										
Assets										
Cash and balances with central bank	-	638,308	-	3,073	500	-	-	641,881	-	641,881
Loans and advances to banks	7,585	729,603	26,066	14,953	1,567	414	-	780,188	(37,259)	742,929
Loans and advances to customers	108	2,026,038	79	39,164	94	2	-	2,065,484	(64,262)	2,001,223
Financial assets at fair value through profit or loss	-	33,011	7,644	4,385	38,673	-	-	83,712	-	83,713
Investment securities	9,842	1,153,365	27,783	52,930	4,536	155	-	1,248,610	-	1,248,608
Assets pledged as collateral	-	194,951	7,150	6,823	-	-	-	208,925	-	208,925
Other assets	9,011	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	680	82,793	383	1,876	2,108	72	-	87,913	350	88,263
Intangible assets	-	12,107	563	3,121	418	1	-	16,211	-	16,211
Deferred tax assets	-	8,7698	535	9,234	-	17	-	18,554	-	18,554
Assets held-for-sale	-	11,343	1,021	-	-	-	45,678	58,042	(7,893)	50,149
	269,621	5,014,248	76,219	140,701	50,350	750	45,678	5,597,562	(361,025)	5,236,537

31 December 2017	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by										
Deposits from banks	-	655,042	-	10,324	-	-	-	665,362	-	665,366
Deposits from customers	-	3,065,732	26,888	87,952	-	-	-	3,180,570	(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	198	-	-	-	66,434	74,040	(64,583)	9,457
	7,657	4,386,659	54,989	113,530	39,771	393	66,434	4,669,233	(111,088)	4,558,345
Equity and reserves	261,964	627,589	21,230	27,172	10,579	356	(20,756)	928,331	(244,941)	678,192
Summarised Cash Flows										
Operating activities										
Interest received	2,110	424,580	4,741	21,963	5,947	59	-	459,401	-	459,401
Interest paid	-	(123,001)	(3,866)	(12,072)	-	-	-	(138,939)	-	(138,939)
Income tax paid	(87)	(4,236)	(1,694)	(364)	(323)	(58)	-	(6,761)	-	(6,761)
Cash flow 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)	-	(144,319)	(13,625)	(157,945)
Net cash used in financing activities	(7,179)	70,733	2,524	(1,048)	(3,334)	-	-	61,696	(18,458)	43,238
Increase in cash and cash equivalents	6,932	306,086	17,769	10,117	4,349	127	(111)	345,349	(30,053)	315,296
Cash and cash equivalents at start of year	645	719,168	8,579	10,077	3,363	259	449	742,540	3,691	746,231
Effect of exchange rate fluctuations on cash held	8	104,048	671	187	-	6	-	104,920	-	104,920
Cash and cash equivalents at end of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,807	(26,361)	1,166,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30.2 Condensed results of consolidated entities from continuing operations (continued)

31 December 2016	FBN Holdings Plc. ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	FBN Heritage Fund ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised income statement											
Operating income	12,715	434,663	16,961	8,115	11,362	572	456	(4,313)	480,529	(10,611)	469,918
Operating expenses	(5,103)	(199,039)	(7,267)	(3,289)	(7,988)	(534)	(310)	(182)	(223,711)	2,778	(220,933)
Impairment charge for credit losses	-	(224,948)	(1,173)	90	(7)	-	-	-	(226,038)	1	(226,037)
Operating profit	7,611	10,676	8,521	4,916	3,367	38	146	(4,494)	30,780	(7,832)	22,948
Associate	-	-	108	-	-	-	-	-	108	(108)	-
Profit before tax	7,611	10,676	8,630	4,916	3,367	38	146	(4,494)	30,888	(7,940)	22,948
Tax	(104)	1,093	(3,364)	(16)	(986)	(35)	-	-	(3,413)	(2,394)	(5,807)
Profit/(Loss) for the year from continuing operations	7,507	11,768	5,266	4,900	2,380	4	146	(4,494)	27,476	(10,336)	17,141
Loss for the year from discontinued operations		(1,317)							(1,317)	(3,580)	(4,898)
Other comprehensive income	2	3,136	(2,464)	(2,736)	(1,091)	91	(32)	-	(3,095)	(4)	(3,099)
Total comprehensive income	7,509	13,586	2,803	2,164	1,289	95	113	(4,494)	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
Summarised 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
Summarised Cash Flows											
Operating activities											
Interest received	538	367,992	5,763	13,776	-	59	287	-	388,416	(287)	388,128
Interest paid	-	(89,410)	(2,383)	(8,259)	-	-	-	-	(100,052)	15,879	(84,173)
Income tax paid	(20)	(5,062)	(1,946)	(184)	(203)	(58)	-	-	(7,473)	(416)	(7,889)
Cash flow generated from operations	(1,728)	(106,622)	615	2,681	10,943	65	558	(217)	(93,705)	28,925	(64,780)
Net cash generated from operating activities	(1,210)	166,898	2,049	8,014	10,739	66	845	(217)	187,185	44,101	231,285
Net cash used in investing activities	2,341	(175,575)	(8,093)	(9,311)	(15,457)	(10)	58	-	(206,046)	(5,610)	(211,656)
Net cash used in financing activities	(5,384)	(18,740)	(3,061)	-	(1,014)	(600)	(1,554)	-	(30,353)	(16,355)	(46,707)
Increase in cash and cash equivalents	(4,252)	(27,417)	(9,104)	(1,297)	(5,732)	(543)	(651)	(217)	(49,213)	22,135	(27,078)
Cash and cash equivalents at start of year	4,792	644,973	12,567	11,271	9,094	797	332	668	684,495	(18,127)	666,368
Effect of exchange rate fluctuations on cash held	105	101,612	5,115	102	-	6	-	-	106,941	-	106,941
Cash and cash equivalents at end of year	645	719,168	8,579	10,077	3,363	259	(320)	449	742,220	4,011	746,231

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31 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 Limited.

(i) Rainbow Town Development Limited

The assets and liabilities of Rainbow Town Development Limited (RTDL) were classified as held-for-sale following the decision and resolution of the Board of Directors of FBN Holdings Plc. on October 21, 2016 to dispose the Group's interest in RTDL. The carrying amount of the investment is expected to the recovered principally by a sale rather than through continuing use. The 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) Twin Peaks Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited (""Twin Peaks"") are classified as held-for-sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited (""FBNQ CP""), the Fund Manager of FRED, to dispose the Group's interest in TwinPeaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020).

The buyer has fulfilled its obligation as stipulated in the SPA.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Asset held-for-sale (continued)

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 ₦'million	31 December 2016 ₦'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 customers	6,988	10,039
Company income tax liability	6	25
Other liabilities	2,458	2,303
Borrowings	5	109
Retirement benefit obligations	-	39
	9,457	12,515
Net asset	40,532	37,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Asset held-for-sale (continued)

The operating results of the discontinued operations are as follows.

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 2017 ₦'million	31 December 2016 ₦'million
Property, plant and equipment	160	120
Total assets classified as held-for-sale	**50,149**	50,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Improvement and buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Plant and machinery ₦'million	Work in progress* ₦'million	Total ₦'million
Cost									
At 1 January 2016	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Additions	951	100	2,196	3,597	1,952	905	13	3,130	12,844
Reclassifications	24	-	(18)	1,471	40	308	4	(3,549)	(1,720)
Disposals	-	-	(2,017)	(750)	(77)	(44)	-	(169)	(3,057)
Write Offs	(8)	-	-	-	-	-	-	(92)	(101)
Discontinued Operations	(161)	-	(190)	(45)	(56)	(30)	(11)	-	(492)
Exchange 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	-	57,809
Charge for the year	1,410	-	2,270	4,680	1,827	1,372	25	-	11,584
Reclassifications	-	-	-	31	(29)	(2)	-	-	-
Disposals	-	-	(1,556)	(566)	(26)	(40)	-	-	(2,188)
Discontinued Operations	(39)	-	(119)	(36)	(50)	(27)	(9)	-	(281)
Exchange differences	297	-	164	184	401	123	21	-	1,191
At 31 December 2016	9,179	-	7,764	31,928	12,021	7,094	128	-	68,115
Net book 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)
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	-	7,764	31,928	12,021	7,094	128	-	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)
Exchange differences	(123)		(118)	(171)	(276)	(8)	12	-	(684)
At 31 December 2017	10,863	-	8,502	36,110	13,580	7,860	167	-	77,083
Net book amount at 31 December 2017	37,600	21,182	4,145	10,840	3,217	2,297	76	8,907	88,263

* 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.

Exchange Difference on property, plant and equipment

These exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBNBank (UK) and FBNBank (Congo).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 PROPERTY, PLANT AND EQUIPMENT

Company	Improvement and buildings ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Total ₦'million
Cost						
At 1 January 2016	615	274	446	5	454	1,793
Additions	-	29	1	3	6	39
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
At 31 December 2016	307	173	227	4	273	983
Net book 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)	-	-	-	(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)	-	-	-	(51)
At 31 December 2017	**430**	**217**	**316**	**6**	**360**	**1,330**
Net book amount at 31 December 2017	**186**	**257**	**132**	**6**	**101**	**680**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 INTANGIBLE ASSETS

Group	Goodwill ₦'million	Customer relationship ₦'million	Brand ₦'million	Core deposits ₦'million	Computer software ₦'million	Total ₦'million
Cost						
At 1 January 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 January 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 book value						
At 31 December 2017	**4,723**	**-**	**-**	**173**	**11,314**	**16,211**
At 31 December 2016	4,578	-	-	332	10,418	15,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 Intangible assets continued

The amortisation charge for the year is included in the income statement.

The goodwill balance of ₦4.72billion includes ₦0.55billion attributable to the acquisition of FBNBank DRC in the Democratic Republic of Congo concluded in 2013; ₦3.91billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and ₦0.26billion attributable to the acquisition of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014. The goodwill attributable to acquisition of FBNBank 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 goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business and Insurance Business Groups.

Goodwill is reviewed annually for impairment, or more fequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the recoverable amount, which is the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the cash-generating unit to which the goodwill relates or the CGU's fair value if this is higher.

There was no impairment identified in the year ended 31 December 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.

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33 Intangible assets continued

Impairment testing on cash generating units containing goodwill

The cash generating unit (CGUs) with material goodwill balances relates to FBNBank Ghana and FBNBank DRC and the key assumptions used in the value-in-use calculation are as follows:

	2017			2016		
	FBNBank DRC ₦'million	FBNBank Ghana ₦'million	FBN General Insurance ₦'million	FBNBank DRC ₦'million	FBNBank Ghana ₦'million	FBN General Insurance ₦'million
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: (₦'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 ₦9.6bn, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by ₦10.5bn.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by ₦10.4bn, while if lower by 0.5% the recoverable amount would have been higher by ₦9.8bn.

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		
	FBNBank DRC ₦'million	FBNBank Ghana ₦'million	FBN General Insurance ₦'million	FBNBank DRC ₦'million	FBNBank Ghana ₦'million	FBN General Insurance ₦'million
Goodwill (₦'million)	**552**	**3,349**	**262**	552	3,243	262
Net Asset (₦'million)	**3,256**	**8,437**	**4,109**	5,397	8,613	4,109
Total carrying amount (₦'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%).

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax 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	**-**	987
Effect of changes in exchange rate	**(3,666)**	17
Borrowings	**(0)**	40
	18,554	17,278
Deferred tax liabilities		
Property and equipment	**459**	(13)
Tax losses carried forward	**-**	(7)
Other assets	**147**	197
Other liabilities	**-**	22
Excess dividend tax	**-**	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34 Deferred tax assets and liabilities continued

Group	1 Jan 2017 ₦'million	Recognised in profit and loss ₦'million	Recognised in OCI ₦'million	31 December 2017 ₦'million
Movements in deferred tax assets during the year:				
Property and equipment	(7,512)	2,948	-	(4,564)
Allowance for loan losses	9,063	(1,667)	-	7,398
Tax losses carried forward	17,429	(1,157)	-	16,272
Other assets	1,497	(929)	-	568
Other liabilities	(7,494)	7,564	-	70
Defined benefit obligation	3,251	9	(784)	2,476
Prior year adjustment	987	(987)	-	-
Effect of changes in exchange rate	17	(3,683)	-	(3,666)
Borrowings	40	(40)	-	-
	17,278	2,058	(784)	18,554

Group	1 Jan 2016 ₦'million	Recognised in profit and loss ₦'million	Assets classified as held-for-sale ₦'million	31 December 2016 ₦'million
Movements in Deferred tax assets during the year:				
Property and equipment	(7,842)	330	-	(7,512)
Allowance for loan losses	3,676	5,387	-	9,063
Tax losses carried forward	20,276	(2,388)	(459)	17,429
Other assets	1,472	25	-	1,497
Other liabilities	(7,491)	(3)	-	(7,494)
Defined benefit obligation	3,265	(14)	-	3,251
Prior year adjustment	987	-	-	987
Effect of changes in exchange rate	231	(214)	-	17
Borrowings	40	-	-	40
	14,614	3,123	(459)	17,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

34 Deferred tax assets and liabilities continued

	1 Jan 2017 ₦'million	Recognised in profit and loss ₦'million	31 December 2017 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	(13)	472	459
Allowance for loan losses	-	-	-
Tax losses carried forward	(7)	7	-
Other assets	197	(50)	147
Other liabilities	22	(22)	-
Excess dividend tax	614	(614)	-
	813	(208)	606

	1 Jan 2016 ₦'million	Recognised in profit and loss ₦'million	31 December 2016 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	149	(162)	(13)
Tax losses carried forward	-	(7)	(7)
Other assets	7	190	197
Other liabilities	83	(61)	22
Excess dividend tax	-	614	614
	239	574	813

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 ₦70.3 billion (2016: ₦72.7 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, from which deferred tax asset has been recognised, can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35 DEPOSITS FROM BANKS

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37 OTHER LIABILITIES

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'million
Long-term clients	13,399	9,440
	13,399	9,440
Non-current	13,399	9,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

39 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	Unearned premium ₦'million	IBNR claims on short term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'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 ₦'million	Unearned premium ₦'million	IBNR claims on short term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2016	757	1,235	502	2	9,341	11,837
Claims incurred	3,000	-	-	-	-	3,000
Claims paid	(2,782)	-	-	-	-	(2,782)
Change in the year	-	(344)	112	1,517	(3,053)	(1,768)
As at 31 December 2016	975	891	614	1,519	6,288	10,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

40 BORROWINGS

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

40 Borrowings (continued)

(i) FBN Eurobond:

Facilities represent dollar notes I and II issued by FBN Finance Company B.V, Netherlands on 7 August 2013 and on 18 July 2014 for a period of 7 years. The notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of 2 years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) Due to Deutsche Bank:

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 USD65million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2016. The facility is priced at 5.78% (Fixed) per annum and will mature in May 2024. Interest on this facility is payable semi-annually and there is 2 year moratorium on principal repayment.

(iv) Due to Africa Development Bank:

Facility represents the outstanding balance of the credit facility of USD200million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum and will mature December 2020. This borrowing facility is for USD300million however, USD100 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 FirstBank 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 ₦200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was no additional disbursement (2016: ₦41.4 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 ₦12.9 billion (2016: ₦5.8 billion). Loans granted under the scheme are for a 7 year period at an interest rate of 9% p.a.

(vi) Borrowings from correspondence banks:

Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits for international trade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦37million resulting in a net defined benefit asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Retirement benefit obligations (continued)

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

Group	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Net ₦'million
Defined benefit pension obligations at 1 January 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	-
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
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(882)	(882)
- change in demographic assumptions	236	-	236
Contributions:			
- Employer	-	-	-
Payments:			
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	**9,065**	**(7,608)**	**1,457**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 RETIREMENT BENEFIT OBLIGATIONS CONTINUED: PENSION

	Group					
	2017			2016		
	Quoted ₦'million	Unquoted ₦'million	Total ₦'million	Quoted ₦'million	Unquoted ₦'million	Total ₦'million
Equity Instruments	-	-	1,014	-	-	563
Banking	779	-		401	-	
Oil service	-	-	-	-	-	-
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
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 minimise these risks

Changes in bond yields: A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in Corporate Bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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41 Retirement benefit obligations continued: Pension (continued)

Life expectancy: The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6.3 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 December 2017 ₦'million	31 December 2016 ₦'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 ₦'m	Impact on liability
Discount rate	14%	8,917	0.0%
	15%	8,496	-4.72%
	13%	9,384	5.24%
Life expectancy	Base	8,917	0.0%
	Improved by 1 year	9,053	1.53%
	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.

Years	Amount (₦'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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:

FBNBank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent. The aggregate balance on this scheme is deemed immaterial.

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'million
Defined benefit cost, charged to income statement (refer note 17)		
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

	31 December 2017 ₦'million	31 December 2016 ₦'million
Authorised		
50 billion ordinary shares of 50k each (2016: 50 billion)	25,000	25,000
Issued and fully paid		
Movements during the period:	Number of shares in millions	Ordinary shares ₦'million
At 31 December 2016	35,895	17,948
At 31 December 2017	35,895	17,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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44 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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	-	(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	-	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	(2,053)	(897)	(11,437)	(11,559)
- Interest income	(469,585)	(405,282)	(2,215)	(885)
- Interest expense	138,064	100,839	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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44 Reconciliation of profit before tax to cash generated from operations (continued)

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
(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	(34,243)	146,838	-	-
– Other assets	(22,827)	2,525	43	(205)
– Pledged assets	(4,025)	(49,320)	-	-
– Assets held-for-sale	183	(49,762)	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	171,743	201,983	-	-
– Deposits from customers	(50,634)	(152,184)	-	-
– Financial liabilities	(10,040)	34,682	-	-
– Liability on investment contracts	3,958	6,604	-	-
– Liability on insurance contracts	11,447	1,286	-	-
– Liability held-for-sale	(3,058)	12,399	-	-
– Other liabilities	5,910	(20,878)	276	1,363
Cash flow (used in)/generated from operations	116,302	(64,780)	(3,609)	(1,728)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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45 COMMITMENTS AND CONTINGENCIES

45.1 Capital commitments

At the balance sheet date, the company had no capital commitments (2016: Nil) in respect of authorised and contracted capital projects.

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 2018 respectively.

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'million
Within one year		
Between two and five years	667	332
More than five years	3,063	1,078
	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 ₦'million	31 December 2016 ₦'million
Performance bonds and guarantees	**312,722**	313,779
Letters of credit	**218,247**	156,845
Company	**530,969**	470,624

45.5 Loan commitments

	Group	
	31 December 2017 ₦'million	31 December 2016 ₦'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 with covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited, a subsidiary of FBN Holdings Plc., is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Bank complied with this loan covenant. See note 4 for the calculation of the composition of the Bank's capital in accordance with the Basel Accord. Management believes that First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2017 and 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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					
				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
	Gross amount before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amounts after offsetting in the statement of financial position (c) = (a) - (b)	Financial instru-ments (d)	Cash collaterals received (e)	Net amounts of exposure (f) = (c)-(d)-(e)
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2017						
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 subject 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 subject to offsetting, master netting and similar arrangements	(9,741)	-	(9,741)	(399)	(7,775)	(1,567)

	Group					
				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
	Gross amount before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amounts after offsetting in the statement of financial position (c) = (a) - (b)	Financial instru-ments (d)	Cash collaterals received (e)	Net amounts of exposure (f) = (c)-(d)-(e)
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2016						
Assets						
Financial assets at fair value through profit or loss	15,165	-	15,165	-	1,585	13,580
Reinsurance receivables	890	-	890	75	-	815
Total assets subject to offsetting, master netting and similar arrangements	16,055	-	16,055	75	1,585	14,395
LIABILITIES						
Financial derivatives	(12,751)	-	(12,751)	-	(3,605)	(9,146)
Trade payables	(75)	-	(75)	(75)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(12,826)	-	(12,826)	(75)	(3,605)	(9,146)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

46 Offsetting financial assets and financial liabilities (continued)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

47 RELATED PARTY TRANSACTIONS

The Group is controlled by FBN Holdings Plc. which is the parent company, whose shares are widely held. FBN Holdings Plc, is a non-operating financial holding company licensed by the Central Bank of Nigeria. (See note 30 for the list of all subsidiaries of the Group).

A number of transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

47.1 Transactions with related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2017 ₦'million	31 December 2016 ₦'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47.2 Key management compensation

Key management includes Executive Directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'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 ₦'million	31 December 2016 ₦'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
₦3,000,001 and above	10	11
	10	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

49 COMPLIANCE WITH REGULATIONS

During the year, the entities within the Group were penalised by their respective regulators as follows:

(a) FBN Holdings Plc

- ₦1.65million to the Securities and Exchange Commission for late submission of 2016 Annual Accounts.

(b) First Bank of Nigeria Limited

- ₦4million to CBN for exceeding regulatory single obligor limit in 2015.
- ₦3million was imposed by CBN for Non-compliance with extant regulation on reporting line of CRO.
- ₦3million was paid to CBN for failure to obtain CBN approval prior to loan write-off.
- ₦2million was imposed by CBN for opening new LCs for unauthorised sector (Finished Goods) outside of CBN mandate.
- ₦2million was imposed by CBN for failure to implement external auditor's recommendation contained in the December 2015 management letter.
- ₦1.142million 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) FBNQuest Merchant Bank Limited

- ₦75,000 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 ₦7.18 billion at ₦0.20 per share (2015: ₦5.38 billion) that relates to the period to 31 December 2016 was paid in May 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 ₦'million	31 December 2016 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Profit from continuing operations attributable to owners of the parent (₦'million)	51,405	19,020	9,275	7,507
Loss from discontinued operations attributable to owners of the parent (₦'million)	(7,774)	(4,898)	-	-
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

OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED - GROUP

	31 December 2017 ₦'million	%	31 December 2016 ₦'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
STATEMENT OF VALUE ADDED - COMPANY

	31 December 2017 ₦'million	%	31 December 2016 ₦'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	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

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million	31 December 2014 ₦'million	31 December 2013 ₦'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 loss	**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

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million	12 months ended 31 December 2014 ₦'million	12 months ended 31 December 2013 ₦'million
Gross Earnings	**595,445**	581,831	502,691	481,774	396,235
Net operating income	**444,834**	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

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million	31 December 2014 ₦'million	31 December 2013 ₦'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	7,019	4,272	9,847
Investment in associates	**-**	-	1,500	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	-
	269,622	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

INCOME STATEMENT

	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million	12 months ended 31 December 2014 ₦'million	12 months ended 31 December 2013 ₦'million
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

SHAREHOLDER INFORMATION

Resources for shareholders include a shareholder data update form, a glossary of ratios, a summary of abbreviations and Group contact details.

SHAREHOLDER RESOURCES

DIVIDEND HISTORY

FIRST BANK OF NIGERIA PLC

Payment no.	Year end	Dividend type	Date payable	Total Net DIV. Amount (₦)	Dividend Per Share	Net DIV. Amount Unclaimed as at 31 December 2017	% net DIV. Amount unclaimed
49	31-Mar-2006	Final	28-Aug-2006	4,714,802,449.20	1.00	79,157,900.50	1.68
50	31-Mar-2007	Final	3-Sep-2007	10,477,338,776.00	1.00	281,093,442.98	2.68
51	31-Mar-2008	FINAL	25-Aug-2008	21,481,234,960.68	1.20	246,819,837.23	1.15
52	31-Mar-2009	Final	24-Aug-2009	30,207,986,658.90	1.35	244,292,223.75	0.81
53	31-Dec-2009	Final	31-May-2010	2,610,566,748.54	0.10	273,299,385.19	10.47
54	31-Dec-2010	Final	6-Jun-2011	17,621,325,552.24	0.60	645,249,856.81	3.66
55	31-Dec-2011	Final	4-Jun-2012	23,495,100,736.32	0.80	638,077,805.64	2.72
Total				**110,608,355,881.88**		**2,407,990,452.10**	**2.18**

FBN HOLDINGS PLC

Payment no.	Year end	Dividend type	Date payable	Total net DIV. amount (₦)	Dividend per share	Net DIV. Amount Unclaimed as at 31 December 2017	% Net DIV. Amount unclaimed
1	31-Dec-2012	Interim	3-Jun-2013	29,434,858,173.90	1.00	1,220,016,361.28	4.14
2	27-May-2013	Final	26-May-2014	32,408,788,807.89	1.10	1,672,898,298.06	5.16
3	31-Dec-2014	Final	25-May-2015	2,963,937,941.77	0.10	305,643,207.82	10.31
4	31-Dec-2015	Final	30-May-2016	4,889,733,076.23	0.15	583,672,489.45	11.94
5	31-Dec-2016	Final	22-May-2017	6,512,770,910.98	0.22	1,793,873,685.20	27.54
Total				**76,210,088,910.77**		**5,576,104,041.81**	**7.32**

CREDIT RATING SUMMARY*

			National		International		
	Rated Entity	Report Date	Long-term	Short-term	Long-term	Short-term	Outlook
Standard & Poor's	FBNHoldings	December 2017	ngBB+	ngB	B-	B	Stable
	FirstBank	December 2017	ngBB+	ngB	B-	B	Stable
Fitch	FBNHoldings	July 2017	BB+ (nga)	B(nga)	B-	B	Negative
	FirstBank	July 2017	BB+ (nga)	B(nga)	B-	B	Negative
Global Credit Rating (GCR)	FirstBank	September 2017	A-(NG)	A1-(NG)	-	-	Stable

*Credit rating summary as at April 30, 2018

SHAREHOLDER RESOURCES

FBNHOLDINGS AND EQUITY MARKET STATISTICS AS AT 31 DECEMBER 2017

	2017	2016	Variance
FBNH Share Price			
High for the year (₦)	9.29	4.65	99.78%
Low for the year (₦)	2.96	2.95	0.34%
Closing (₦)	8.80	3.35	162.69%
FBNH Share Statistics			
Total volume of shares traded (million)	6,515.42	5,646.12	15.40%
Total value of shares traded (₦'million)	37,380.84	20,387.02	83.36%
Market capitalisation (million)	315,878.57	120,249.23	162.69%
Market Indicators			
NSE all share index	38,243.19	26,874.62	42.30%
Total equities volume traded (billion)	100.52	95.83	4.89%
Total equities value traded (₦'billion)	1,272.16	577.10	120.44%
Equities market cap (₦'trillion)	13.61	9.26	46.97%

2018 FBNHOLDINGS FINANCIAL REPORTING CALENDAR

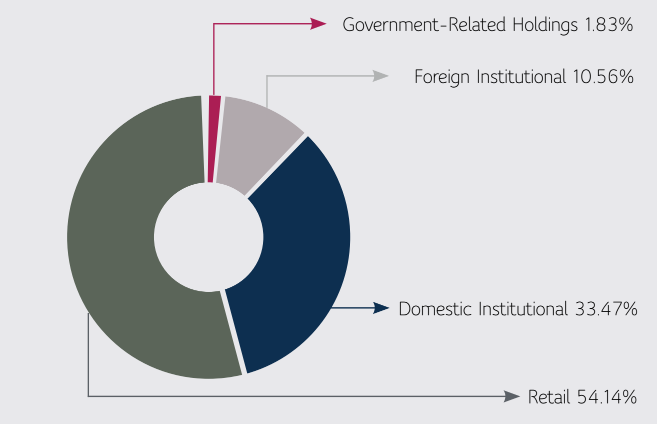
Date	Event
Monday, April 30, 2018	FY 2017 Results Conference Call
	Q1 2018 Results Conference Call
Tuesday, May 15, 2018	FBNHoldings Annual General Meeting
Monday, July 30, 2018	H1 2018 Results Conference Call
Friday, October 26, 2018	9M 2018 Results Conference Call

These dates are subject to change. For more information, please refer to the Investor Relations website for updates.

BREAKDOWN OF THE SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2017

Shareholder Type	31 December 2017 Units Held	%
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	**100.00%**

BREAKDOWN OF SHAREHOLDERS BY TYPE



SHAREHOLDER RESOURCES

SHARE CAPITALISATION HISTORY

Year	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (₦)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 July 1976	-	5,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 July 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 July 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 July 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 July 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Holdings Plc. shares issued in exchange for minority shares in FBNQuest Merchant Bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Holdings Plc. shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Holdings Plc. shares issued to majority shareholders in FBNQuest Merchant Bankers arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
01 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)
21 May 2015			-	3,263,208,435	35,895,292,792	Bonus (1 for 10)

NOTICE OF 6TH ANNUAL GENERAL MEETING

FBN HOLDINGS PLC.
RC 916455

NOTICE IS HEREBY GIVEN that the 6th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Tuesday, May 15, 2018 at 10a.m. or so soon thereafter to transact the following:

Ordinary Business:

1. To receive the Audited Accounts for the financial year ended 31 December 2017 together with the reports of the Directors, Auditors, Board Appraisers and Audit Committee thereon.
2. To declare a dividend.
3. To re-elect retiring Directors:
   a. To re-elect Oye Hassan-Odukale, MFR, as Director
   b. To re-elect UK Eke, MFR as Director
   c. To re-elect Dr Adesola Adeduntan as Director
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

Notes

1. PROXY

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy must be duly stamped at the Stamp Duties Office and deposited at the registered Office of the Company or the Office of the Registrars, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time for holding the meeting.

2. DIVIDEND

If the proposed dividend recommended by the Directors is approved by members at the AGM, the Dividend Warrants will be payable on Wednesday, 16 May 2018 to members whose names appear in the Register of members at the close of business on Friday, 4 May 2018. Shareholders who have completed the e-Dividend Mandate forms will receive a direct credit of the dividend into their bank accounts.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 89 of Company and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from 7-11 May 2018 (both dates inclusive) to enable the Registrars update records in preparation for the payment of dividend.

4. E-DIVIDEND MANDATE

Shareholders are kindly requested to update their records and advise First Registrars & Investor Services Limited of their updated records and relevant bank accounts for payment of their Dividends. Detachable forms in respect of mandate for e-dividend payment, and shareholder data update are attached to the Annual Report for convenience. The forms can also be downloaded from the Company's website at www.fbnholdings.com or from First Registrars & Investor Services Limited's website at www.firstregistrarsnigeria.com.

The duly completed form should be delivered to First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos.

5. UNCLAIMED DIVIDEND WARRANTS

Shareholders are hereby informed that a sizeable quantity of share certificates and dividend warrants have been returned to the Registrars as unclaimed. Some dividend warrants have neither been presented for payment nor to the Registrars for revalidation.

Affected members are by this Notice advised to contact the Registrars - First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos for resolution.

6. STATUTORY AUDIT COMMITEE

In accordance with Section 359(5) of the CAMA, a shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) respectively indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

In view of the above, we therefore request that nominations be accompanied by a copy of the nominee's Curriculum Vitae. The Curriculum Vitae of eligible candidates will be posted on the Company's website before the date of the meeting.

7. RETIREMENT/RE-ELECTION OF DIRECTORS

Oye Hassan-Odukale, MFR, UK EKe, MFR and Dr Adesola Adeduntan are retiring by rotation at the current meeting in line with Section 259 of CAMA. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

8. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
35 Marina, Lagos

Dated 23rd March 2018

PROXY FORM

FBN Holdings Plc. (RC 916455)

6th Annual General Meeting to be held at Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Tuesday, 15 May 2018 at 10 a.m.

*We..
(Name of shareholder in block letters)

The undersigned, being a member of the above named Company hereby appoint ....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 15 May 2018 and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this...day of...................................2018

Signature..

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed, or a notarial certified copy thereof must reach the Company Secretary at 35 Marina, Lagos, not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of anyone of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

We desire this proxy to be used in favour of/or against the resolution as indicated alongside

Resolution	For	Against
1) To receive the consolidated Annual Report and Accounts		
2) To declare a dividend		
3a) To re-elect Oye Hassan-Odukale, MFR, as Director		
3b) To re-elect UK Eke, MFR, as Director		
3c) To re-elect Dr Adesola Adeduntan, as Director		
4) To fix the remuneration and expenses of the Company's auditor		
5) To appoint Audit Committee		

Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form please tear off this part and retain it for admission to the meeting

Admission Form
FBN Holdings Plc. (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Tuesday, 15 May 2018 at 10 a.m.

*Name of shareholder ....

*Name of proxy.. (IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of him.

A proxy need not be a member. The above proxy form has been prepared to enable you exercise your right to vote.

IMPORTANT

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person whether a member of the Company or not, except for the Chairman of the Company, who will attend the meeting and vote on your behalf.

FirstRegistrars & INVESTOR SERVICES

E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form
2. Fill out all compulsory(*) fields
3. Fill out in CAPITAL LETTERS

You need not worry about the safety of your shares anymore. Simply stay aboard with our e-products and services.

E-share Notifier SMS alert on transactions that occur on your share account (AGM & EGM, dividend payments, bonuses, debits/credits etc.)

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online Access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION
Please fill in the form and return to the address below:

THE REGISTRARS
First Registrars & Investor Services Ltd,
Plot 2 Abebe Village Road, Iganmu,
PMB 12692, Lagos, Nigeria.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1 *

Address line 2

City State* Country

GSM no (Mobile) * GSM no (Telephone) *

Email address *

Signature(s)* Corporate stamp/seal *

CHARGES:
Individual: ₦1,000 per annum/product
Corporate bodies: ₦2,000 per annum/product

Please tick (√) the product(s) you are activating.
All payments should be made into each product's account number respectively:

- [ ] E-share notifier activation - Account No. 2013302579
- [ ] M-access activation - Account No. 2011760908
- [ ] Online access activation - Account No. 2013798370

In any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

FBNHoldings

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FirstRegistrars & INVESTOR SERVICES

DEAR SHAREHOLDER,

Introducing the E-Dividend Mandate Management System (E-DMMS)

We are pleased to inform you that dividends on your shareholdings can now be paid directly into your preferred bank account.

This is made possible with the **E-Dividend Mandate Platform**, which allows you to **register/validate** your e-dividend mandate at any branch of a bank nearest to you nationwide or at First Registrars offices.

The platform also provides you with a quick and convenient way to enjoy the benefits of the direct cash settlement (DCS) from your registrar, while minimising the incidents of unclaimed dividends.

To register and be mandated for your e-dividend, please visit any of the First Registrars offices listed below or a bank branch nearest to you.

It is easy and it is a one-off exercise!

FIRST REGISTRARS & INVESTOR SERVICES LTD
Plot 2, Abebe Village Road,
Iganmu, PMB 12692,
Lagos
Tel: +234 (1) 2799880, +234 (1) 2701078
Email: info@firstregistrarsnigeria.com

ABUJA
First Bank of Nigeria Limited
Jos Street Branch
Plot 451, Opposite Sharon Hotel
Area 3, Garki, Abuja
Tel: +234 802 315 4938

ENUGU
First Bank of Nigeria Limited (Main Branch)
21, Okpara Avenue
Enugu,
Enugu State
Tel: +234 805 459 0483

IBADAN
First Bank of Nigeria Limited (2nd Floor)
48 Molete/Challenge Road,
Opposite Texaco,
Ibadan, Oyo State
Tel: +234 802 571 4780

KADUNA
First Bank of Nigeria Limited (Area Office)
14 Bank Road, Kaduna,
Kaduna State
Tel: +234 802 396 4430

PORT HARCOURT
First Bank of Nigeria Limited (2nd Floor)
22/24 Aba Road
Port Harcourt,
Rivers State
Tel: +234 805 565 6430

Please fill the E-DMMS form overleaf.

Thank you.

FBNHoldings

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FirstRegistrars & INVESTOR SERVICES

Affix Current Passport Here

(To be stamped by Bankers)

Write your name at the back of your passport photograph

INSTRUCTION
Please complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRAR,
First Registrars & Investor Services Ltd.
2 Abebe Village Road, Iganmu,
PMB 12692 Lagos, Nigeria.

I/We hereby request that henceforth, all my/our dividend payment(s) due to me/us from my/our holdings in **FBN Holdings Plc** be credited directly to my/our bank detailed below:

Bank verification number

Bank name

Bank branch

Bank address

Bank account number

Account opening date

Account type (Tick) Current Savings

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address:

City State Country

Previous address (If any)

CHN (If any) Email address

Mobile telephone 1 Mobile telephone 2

Signature(s) Joint\Company's signatories Company's seal

Authorised signature of banker Authorised stamp of banker

E-BONUS FORM

FirstRegistrars
& INVESTOR SERVICES

INSTRUCTION
Please complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRAR,
First Registrars & Investor Services Ltd.
2, Abebe Village Road, Iganmu,
PMB 12692 Marina,
Lagos, Nigeria.

Please credit my account at Central Securities Clearing Systems Limited (CSCS) with all subsequent allotments and bonuses due to me from FBN Holdings Plc.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2*

City State Country

Mobile telephone*

Email address*

Signature(s)* Joint/Company's signatures* Company seal

CSCS Details

Stockbroker

Clearing house number C

Authorised signature and stamp of stockbroker

Please attach a copy of your CSCS Statement to this form as evidence that you maintain a valid account with the CSCS

FBN HOLDINGS PLC
SHAREHOLDERS DATA UPDATE FORM

FBNHoldings

In our commitment to having up-to-date records of our shareholders, please complete this form below.

Surname

First name

Other names

Email address

Primary GSM number

Clearing house number (CHN)

Bank verification number (BVN)

Preferred stockbroker's name

Date of birth

Bank name

Bank account number

Old address

New addresses (to be used for address update)

Next of kin

Next of kin's phone number

I/We hereby authorise FBNHoldings Plc to update my/our shareholding accounts with the above information.

Individual shareholder signature

Joint shareholder signature

Corporate shareholder

Company seal

Kindly download the update form from our websites:
http://www.fbnholdings.com/ or http://ir.fbnholdings.com/

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Commercial Banking		
First Bank of Nigeria Limited	335 Samuel Asabia House, Marina, Lagos, , Nigeria	0700 FIRSTCONTACT, +234 1 448 5500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC S.A. Limited	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 82 000 0107
FBNBank Ghana Limited	Boakye Mattress Building, Liberation Road near the Golden Tulip Hotel, Accra Ghana	+233 302 23 6133, +233 302 23 5611
FBNBank Gambia Limited	GIEPA House, 48, Kairaba Avenue, Serrekunda, KSMD, P.O. Box 1600, Banjul, The Gambia	+220 799 3502, +220 437 7889, +220 914 7426
FBNBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 664 53 53 53
FBNBank Sierra Leone Limited	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 99305600
FBNBank Senegal Limited	Immeuble NIANGADO, Rond-Point Ngor Almadies à côté de la	+221 33 869 7935, +221 77 657 8736
	Station Shell. Dakar, Senegal	
First Pension Custodian Nigeria Limited	6 Maduike Street, Off Raymond Njoku Street, S.W. Ikoyi, Lagos,	+234 1 2777800-1
	Nigeria.	
FirstBank Representative Office		
Beijing Rep. Office	Unit 1431, Tower B COFCO Plaza, No 8 Jianguomennei, Street, Dong Cheing District, Beijing, China	+861 3911 187318, +861 3343 267635
Merchant Banking and Asset Management		
FBNQuest Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria.	+234 1-2702290; +234 1-2702291; +234 1-2702292; +234 1-2702293; +234 1 2702294; +234 1 2798300
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 84 802 745
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Capital Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+ 234 1 2798300; +234 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+243 84 802 745
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Capital Assets Management Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+ 234 1 2798300; +234 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 7 033 230 533
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 9 291 6757
FBNQuest Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300; +234 708 065 3100
	FirstBank Building (2nd Floor), 22/24, Aba Road, Port Harcourt.	+234 802 059 6019
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 701 045 5883
FBNQuest Funds Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 279 8300
FBNQuest Securities Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 2798300; +234 708 065 3100
Insurance		
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4810, +234 1 905 4444
FBN General Insurance Limited	298, Ikorodu Road, Anthony, Lagos	+234 1 905 4810
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 4622185

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average number of shares in issue
Book value per share (BVPS)	=	Total equity / Number of outstanding shares (35, 895, 292, 792 units)
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio	=	Operating expenses (operating cost before loan loss expense) / Operating income
Debt to capital	=	Long-term debt / Long-term debt + equity
Dividend per share	=	Dividend / Number of shares in issue
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest earning assets	=	Due from other banks + treasury bills + Securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) + Statutory credit reserve / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Provision on non-performing loans

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Provisioning level (non-performing loans cover)	=	Total provision / Total NPL
Price to book	=	Share price / Total assets – intangible assets and liabilities
Price earnings	=	Market value per share / Earnings per share
Return on average assets	=	PAT / Average total asset x 100
Return on average equity	=	PAT / Average total equity x 100
Risk asset ratio	=	Total loans / Total assets
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	Total tier 1 capital / Risk-weighted assets
Tier 2 ratio	=	Total tier 2 capital / Risk-weighted assets
Total capital adequacy ratio	=	Total qualifying capital / Risk-weighted assets
Yield on interest earning assets	=	Interest income / Average interest earning assets

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AGM	Annual General Meeting
AGM	Assistant General Manager
ALCO	Assets and Liabilities Management Committee
AMCON	Asset Management Corporation of Nigeria
AOM	Area Operations Manager
ATM	Automated Teller Machine
AUM	Assets Under Management
AURR	Additional Unexpired Risk Reserve
BARAC	Board Audit and Risk Assessment Committee
BCL	Basic Chain Ladder Method
BFIC	Board Finance and Investment Committee
BGNC	Board Governance and Nominations Committee
BU	Business Units
BRCC	Business Risk and Compliance Committee
BRMC	Board Risk Management Committee
CAAP	Control Administrative and Accounting Procedure
CAE	Chief Audit Executive
CAMA	Companies and Allied Matters Act
CAR	Capital Adequacy Ratio
CASA	Current and Savings Accounts
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CEP	Continuous Education Programme
CFP	Contingency Funding Plan
CFR	Commander of the Order of the Federal Republic
CGU	Cash Generating Unit
CIPM	Chartered Institute of Personnel Management
COSO	Committee of Sponsoring Organisation
COT	Commission on Turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral Risk Rating
CSCS	Central Securities Clearing System
CSR	Corporate Social Responsibility
DCS	Direct Cash Settlement
DMD	Deputy Managing Director
DPM	Deposit Money Banks
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
DVM	Doctor of Veterinary Medicine
EAR	Earnings at Risk
ECA	Export Credit Agencies
ECM	Equity Capital Markets
EPS	Earnings per Share

ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
ETFs	Exchange Traded Funds
FCA	Fellow, Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of Chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMAP	FirstBank Management Associate Programme
FMCG	Fast-Moving Consumer Goods
FPCNL	First Pension Custodian Nigeria Limited
FRR	Facility Risk Rating
FSA	Financial Services Authority
FSS	First Share Services
FMDA	Financial Market Dealers Association
FUTA	Federal University of Technology
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GMC	Group Management Committee
GRSC	Group Risk Stakeholder Committee
GPI	Gross Premium Income
GITSC	Group IT Steering Committee
GITOC	Group IT Operations Committee
GRC	Governance Risk Management and Compliance
HCMD	Human Capital Management and Development
HNI	High Net Worth Individual
HR	Human Resources
IBNR	Incurred But Not Reported
ICAFAS	Internal Control and Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
ICEG	Internal Control and Enhancement Group
ICTSC	ICT Steering Committee
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IMTOs	International Money Transfer Organisations
IOD	Institute of Directors
IOCs	International Oil Companies
IRS	Internal Revenue Service
ISO	International Organisation for Standardisation

ABBREVIATIONS

ISMS	Information Security Management System
IT	Information Technology
ITF	Industrial Training Fund
JAN	Junior Achievement Nigeria
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LEAP	Leadership Effectiveness Accountability and Professionalism
LGD	Loss Given Default
M&A	Mergers and Acquisitions
MANCO	Management Committee
MCC	Management Credit Committee
MBAM	Merchant Banking and Asset Management
MB/D	Million Barrels a Day
MDAs	Ministries, Departments and Agencies
MDSA	My Daily Savings Account
MFBs	Microfinance Banks
MIS	Management Information System
MOOCs	Massive Open Online Course
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRPC	Market Risk Policy Committee
MSMEs	Micro, Small and Medium-size Enterprises
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NERC	Nigerian Electricity Regulatory Commission
NGN	Nigerian Naira
NGO	Non-Governmental Organisation
NIM	Net Interest Margins
NIM	Nigerian Institute of Management
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
NVMA	Nigerian Veterinary Medical Association
OOF	Oba Otudeko Foundation
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating Expenditure
OPL	Open Position Limit
ORM	Operational Risk Management
ORR	Obligor Risk Rating
OTC	Over the Counter
P&L	Profit and Loss Account
PAT	Profit after Tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit Before Tax
PCI DSS	Payment Card Industry Data Security Standard
PCS	People Connect System
PD	Probability of Default
P/E	Price Earnings
PE	Private Equity
PFA	Pension Fund Administrator
PFP	Pay for Performance
PFR	Pay for Role
P/L	Profit and Loss
POS	Point of Sale
PSQA	Process and Service Quality Assurance
RCSA	Risk and Control Self-Assessment
RIMAN	Risk Managers Association of Nigeria
RM	Relationship Manager
RMD	Risk Management Directorate
ROE	Return on Equity
ROM	Regional Operations Manager
SAC	Statutory Audit Committee
SAS	Statistical Analysis Software
SBU	Strategic Business Unit
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SMCAA	Small and Middle Capitalisation Companies Association
SME	Small and Medium Enterprise
SMDP	Senior Management Development Programme
SMS	Short Message Service
SRF	Strategic Resource Function
TAT	Turnaround Time
TOM	Target Operating Model
UAT	User Acceptance Testing
USSD	Unstructured Supplementary Service Data
UPR	Unexpired Premium Reserve
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WODAC	Women Development and Child Protection Centre

COMPLAINTS MANAGEMENT POLICY

INTRODUCTION

FBN Holdings Plc ('Group') is committed to delivering high standard of service to all stakeholders across the Group. Occasionally, the Group may not live up to stakeholders' expectations and promises and without an appropriate feedback mechanism to manage stakeholders' complaints and expectations, this commitment could be undermined, resulting in loss of customers, erosion of public confidence, and reputational damage to the Group.

Based on this, it becomes necessary to establish a policy for managing stakeholder's complaint. Complaint for the purpose of this policy is defined as ''an expression of dissatisfaction made to an organisation, related to its products and or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected".

In developing this policy, we have endeavored to align the policy to relevant regulatory requirements, as well as leading practices in complaints management. This policy is designed to meet the requirements of the following regulations:

- Securities and Exchange Commission (SEC)-Rules relating to Complaints Management Framework of the Nigerian Capital Market.
- The Nigerian Stock Exchange (NSE)-Compliant Management Requirements for all listed companies.

Where necessary, the principles contained in this policy shall guide business group in developing their respective sector specific Complaints Management Policy and Guidelines.

OBJECTIVE OF THE POLICY

This Policy is aimed at ensuring prompt and efficient management of complaints brought to the attention of the Group. It is also intended to help improve the services offered by enabling the Group detect its weaknesses, remedy problematic or unfair situations, and enhance operating methods, while ensuring efficient, fair and prompt treatment of all complaint received.

Specific objectives of this policy are to ensure:

- Complainant is provided with access to an open and responsive Complaints Management Policy;
- Complaints are resolved in a consistent, systematic and responsive manner, to the satisfaction of the complainant and the Group;
- Causes of complaints are identified and resolved/eliminated, trends are monitored, ultimately to improve the Group's operations; and
- Comply with sector specific regulations on complaints management, as it relates to SEC and NSE regulations on complaints management within the Capital Market and other relevant regulations on complaints management to be issued from time-to-time.

SCOPE OF THE POLICY

This policy shall apply to:

- FBN Holdings Plc., Subsidiary companies and staff within the Group;
- All customers/clients both internal and external.
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

Complaints to be handled by this policy

The under listed are the various forms of complaints this policy is designed to manage:

- Customer/clients complaints which may include: complaints which may require formal or informal feedback, concerns, statements of issues/omissions and points of disagreement or dispute;
- Complaints by competitors in any of the business Group;
- Complaints by or through Regulators, such as Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Stock Exchange (NSE) and or self-regulatory organisations like, Financial Market Dealers Quotation (FMDQ); and
- Other Complaints, which could be in form of; trade manipulations, accounting frauds, Ponzi schemes etc.

All complaints to relevant entities in the Group shall be sent to the address contained in page 276, while complaints relating to the Group office (FBN Holdings Plc.) shall be sent to the address/media contained in pages 283 of this report.

COMPLAINTS MANAGEMENT POLICY

All complaints shall contain at the minimum the following:

a. Name of complainant
b. Full address
c. GSM number
d. E-mail address
e. Signature of the complainants
f. Date
g. Nature/description of complaints
h. other supporting documents.

Complaints not covered by this Policy

The under listed complaints are not covered by this policy:

- Complaints on matters that are sub-judice or in arbitration, including employee related dispute.
- Complaints falling outside the purview of the Group's business.
- Complaints which may not require a resolution or formal follow-up. While this type of feedback is valuable, the Policy does not apply to feedback of this nature.

COMPLAINTS MANAGEMENT PRINCIPLES

In line with leading practices, the under listed principles shall guide FBNHoldings complaints management process:

GUIDING PRINCIPLES OF COMPLAINTS HANDLING

PRINCIPLE	APPLICATION
Visibility	The Complaints Management Policy is well-publicised to customers, clients, staff and other stakeholders on FBNHoldings website, with extracts of the policy in the Annual Reports and Accounts.
Accessibility	The Complaints Management Policy is available to all customers/clients and other stakeholders, and it is user-friendly. Complaints are welcome from customers/clients who are dissatisfied with the Group member decisions, actions or services.
Responsiveness	• Complaints will be acknowledged and resolved promptly. • Complaints will be handled in an efficient and effective manner, and accorded the urgency it deserves. • Complainants will be treated courteously and kept informed of the progress of their complaint throughout the complaint-handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner through the complaints management process.
Charges	Access to the Group's complaints management process is free of any charge to the complainant.
Confidentiality	Complaints are handled confidentially to avoid any form of embarrassment to innocent people. Personally identifiable information concerning the complainant is actively protected from disclosure and only made available for the purposes of addressing the complaint.
Customer/Client-focused approach	Group members are committed to efficient, prompt and fair resolution of complaints. The Group is open to feedback and constantly reminds customers/clients of their right to make complaints.
Accountability	The Group accept responsibility for effective complaints handling, and units responsible for complaints management will ensure that, where appropriate, issues raised as a result of failure in the complaints handling process are adequately addressed.
Continual Improvement	The complaints management policy and process will be reviewed as at when required, to enhance its overall efficiency and delivery of effective outcomes.

COMPLAINTS MANAGEMENT POLICY

BOARD AND MANAGEMENT COMMITMENT TO THE POLICY

The Board and Management are highly committed to promoting an effective and efficient complaints handling across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.

Regular complaints management training across the Group to ensure best-in-class complaints handling technique and strict adherence to the complaints handling policy and guide shall be encouraged.

Finally, all complaints received shall be acknowledged, and analysed towards aiding and ensuring informed continuous quality improvement initiatives, corrective and preventative management strategies.

POLICY STATEMENT

This policy is designed to provide guidance on how the Group manages complaints. FBNHoldings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

The Group encourages all stakeholders (complainant) to lodge their complaints, as these comments would allow the Group improve on its services and products. Also, the Group encourages staff to respect customers/clients and also endeavor to anticipate customer/clients' needs and expectations.

The Group is committed to ensuring the following:

- Awareness of our stakeholders of the Group`s complaint management process;
- That both customers/clients and staff understand our complaints handling process;
- Complaints are investigated impartially with a balanced view of available information or evidence;
- Complaints are considered on their merits taking into account individual circumstances; and
- Recognition of customer/clients' right to provide feedback and complain about product or services rendered.

Finally, the policy shall be made available to all stakeholders on the website of FBNHoldings and extract of the policy shall also be made available to shareholders in the Annual Report and Accounts of FBN Holdings Plc.

TIME LIMIT FOR INVESTIGATION OF COMPLAINTS, REGULATORY REPORTING RESPONSIBILITY AND COMPLAINTS REGISTER

It shall be the policy of the Group to handle all complaints promptly and as fairly as possible. While it might not be possible to set a specified time limit for the resolution of complaints in view of the diverse nature of complaints, subsidiaries shall endeavor to resolve all complaints within the time limits specified by the respective sector specific regulator.

Where regulators require the Group office (FBN Holdings Plc) or entities within the Group to render regular reports on complaints, entities affected by such regulation shall be responsible for such regulatory returns, while the compliance function of both the Group Office (FBN Holdings Plc) and affected entities shall monitor compliance with such regulatory reporting requirements, and also ensure implementation of this policy.

In line with SEC and NSE requirements, entities within the Group operating in the Capital Market (Capital Market Operators-CMO) shall be required to maintain an electronic complaint register which will be updated monthly with the under listed information:

- Name of the complainant
- Date of the complaints
- Nature of complaints
- Complaints details in brief
- Status of resolution
- Remark/comments

Finally, all complaints from shareholders and other stakeholders relating to FBN Holdings Plc shall be directed to:

Company Secretariat or Investors Relations Department
FBN Holdings Plc.
Samuel Asabia House
35 Marina, P O Box 5216
Lagos, Nigeria

E-mails and Phone numbers:
companysecretariat@fbnholdings.com
Phone: +234(1)9052222 and +234(1)9052223
or investor.relations@fbnholdings.com
Phone: +234(1)9052720, +234(1)9051147, +234(1)9051386 and +234(1)9051086

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

Oluseye Kosoko
Company Secretary
FBN Holdings Plc

NOTES

FBNHoldings

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