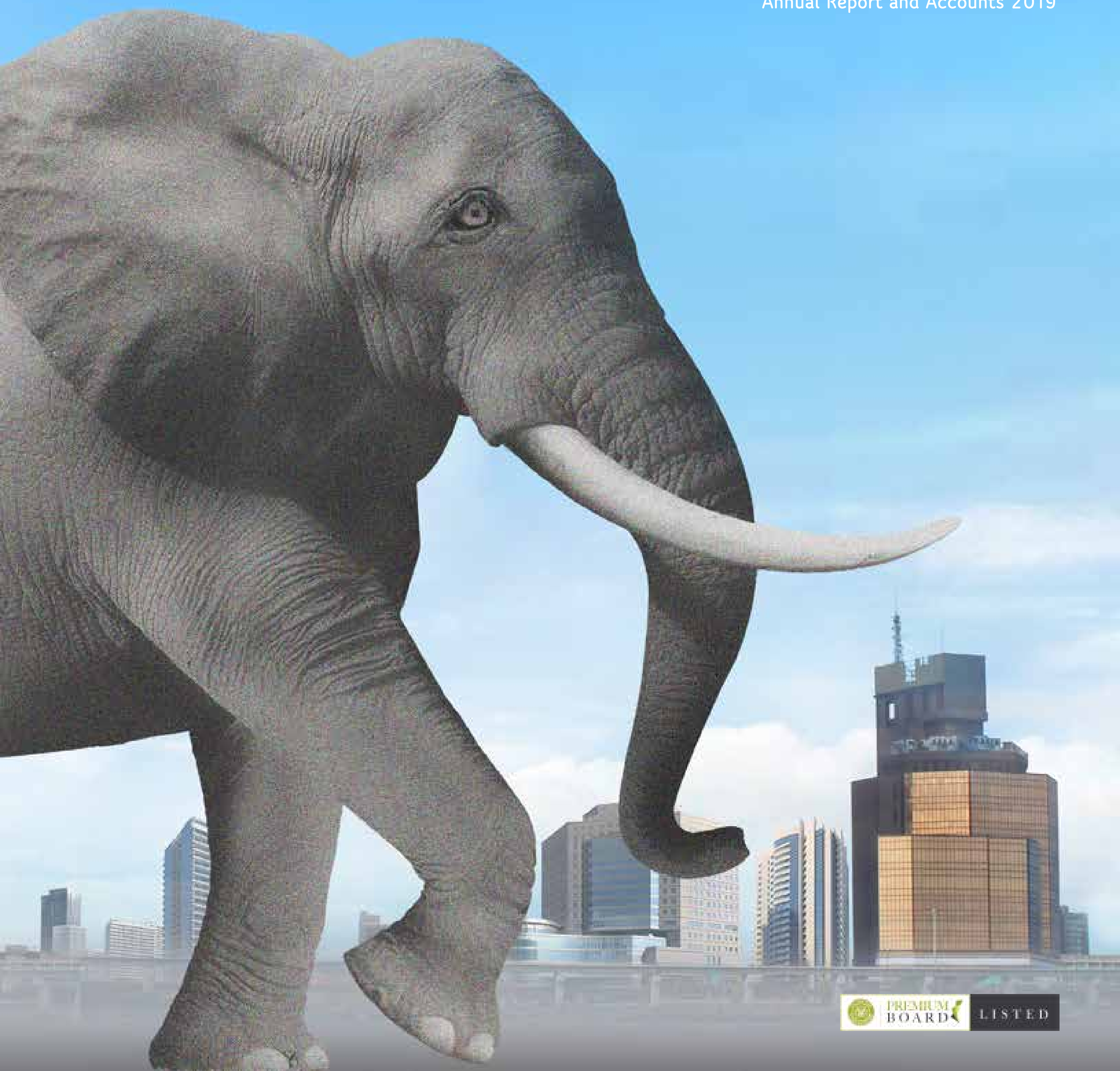
FBNHoldings

FORGING AHEAD

FBN Holdings Plc

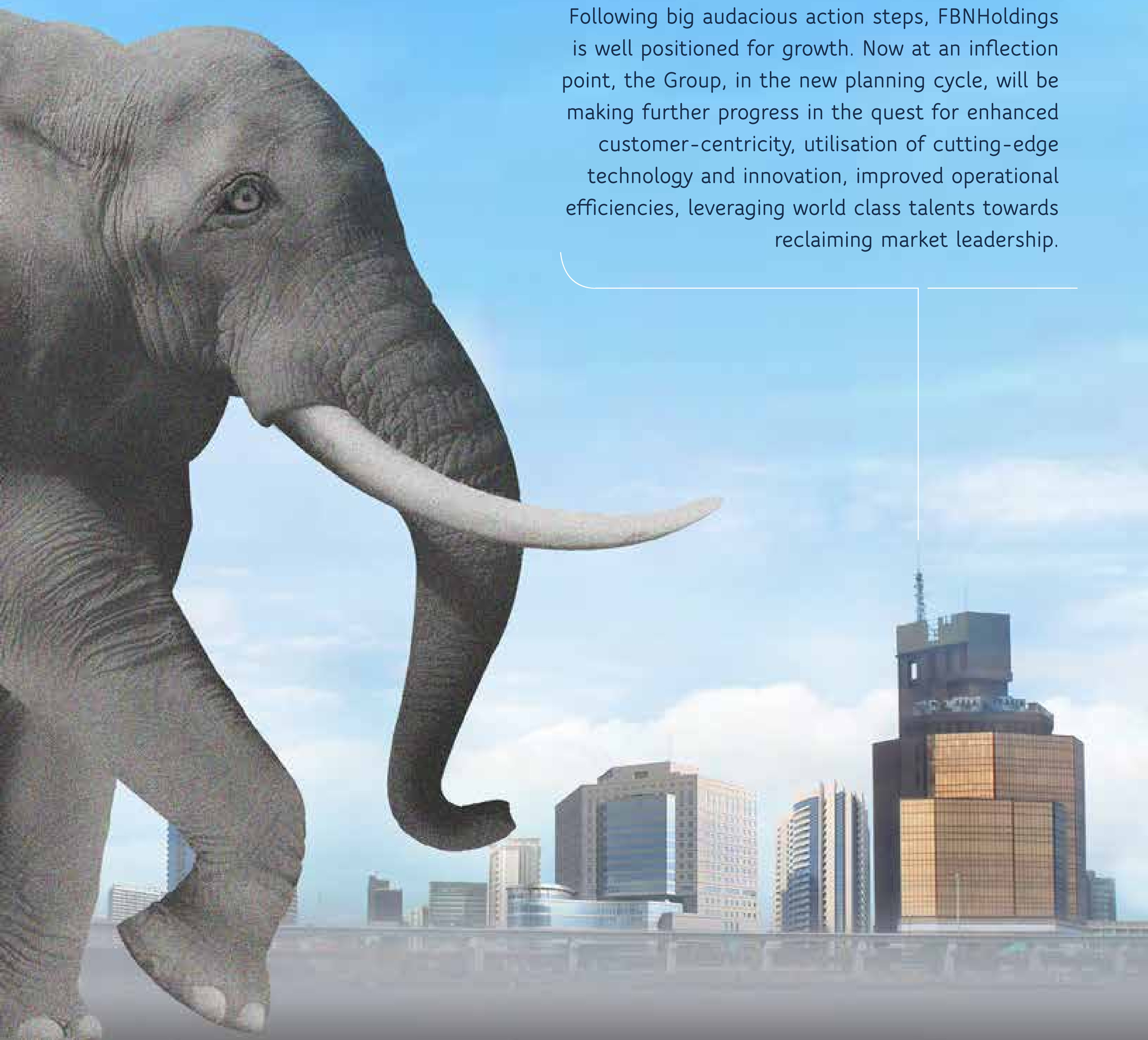
Annual Report and Accounts 2019



FORGING AHEAD

In line with our unflinching resolve and commitment, one of the key accomplishments at the end of our last strategic planning cycle was the complete overhaul of our risk management architecture and strengthening of our business and processes for sustainable growth.

Following big audacious action steps, FBNHoldings is well positioned for growth. Now at an inflection point, the Group, in the new planning cycle, will be making further progress in the quest for enhanced customer-centricity, utilisation of cutting-edge technology and innovation, improved operational efficiencies, leveraging world class talents towards reclaiming market leadership.



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In this Report

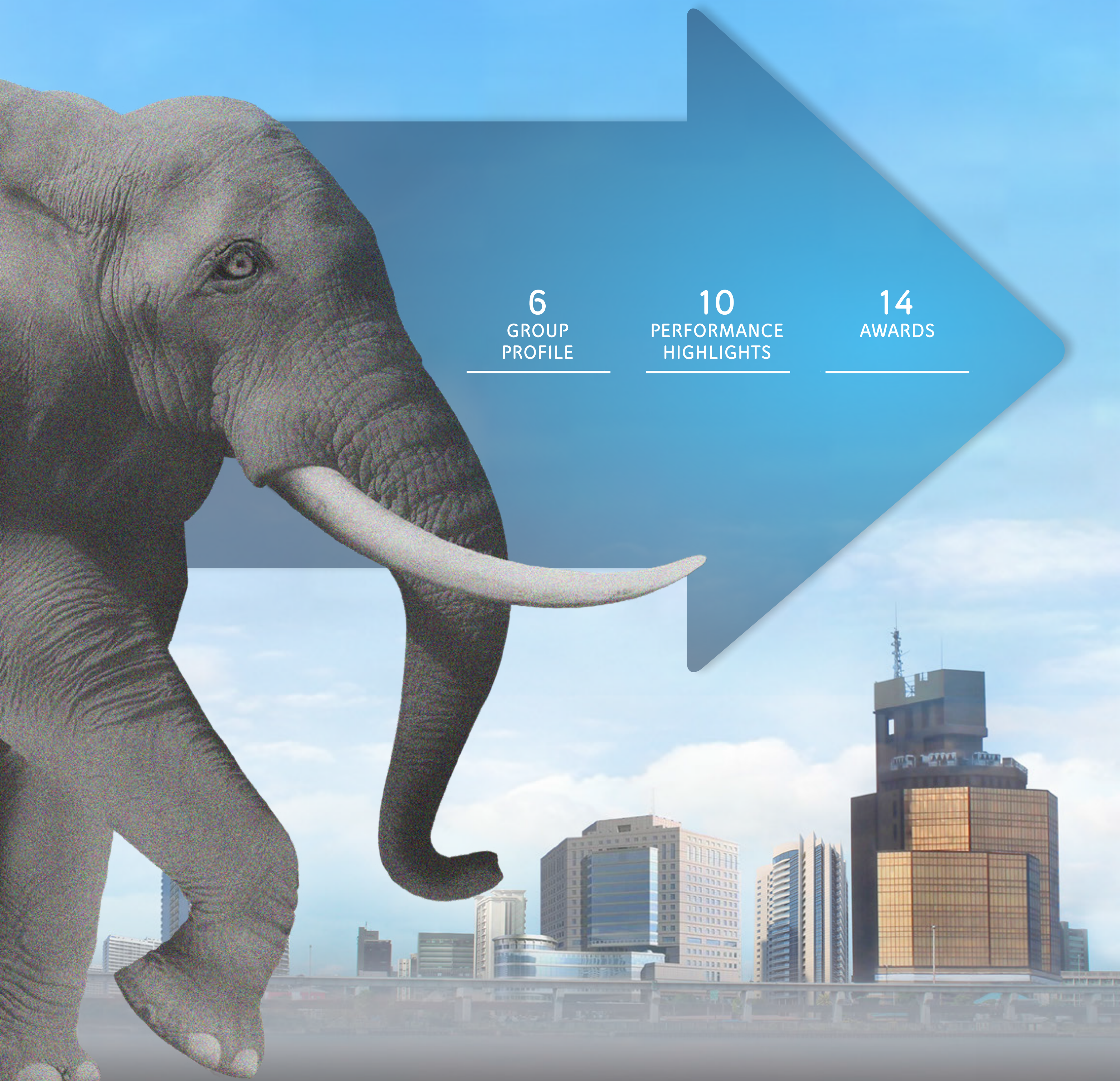
The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial Services' section on 26 November 2012 and has issued and fully paid-up share capital of 35,895,292,791 ordinary shares of 50 kobo each (₦17,947,646,396). In this Report, the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of Naira respectively.

This Annual Report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months of December 2019 to the corresponding 12 months of 2018, and the statement of financial position comparison relates to the corresponding position as at 31 December 2018. Except as otherwise 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 abbreviation section of this Report.

There will be an option to view a PDF copy of the FBNHoldings Annual Report, list of unclaimed dividend, list of all business locations as well as PDFs of certain subsidiary Reports on the Investor Relations section of the FBNHoldings website.

OUR BUSINESS

At FBN Holdings Plc, we are committed to providing innovative financial solutions to our customers. Our rich heritage and diversified businesses demonstrate our ability to evolve with our customers' financial needs, create value for our stakeholders and drive economic growth across Africa.



GROUP PROFILE

FBN Holdings Plc is a leading non-operating financial holding company in Africa. The Company provides diverse range of services through its Strategic Business Groups, which include the Commercial Banking Group, Merchant Banking and Asset Management Group, and Insurance Group. Through its subsidiaries, FBNHoldings offers innovative and competitive financial solutions across Africa, Europe and Asia.

The largest subsidiary of the FBNHoldings Group is **First Bank of Nigeria Limited** (FirstBank), founded 126 years ago.

FirstBank offers commercial banking services in Nigeria while its subsidiaries provide commercial banking services across Africa, Europe and Asia.

FirstBank is also the parent company of First Pension Custodian Nigeria Limited.

FBNQuest Merchant Bank Limited and **FBNQuest Capital Limited** provide merchant banking, asset management and investment banking services.

FBNQuest Merchant Bank Limited is the parent company of FBNQuest Asset Management Limited and FBNQuest Securities Limited.

FBNQuest Capital Limited is the parent company of FBNQuest Funds Limited.

FBNQuest Trustees Limited became a direct subsidiary of FBNHoldings in 2019. The business provides trust services to both private and corporate clients.

FBNHoldings is the parent company of **FBN Insurance Limited,** a life insurance underwriter.

FBNInsurance offers general insurance services through its subsidiary, **FBN General Insurance Limited.**

The Group also offers brokerage services through **FBN Insurance Brokers Limited.**

Notable milestones:

FirstBank — Founded 1894

Listed as FirstBank in 1971 and as FBNH in 2012

Leading asset management, trustee and financial advisory services businesses

FBN Insurance ranked among top three life insurance businesses

ATMs 2,970

Agent Banking Network 44,024

FirstMobile subscribers 3.5 million

*894# USSD 8.8 million users

POS terminals 13,789

>85% of customer-initiated transactions executed via digital channels

Business locations 892

Strong retail franchise with savings deposit over ₦1.3tn

Numbers are as at 31 December 2019

OUR STRUCTURE

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

FBN HOLDINGS PLC

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 Funds Limited

FBNQuest Trustees Limited

INSURANCE

FBN Insurance Limited

- FBN General Insurance Limited

FBN Insurance Brokers Limited

Vision

To be the leading African financial services provider delivering innovative solutions

Strategic Ambition

Maximise shareholder value through a diversified portfolio focused on putting customers 'First'

Core Values

Innovation
Integrity
Respect
Customer Centricity
Sustainability

OUR STRUCTURE

At FBNHoldings Group, we offer innovative and competitive financial solutions to meet the needs of our customers.

COMMERCIAL BANKING

The Group's core business is providing financial services to individuals and corporate customers.

This business segment includes the Group's local, international and representative offices offering commercial banking services in 10 countries.

MERCHANT BANKING AND ASSET MANAGEMENT

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

INSURANCE

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

GEOGRAPHIC REACH

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2019 ₦627.0bn

Gross earnings grew by 6.7%, driven by a 1.6% growth in interest income and a 20.6% growth in non-interest income.

6.7%

2018 ₦587.4bn

NET-INTEREST INCOME

2019 ₦290.2bn

Net-interest income increased by 1.7%, driven by a 1.6% increase in interest income but partially offset by a 1.4% growth in interest expense.

1.7%

2018 ₦285.3bn

NON-INTEREST INCOME

2019 ₦159.2bn

Non-interest income increased by 20.6% as the business successfully moved towards a transaction-led banking model and increased digital banking.

20.6%

2018 ₦132.0bn

OPERATING EXPENSES

2019 ₦314.7bn

Operating expenses increased by 18.3% on the back of strategic investments and one-time charges aimed at improving operational efficiencies and enhancing revenue capabilities.

18.3%

2018 ₦266.0bn

PROFIT BEFORE TAX

2019 ₦83.6bn

Sustained improvement in profit before tax on the back of declining impairment charge on credit losses and consistent upward trajectory in non-interest income.

30.9%

2018 ₦63.9bn

PERFORMANCE HIGHLIGHTS

CUSTOMER DEPOSITS

Increase in total customer deposits is driven by growth across all types including current and savings accounts.

2019 ₦4,019.8bn

15.3%

2018 ₦3,486.7bn

CUSTOMER LOANS AND ADVANCES (NET)

Net customer loans and advances increased by 10.9% as the Group creates healthy risk asset portfolio and strengthens the balance sheet.

2019 ₦1,852.4bn

10.9%

2018 ₦1,670.5bn

EARNINGS PER SHARE (EPS)

The growth in earnings per share reflects improved profitability.

2019 ₦1.95

21.2%

2018 ₦1.61

RETURN ON AVERAGE EQUITY

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

2019 12.4%

2018 9.7%

RETURN ON AVERAGE ASSETS

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

2019 1.3%

2018 1.1%

PERFORMANCE HIGHLIGHTS

NON-FINANCIAL HIGHLIGHTS

In 2019, key innovations and the introduction of new technologies improved operational efficiency, enhanced the customer experience and drove greater competitiveness.

DISRUPTIVE INNOVATION

- Upgraded FirstDirect application with revamped trading platform and omni-channel features that allow corporate customers execute transactions seamlessly.
- Developed and deployed an Insurance agent app, which eliminates excessive paperwork and facilitates improved processing of insurance policies. Over 60,000 transactions were completed through the platform
- Following the launch of a new innovation management platform, over 500 ideas have been generated across the Group with 10% of those ideas now in the implementation phase.

FORTIFIED DIGITAL ARCHITECTURE

- Upgraded our core banking application for our commercial and merchant banking businesses to accommodate larger transaction volumes and execute more complex transaction types
- Launched the Firstmonie wallet leveraging artificial intelligence for robotic automation of processes on the application
- Enhanced Asset Management service offerings with the development of a mobile application
- Deployed a Trade Payments & Collections platform in collaboration with Interswitch for the Merchant Banking business
- Over 12 million active customers on our digital platforms (2018: 9.8 million) - FirstMobile, USSD and Internet Banking channels
- Over 85% of customer induced transactions are executed over our digital platforms

PERFORMANCE HIGHLIGHTS

RENEWED CUSTOMER FOCUS

- Aggressively drove financial inclusion through our agent banking network. More than 150 million transactions worth ₦3tn were processed by our agents
- Revamped customer complaints resolution channel with the upgrade of our CRM 365 platform to provide notification and escalation improvements, and improve complaint resolution
- Launched a Remote Sales Advisory Centre to provide virtual sales and service fulfilment, and call centre automation technology to enhance customer service delivery
- Improved customer ranking for SME segment by five places in 2019

STRATEGY RE-ALIGNMENT

- Growth strategy for the next three years well-defined and hinged on four pillars – Financials, Portfolio, Brand and Employees
- Revamped vision for the future with clear short to medium term strategic aspirations to guide execution over the focus period
- Key growth imperatives identified and aligned with internal capabilities of operating entities within the Group

EMPLOYEE ENGAGMENT

- FBNHoldings ranked 5th best company to work for in Africa by 'Great Place to Work', and best company in Learning and Development
- FBNInsurance was ranked 4th best company to work for in Africa in the medium-sized organisation category

AWARDS

FBNHoldings is unrelenting in its drive to be the leading African financial services provider delivering innovative solutions. Our market leadership continues to be recognised across the Group.

Best Corporate Governance in Nigeria

WORLD FINANCE MAGAZINE

FBNHoldings clinched the 'Best Corporate Governance in Nigeria' Award for promoting transparency and accountability.

Financial Holding Company of the Year

BUSINESSDAY BANKING AND FINANCIAL INSTITUTIONS

FBNHoldings was named 'Financial Holding Company of the Year' in recognition of the Group's leadership role in the financial services industry.

The Best for Learning and Development, Africa

GREAT PLACE TO WORK

The Award was in recognition of the Group's robust, competency-based development framework.

The Best Workplace for Women, Africa

GREAT PLACE TO WORK

This accolade was in recognition of FBNHoldings' diversity and inclusion strategy, and the leadership's commitment to promoting a gender-inclusive environment.

Certification as a Great Workplace

GREAT PLACE TO WORK

FBNHoldings' best-in-class workplace practices and policies have further underpinned the organisation as a 'Great Workplace'.

Overall Ranking as the 5th Best Company to Work for in Africa

GREAT PLACE TO WORK

This ranking was in recognition of FBNHoldings certification as a 'Great Workplace' among participating organisations across Africa.

AWARDS

Best Mobile Banking App

GLOBAL BUSINESS OUTLOOK

FirstBank won the 'Best Mobile Banking App in Nigeria' Award for providing excellent self-service through its user-friendly app, FirstMobile.

Best Private Bank

WORLD FINANCE MAGAZINE

FirstBank clinched the 'Best Private Bank in Nigeria' Award for providing excellent wealth management solutions to its high and ultra high net worth customers.

Best Private Bank in Nigeria

GLOBAL BANKING AND FINANCE REVIEW MAGAZINE

FirstBank won the 'Best Private Bank in Nigeria' Award for providing unique product offerings and quality advisory services.

Fastest Growing Retail Bank

GLOBAL BUSINESS OUTLOOK

FirstBank was named the 'Fastest Growing Retail Bank' for adapting to industry changes and providing simple, secure and reliable alternative banking channels and solutions.

Best Retail Bank in Nigeria

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES

FirstBank was awarded the 'Best Retail Bank in Nigeria' for the continuous adoption of data and digital tools for cost optimisation.

Best Retail Bank

GLOBAL BANKING AND FINANCE AWARDS

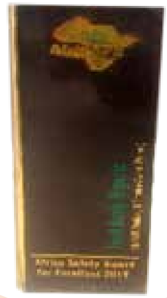
FirstBank was named the 'Best Retail Bank' in recognition of its customer-friendly and easily accessible consumer and SME loan products.

AWARDS

Best Banking Brand in Nigeria

GLOBAL BRANDS MAGAZINE

FirstBank emerged as the 'Best Banking Brand in Nigeria' for the Bank's exceptional commitment to innovation, quality branding and excellent service.



Africa Safety Award for Excellence

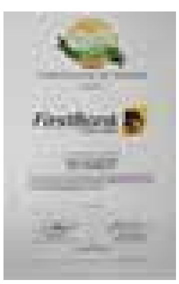
AFRISAFE BANKING AND FINANCE AWARDS

FirstBank received the AfriSafe Banking and Finance Award for the Bank's contribution to the improvement of health, safety environment and well-being in Africa.

Lifetime Corporate Sponsor Award

NIGERIAN ECONOMIC SUMMIT GROUP

The Lifetime Corporate Sponsor Award was presented to FirstBank in recognition of the Bank's unwavering financial and technical support for 25 consecutive years.



Cashless Driver: Bill Payments

CBN ELECTRONIC PAYMENTS INCENTIVE SCHEME - EFFICIENCY AWARDS

FirstBank won the 'Cashless Driver: Bill Payments' Award for the Bank's outstanding performance in achieving the highest number of bill payments across payment platforms.

Cashless Driver: Real-Time Payments

CBN ELECTRONIC PAYMENTS INCENTIVE SCHEME - EFFICIENCY AWARDS

The 'Cashless Driver: Real-Time Payments' Award was presented to FirstBank in recognition of the outstanding performance in achieving the highest number of payments on the NIBSS Instant Payment Platform.

Best Pension Fund Service Team in Nigeria

CAPITAL FINANCE INTERNATIONAL

The Award was presented to the First Pension Custodian team in recognition of the contribution to the growth and development of the Nigerian Pension industry.

AWARDS

Best African Sukuk

EMEA FINANCE: ACHIEVEMENT AWARDS

FBNQuest Merchant Bank was awarded 'Best African Sukuk' for demonstrating exceptional capabilities in the debt capital market.

Most Innovative Registration Member

FMDQ GOLD AWARDS

This Award was in recognition of FBNQuest Merchant Bank's continuous delivery of increased value through the registration of bond-related transactions on the FMDQ Securities Exchange.

Best Local Investment Manager in Nigeria

EMEA FINANCE AFRICAN BANKING AWARDS: NIGERIA

FBNQuest Merchant Bank clinched the 'Best Local Investment Bank' Award in recognition of its leading role in key transactions across various sectors.

Deal of the Year - Africa-Islamic Finance

BANKER DEAL OF THE YEAR AWARDS

The Award was in recognition of FBNQuest Merchant Bank's exceptional capabilities in Islamic Finance.

Money Market Fund of the Year

BUSINESSDAY BANKING AND OTHER FINANCIAL INSTITUTIONS AWARDS

This Award was in recognition of FBNQuest Asset Management's mutual funds strong performance.

Best Asset Manager in Nigeria

EMEA FINANCE AFRICAN BANKING AWARDS

This Award was in recognition of FBNQuest Asset Management's mutual funds strong performance across all public funds and bespoke portfolios.

AWARDS

Best Life Insurance Company in Nigeria

WORLD FINANCE AWARDS

For the fourth consecutive time, FBNInsurance won the 'Best Life Insurance Company in Nigeria' Award for transforming the insurance landscape through technology, prompt claims settlement and robust capital base.

Overall Ranking as the 4th Best Company to Work for in Africa

GREAT PLACE TO WORK

The ranking was in recognition of FBNInsurance certification as the 'Best Company to Work in Africa' in the medium-sized organisation category.

Best Corporate Social Responsibility Practice

GREAT PLACE TO WORK

FBNInsurance won the 'Best Corporate Social Responsibility Practice' Award in the medium-sized organisation category.

Certification as a Great Workplace

GREAT PLACE TO WORK

FBNInsurance was certified as a 'Great Workplace' in the medium-sized organisation category.

Certification as a Great Workplace

GREAT PLACE TO WORK

FBN General Insurance was certified as a 'Great Workplace' in the small-sized organisation category.

STRATEGIC REPORT

The thrust of our business is to build a fully-integrated financial institution and this is reflected in the diversity of our business portfolio.

GROUP CHAIRMAN'S STATEMENT

Dr. Oba Otudeko, CFR
Group Chairman FBN Holdings Plc

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen,

It is with great pleasure I present the 2019 Annual Report and Accounts of our great institution, FBN Holdings Plc. The year 2019 was a tough year globally, regionally and domestically but through it all, our institution was able to weather the storm and remain formidable in its quest to create value for its shareholders.

Our Operating Environment

On the global scene, the US-China trade war induced a slowdown of economic activities and this negatively impacted global markets. Political tensions remained elevated in the Middle East for the better half of the year and this kept oil prices above the USD$60 per barrel mark.

The protracted Brexit negotiations between Britain and the European Union took a different dimension later in the year with the resignation of the British Prime Minister and the subsequent appointment of a new Prime Minister.

In Nigeria, 2019 was an election year and we witnessed the return of the ruling party for a second term. By the first half of the year, the Governor of the Central Bank of Nigeria (CBN) was re-appointed for a second five-year term.

These developments were supposed to signal policy continuity and trigger foreign portfolio inflows into the country which are instrumental to funding the country's growth aspirations. However, foreign investors did not share the same confidence in our market, resulting in a 23.0% year-on-year decline in total foreign portfolio inflows into the country.

With the return of the CBN Governor, a five-year Policy direction/plan was announced (including likely recapitalisation) to strengthen the Nigerian financial services industry.

A similar development occurred in the insurance industry with industry players expected to raise additional capital largely to enhance the capacity of the industry to underwrite and retain large risks, including risks in specialised sectors such as Oil and Gas, and Aviation.

Our Performance

In the last 126 years, we have relentlessly pushed the boundaries and evolved with the ever-changing financial services landscape. We have placed shareholder value at the forefront of our operations and will continue to drive our businesses toward preserving this value.

The year 2019 marked the end of our three-year strategic planning cycle, themed 'Rebuilding the Group for Enhanced Shareholder Value' and it is important to highlight that over the period, we delivered on this mandate despite the turbulent operating environment in which the Company operates.

In 2019, we deepened our efforts to realise revenue synergies with the launch of a campaign focused on collaboration across various entities of the Group. As a result, a 42% increase in synergy revenue was recorded during the financial year, highlighting the Group's enhanced ability to address customers' needs through our thriving subsidiaries.

Furthermore, an improved innovation platform was launched as part of our drive to develop innovative solutions across all facets of the Group's operations and service offerings.

"...a 42% increase in synergy revenue was recorded during the financial year, highlighting the Group's enhanced ability to address customers' needs through our thriving subsidiaries."

GROUP CHAIRMAN'S STATEMENT

We have continued to enhance our technological capabilities and leverage the FirstBank digital lab to drive innovation across the Group.

In addition, we introduced two mobile applications for our Insurance franchise, a customer app, which enables customers to monitor and renew policies on the go, and an agent app, which eliminates excessive paperwork for our Insurance agents and facilitates straight-through processing of insurance policies.

Throughout the year, we remained committed to the CBN-led financial inclusion programme and aggressively rolled out 53,000* banking agents in 772* local government locations across the country.

We leveraged our large retail network and stable alternative channels to drive customer acquisition across all the business segments and utilised our digital channels to extend financial services to the unbanked and underbanked population in Nigeria.

Corporate Governance

Robust corporate governance remains a central theme to the Group's ability to discharge oversight functions and further the aspirations of our numerous shareholders, customers, staff, regulators and the community.

At FBNHoldings, the aspiration to ensure shared prosperity has been ingrained in our DNA and has continued to be pivotal over our 126 years of existence and the continued pursuit of accountability and integrity. These qualities have proven invaluable in achieving our mandate of safeguarding the assets of the Group by ensuring an efficient trade-off between risks and returns in a complex business environment.

Consistent with our practice, we continue to lead the industry in investing in knowledge capital and gender diversity, ensuring that the Board members are adequately equipped to discharge their oversight function in the rapidly evolving landscape and the promotion of a sound and efficient financial services industry.

The benefits of these investments in technical and non-technical aspects of our business will provide the bedrock for our future success. Furthermore, we have taken a conscious stand to ensure the diversity of our Boards across all operating companies, largely for the attendant benefits and also in compliance with the various codes of Corporate Governance.

In addition to our compliance with the CBN Code of Corporate Governance on gender diversity at FBNHoldings, we continue to forge inclusion through diversity of thoughts, experience and academic background.

For us at FBN Holdings Plc, diversity is not merely rhetoric, it is a good business decision and we are aligned with the broad consensus that diversity leads to the best outcomes and enhances our ability to create superior value.

During the year, there were three additions to the Board of Directors of our subsidiaries; Ado Wanka was appointed as a Non-Executive Director of First Bank of Nigeria Ltd. He is a seasoned professional and an alumnus of Harvard Business School and Switzerland's Institute of Management Development, Lausanne. He has held various leadership positions, including being an Executive Director in FirstBank in 1998.

Oyinkansade Adewale, a leading and highly experienced banker and finance expert, with over 30 years track record in the banking industry, within which she rose to become the Chief Financial Officer of a Nigerian bank. She was appointed as an Independent Non-Executive Director of FBNQuest Merchant Bank Ltd.

Tseyi Hammond was appointed as the Acting Managing Director of FBNQuest Capital Ltd. He brings with him 17 years worth of experience in equity and structured products sales and trading. His appointment as Managing Director is, however, subject to the approval of the Securities and Exchange Commission.

Outlook for 2020 and Beyond

The year 2020 marks the beginning of another three-year strategic planning cycle for the Group and we have extensively engaged internally and mapped our course of action over the next three years.

In line with current and future trends, we have realigned our vision and strategic priorities across our operating entities. Furthermore, we have identified synergistic opportunities and key services that can be leveraged to further drive efficiency and overall productivity across the Group.

*As at 31 March 2020

GROUP CHAIRMAN'S STATEMENT

Over the next three years, our focus will be on improving the Group's financial performance by optimising our business portfolio, driving improved coordination across our operating companies to enhance the non-commercial banking contribution to revenues, leveraging the significant strength inherent in the FirstBank brand and extensive reach as well as accelerating the retooling of our greatest asset: our people.

Over the medium term, we anticipate a stricter regulatory environment for our banking businesses with relatively low yields on investments.

In addition to the regulatory-induced headwinds, there is growing anxiety from the potential risks posed by more agile fintechs, that are making inroads into the financial services industry with minimal geographical and regulatory barriers. These profound threats are further exacerbated by the planned adoption of more stringent regulatory capital adequacy framework for commercial banks.

Despite the size and the intensity of these threats, I am confident that the Group is prepared, not only to mitigate these threats but also positioned to benefit from these developments.

It is important to highlight that the Board of Directors and Management of FBNHoldings will ensure that all our operating entities have sufficient resources (financial and non-financial) to grow their businesses, deepen market penetration and enhance overall shareholder value.

On behalf of the Board of FBNHoldings, I will like to express my profound appreciation to our esteemed customers for their patronage and continued support for our brand. We appreciate your trust in us and will keep striving to exceed your expectations. To our distinguished shareholders, your support for our institution cannot be overemphasised. We will do all within our abilities to create and sustain value.

Finally, to the most important assets of the Group, the staff of FBNHoldings Group, we say thank you for your tenacity and commitment to the Group.

Oba Otudeko, *CFR*
Group Chairman

GROUP MANAGING DIRECTOR'S REVIEW

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

Esteemed Shareholders,

I welcome you to a new decade and thank you for your unflinching loyalty. As always, it gives me great pleasure to present the financial results of FBN Holdings Plc for the year ended 31 December 2019.

The 2019 financial year was an eventful year for the institution on many fronts. On 26 March 2019, our flagship institution, First Bank of Nigeria Ltd, marked 125 years of opening its doors at the Marina, Lagos branch. Since then, it has continued to provide unrivalled banking services and has supported families, businesses and governments at various levels.

From these humble beginnings in 1894, with total assets of £12,000, the Bank has developed into a financial powerhouse, not only in Nigeria but in the entire West Africa region, creating significant value for its numerous stakeholders and championing the development of modern-day Nigeria.

Similarly, the year marked the end of our three-year Strategic Planning Programme (SPP) cycle: a significant milestone in our journey to repositioning the Group. We have strengthened the various businesses, completed key initiatives to address critical enablers – risk management, technology, people and processes – and laid the foundation for driving profitable growth from our commercial banking franchise as well as other companies in the Group.

Over this period, we have recorded significant growth across several key metrics, including return on equity, return on assets and the ratio of non-performing loans (NPLs) on legacy loan book.

We are delighted that these indicators have trended positively over this period. More importantly, leading indicative metrics such as NPL of vintage book have remained at less than 1%, reinforcing our commitment to improving the risk management practices across lending institutions.

Similarly, our leadership across alternative platforms such as agent banking and e-channels, has provided signs of a bright future characterised by significant growth opportunities.

Specifically, we recorded significant achievements on other qualitative issues, including our quest to drive financial inclusion in support of the Central Bank of Nigeria (CBN) agenda to shrink the size of the unbanked population in Nigeria and fuel economic growth. Within this period, we have grown our agency banking in Nigeria from ground zero to over 53,000* agents, represented in 772* out of the 774 local government areas.

Similarly, we have continued to lead the market on nearly all the alternative banking channels, including the USSD banking platform, our *894#, where we exceeded 8.8 million customers transacting and accruing ₦2.6tn in value in 2019. We have also maintained our dominance of internet transactions through the Firstmonie platform, where we processed ₦3tn in value of transactions generated by 3.5 million customers in 2019.

All of these and more speak to the deepening of our technology leverage, and our positioning of the Commercial Bank to take advantage of changing customer trends, addressing the increasing needs of Millennials and their demand for 'on-the-go' options for transactions.

As a direct consequence of the changing dynamics of our delivery channels, we have seen a significant shift in our revenue model, with non-interest income as a percentage of our total earnings growing from 19.1% in 2017 to 25.4% at 2019 year-end.

Given that these service delivery models are significantly cheaper than the brick and mortar option in providing banking services, we expect to see this development support our effort to address operating costs going forward and address the currently heightened cost-to-income ratio.

In the last three years, we have made significant strides in our aspiration to strengthen collaboration across the Group, in order to increase our share of customer wallets and maximise the benefits inherent in our diverse product offerings by virtue of the Holding Company structure.

*As at 31 March 2020

GROUP MANAGING DIRECTOR'S REVIEW

Considering that synergy extraction is central to our strategy of delivering quality returns to our shareholders, the Management decided to fortify governance around how we collaborate, including a revision to the reward structure for cross-selling, increased oversight on synergy by the Group Executive Committee (GEC) and strengthening the leadership for Group-wide initiatives.

The financial results have been impressive in the immediate term and there is a growing level of coordination across businesses, resulting in a healthy cross-entity pipeline of deals.

In 2019, the absolute synergy revenue stood at ₦28bn from ₦19.8bn in 2018, representing 42% growth over the last one year and is projected to grow to 12% of Group revenue at the end of the planning cycle.

2019 in Review

The global economy came under severe pressure in 2019 as a result of the debilitating trade wars among major global economic blocs (the US, China and the Eurozone), which led to stunted growth across these regions and their trading partners. In addition to the trade feuds, there were pockets of social and political unrests, with damaging economic implications, across several regions during the year.

The Nigerian economy grew at 2.3% in 2019 on the back of strong performance by the oil sector and slight pick-up in the non-oil sector of the economy. Also, the business environment improved slightly during the year as evidenced by the manufacturing and non-manufacturing Purchasing Managers Indexes (PMIs), which rose for the 30th and 31st consecutive times respectively closing at 58.2 apiece.

Consequently, Nigeria rose 15 places on the World Bank's 2020 Ease of Doing Business rankings. The country now ranks 131st, from 146th position last year, and up 39 places since 2016, when the current administration established the Presidential Enabling Business Environment Council.

Against the backdrop of global challenges and a slow-growth economy, the CBN deployed several unorthodox policies, including the use of the Global Standing Instruction to combat the predatory impact of serial borrowers in the banking system to drive down NPL. Similarly, the CBN tried to drive credit in the system by compelling deposit money banks to meet a 65% minimum loan-to-deposit ratio, with incremental fund sterilisation for breaches.

The CBN also introduced a differentiated cash reserve requirement for banks during the year and released circulars for development finance initiatives in agriculture, micro, small and medium enterprises and other real sector targeted regulations, including restriction of local corporate and individual investors from participating in the CBN OMO bills.

These measures seem to have achieved notable results, especially in the last quarter of the year as evidenced by the above-expectation fourth-quarter growth of 2.6% and a strong expansion in the industrial sector, underpinned by growing manufacturing with the PMI hitting a 17-month high in November 2019 at 58.2.

Business Review

The Nigeria financial services industry continued its steady growth in digitalisation in 2019 with marked growth in technology spend by traditional players and an influx of investor-backed fintechs, backed by a fairly deep investor pool, which is pushing the frontier in service offerings. This development has motivated our asset management and commercial banking businesses as we strive to make more of our business accessible through digital platforms.

As a Group, we lead through innovation, driving down costs by leveraging technology in our revamped processes. We have also sought to extend our leadership in 2019 in alternative channels, consistent with our strategy of enhancing and diversifying the income stream of the Group with increasing revenue from non-interest income.

On these fronts, we have made significant progress and the financial results of 2019 have supported this position. Transactions through alternative channels have increased significantly, representing 85% of total transactions in 2019.

Similarly, our agent banking proposition has grown in leaps and bounds with our mobile agents recording ₦2.5tn in transaction value.

GROUP MANAGING DIRECTOR'S REVIEW

> *Our businesses are positioned to meet their capital needs from internal sources without resorting to the capital market....*

In line with global financial services trends, we have continued to witness growth in the number and value of transactions through alternative platforms outweighing branch visits at a ratio of 85:15 in 2019. This performance is consistent with our strategy of strengthening our business fundamentals by making smart investments in people, technology and processes.

Similarly, we have leveraged technology in driving credit to our large pool of retail customers through the introduction of automated payday loans in support of the aspiration of the CBN to deepen credit penetration in Nigeria.

Central to our strategy is the three-pronged focus of the Group aimed at restoring shareholder value over the last three years - address the heightened NPL portfolio of the Commercial Bank, rein in operating costs; and enhance the revenue profile of the Group in the context of diversification across multiple streams, markets and sectors.

These primary focus areas are in addition to the long-term strategy of the Group, which is ultimately geared towards ensuring that FBNHoldings becomes one of the foremost financial services institutions in Sub-Saharan Africa. I am pleased to report that we have made material progress on all three fronts (albeit at different levels of success). The 2019 financial results reinforce our optimism in enhancing value for shareholders.

From a revenue standpoint, our business remains one of the most diversified financial services groups, with a good mix of income between alternative channels and conventional channels; income from Nigeria and the rest of the world; and income from commercial banking and non-commercial banking entities.

Today, income from alternative channels has grown significantly while income from non-commercial banking operations has enhanced the diversity of our revenue portfolio, which is on course to achieving the 12% target agreed for the end of the SPP cycle in 2022.

In particular, the 2019 financial results have been a good reflection of our strategy and the directional ratios are consistent with the future we seek to create for the institution.

NPL ratios have trended downward from the high of 24.7% in 2018 to 9.9% in 2019, consistent with our commitment to the market at the start of the SPP cycle in 2017. Capital adequacy has also remained above the regulatory threshold, in line with our preferred option of funding the business from organic sources. As at year-end, the capital adequacy ratio for First Bank of Nigeria Ltd and FBNQuest Merchant Bank Ltd was 15.5% and 17.1% respectively.

Net-interest income grew at 1.7%, from ₦285.3bn in 2018 to ₦290.2bn in 2019, cushioned by growth in non-interest income.

As the corporate centre, our mandate to optimise capital remains critical to the ability of the Group to achieve its numerous objectives. During the year, there were mooted discussions around the need for capital injections in our various operations, including the insurance business for which the National Insurance Commission released a guideline for recapitalisation of underwriting businesses.

Similarly, the CBN fueled suggestions that the regulator may be calling for additional capital for Nigerian banks in the near future, in its bid to strengthen the financial services sector. Away from the regulatory-driven capital discussion, we also noted other market-driven needs for capital injection in the insurance sector to strengthen the insurance industry and enhance its capacity for an improved risk retention capacity.

Our businesses are positioned to meet their capital needs from internal sources without resorting to the capital market, considering the state of the market and our preference for the organic capital accretion model.

Consequently, a dedicated team has been set up at the Group level to monitor developments with capital implications across all operating entities, feeding into the GEC, the highest management organ of the Group, as well as reporting directly to the Board of FBNHoldings.

GROUP MANAGING DIRECTOR'S REVIEW

In addition to the robust capital plan, our funding profile has improved significantly, including the foreign exchange currency position that has allowed the Commercial Bank to take emerging opportunities and improve the revenue base of the Group.

Overall, the Commercial Banking group has had a good year on several key fronts, both financial and non-financial, upstreaming dividend to the Holding Company for the first time in five years. The implemented Oracle Enterprise Resource Planning has ensured our processes are robust and support the workforce in meeting the emerging needs of our customers.

Similarly, FirstBank has ramped up its effort to extract significant value from its West African franchises by fully integrating these operations and supporting the management of these subsidiaries. For example, over the course of the year, the Bank injected additional capital in its Ghana and Senegal operations to enable these entities compete locally and consequently contribute to the Group. Our digital platforms have also been extended to these markets, and we have begun to witness growth in customer acquisition and business growth.

The merchant banking business, FBNQuest Merchant Bank, has continued to complement the commercial banking operations by forging improved alliances and strengthening the Group proposition to customers, winning several awards in 2019.

Critical to our operation is the Group's commitment to enhancing the environment in which we operate. Preserving our environment for the present and future generations is a strategic aspect of the Group's corporate responsibility and sustainability activities and initiatives.

Our sustenance and survival are greatly dependent on the sustainability of the environment and communities where we operate. We have thus sought to minimise our direct and indirect environmental impact while conducting business, including encouraging responsible lending, through our environmental, social and governance management frameworks.

In addition, our responsible approach to protecting the environment has seen us partner with the Nigeria Conservation Foundation, dedicated to nature conservation and sustainable development in Nigeria.

Some of our key sustainability programmes include: the FutureFirst programme; Infrastructure Development programme; Start Performing Acts of Random Kindness (SPARK); and the Employee Giving and Volunteering Programme. SPARK, a values-based initiative was introduced in the maiden edition of the Corporate Responsibility & Sustainability Week in 2017.

The initiative is designed to raise consciousness that we can choose to be kind and espouses the need for employees to reignite their values in the hope of becoming a model to the entire financial services industry. In 2019, over 25 secondary schools benefited from this programme with over 6,000 secondary school student participants at the launch of the initiative. As a result, over 20,000 underprivileged, lives, including those of widows, were touched across eight countries. This feat was achieved by partnering with 50 charities and foundations, including the Down Syndrome Foundation; Sickle Cell Foundation; National Association of the Blind; Nigeria Red Cross Society; Pacelli School for the Blind and Partially Sighted; International Women's Society and the United Nations Global Compact.

In recognition of our performance, the Holding Company and its operating companies continue to receive recognition in their various sectors. FBNHoldings was also recognised as the Company with the Best Corporate Governance in Nigeria by the World Finance Magazine. The Holding Company was also recognised as the Holding Company of the Year by BusinessDay and certified by the 'Great Place to Work' as a great workplace and a great place to work for women.

During the year, the Commercial Bank won the following: the best retail bank in Nigeria, the best private bank in Nigeria, the best mobile app, Africa safety award for excellence, the fastest-growing retail bank and the best banking brand in Nigeria by various bodies and magazines.

The Merchant Bank was recognised as the best Sukuk bank, the most innovative registration member by FMDQ, best investment manager and the best asset manager by EMEA Finance.

GROUP MANAGING DIRECTOR'S REVIEW

As a Group, we will continue our pursuit of the gold standard in service delivery and value creation to the shareholders with extreme courtesy to the environment where we operate.

Overview of Group Performance

In 2019, we made significant progress in resolving the challenging NPL situation faced by the Group over the last five years. Having delivered the single-digit NPL as promised, the efforts of the Management and Board are now geared towards loan recovery efforts to ensure that loans written-off are recovered and positively impact the bottom line of the business during this SPP cycle.

More importantly, we have sufficiently strengthened the risk environment to forestall further build-up of NPL in our loan book by leveraging technology and ensuring improved credit culture across the entire process. This is of great importance to the lending institutions as we seek to expand the loan books over the next year.

Our top-line increased slightly during the year despite muted growth across the industry as a result of the challenging macroeconomic environment with an operating income of ₦449.3bn in 2019, a 7.7% growth over prior year of ₦417.3bn.

Similarly, the Group posted a profit before taxes of ₦83.6bn, a 30.9% growth over prior year at ₦63.9bn. Profit after taxes stood at ₦73.7bn, a 26.5% growth over prior year at ₦58.2bn. Non-performing loan dropped significantly during the year to 9.9% from 24.7% in the 2018 financial year. Consequently, impairment charges for the year reduced by 41.5% during the year to ₦51.1bn in 2019 from ₦87.5bn in 2018.

Other key metrics such as return on equity, loans and advances, deposits, shareholders' equity improved during the year at varying rates.

Return on equity improved by 270 basis points closing the year at 12.4% from 9.7%. Total assets grew by 11.4% from ₦5.6tn to ₦6.2tn over the last one year. Total deposit and shareholders' equity grew 15.3% and 25%, closing the year at ₦4.0tn and ₦661.1bn respectively. Net loans and advances also recorded a growth of 10.9%, buttressing the current economic climate which has made loan book expansion extremely difficult.

First Bank of Nigeria Ltd, the largest subsidiary of the Group, closed with a capital adequacy ratio of 15.5%, 50 basis points above the regulatory limit of 15% while, FBNQuest Merchant Bank Ltd closed with a capital adequacy ratio of 17.1%, 710 basis point above its regulatory limit of 10%. However, cost-to-income has grown year-on-year from 63.7% in 2018 to 70% in 2019, partly reflecting some of our investment in IT and process to workforce right-sizing in readiness for the next phase of our growth. Similarly, net interest margin dropped from 7.8% in 2018 to 7.7% in 2019.

"As a Group, we will continue our pursuit of the gold standard in service delivery and value creation for our shareholders with extreme courtesy to the environment where we operate."

The year 2020 promises to be a challenging year, with the likely exacerbation of several macroeconomic challenges of 2019.

In addition, the outbreak of the COVID-19 pandemic has resulted in an unprecedented level of the damage to the global economy with the impact felt across every nation.

The risk of escalating trade tensions remains, while nationally, many issues remain unresolved. Given the huge reliance of the country on proceeds from crude oil exports, a crash in oil price, from a budget benchmark USD$56 to USD$30 per barrel, threatens to mount pressure on the Naira, decimate the foreign reserves and impact foreign exchange liquidity.

In the financial services industry, the regulatory environment is increasingly tougher with recent regulations on bank charges, loan-to-deposit ratio, Open Market Operations and the Cash Reserve Ratio requirement.

However, in the medium term, regional development presents significant opportunities for our businesses, including Nigeria's signing of the regional free trade agreement as well as the implementation of the West African monetary integration.

GROUP MANAGING DIRECTOR'S REVIEW

All these developments will have an impact on our businesses, both positively and negatively, leading to the refinement of our strategy and a rebalancing of our portfolio in pursuit of diversification.

In conclusion, I would like to assure our shareholders that our strategy to reposition the Group is gathering momentum and the key pain points, including the challenging delinquent loan portfolio, have been effectively addressed except for the need to intensify efforts at reducing our cost to serve.

Now that we are on course for a normalised NPL territory in 2020 and with our leadership position in electronic channels, the Group is positioned to take advantage of the evolving opportunities in the market for the benefit of our esteemed shareholders.

Over the next SPP cycle, our vision is to reclaim our leadership position across key markets and strengthen the fundamentals of the business by enhancing the key enablers in readiness for the future.

Our esteemed shareholders, on behalf of the management of FBNHoldings, let me place on record my appreciation for your patience and for the support you have extended to this Group over the years. The next three years promise new and exciting journeys.

Although the financial services landscape is changing, we have invested strategically to understand the changing behaviours of our customers.

As a Group, we are not only positioned to remain relevant in the future, we are poised to lead the change across Sub-Saharan Africa, and we expect our excellent ambitions to be fully reflected in the numbers we achieve.

Thank you and God bless you.

Urum Kalu Eke, *MFR*
Group Managing Director
FBN Holdings Plc

OUR BUSINESS MODEL

To consistently provide innovative products and services customised to our clients' needs, we capitalise on our unique position as a diversified financial institution. Our competitive advantage lies in our people, geographical footprint, business structure and heritage, and this has kept us at the forefront of the financial services industry across Africa.

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

We extract synergies across our multi-faceted businesses and expanding customer touch points to ensure efficient and convenient value delivery to all our customers

Our presence in other markets increases the opportunity to partner with our customers to meet their needs wherever they choose to do business

Our rich heritage underscores our commitment to building sound economies and impacting lives through strong support for all facets of the society

OUR BUSINESS MODEL

Our Diversified Financial Services Offering

BUSINESS GROUP

COMMERCIAL BANKING

SERVICES

- Retail Banking
- Commercial Banking
- Corporate Banking
- Public Sector Banking
- Treasury Services
- Pension Custodian

HOW WE CREATE VALUE

- We make a spread from the deposits received from customers and the risk assets created.
- Fees and commission income is generated from transaction charges on funds and commissions earned in facilitating other transactions.

HOW WE DELIVER VALUE

- Retail Banking: Serves mass retail and affluent customers with annual incomes of up to ₦50mn as well as local governments with an annual turnover of up to ₦500mn.
- Commercial Banking: Serves mid-to large-sized businesses with a turnover of ₦1bn to ₦5bn.
- Corporate Banking: Serves high-end and blue-chip corporate customers, multinationals and specialised industries.
- Public Sector Banking: Concentrates on the federal government and state governments with emphasis on providing payments and collection services.
- Treasury Services: Serves customers needs through; cash management, liquidity planning and control, management of interest, currency and commodity risks, procurement of finance and financial investments, and corporate finance.
- Pension Custodian: Provides pension fund custody services in Nigeria.

OUR BUSINESS MODEL

BUSINESS GROUP

MERCHANT BANKING AND ASSET MANAGEMENT

SERVICES

- Corporate Banking
- Investment Banking
- Institutional Securities
  - Fixed Income and Currencies Trading
  - Equities Trading
  - Wealth Management
  - Structured Products
- Investment management
  - Asset Management
  - Trust and Agency Services
  - Alternative Investments

HOW WE CREATE VALUE

- We make a spread from the deposits received from customers and the risk assets created.
- Fee income is generated as we support our clients through advising, financing, trading, funds management and sales of investment-related products.

HOW WE DELIVER VALUE

- Corporate Banking: Offers a platform for the provision of a full range of bespoke investment and wholesale banking services (lending, trade services and transaction banking) to mid-size and large institutions.
- Investment Banking: Arranges finance through the banks and capital markets as well as provides financial advisory services.

The Institutional Securities cluster delivers value to customers in the following ways:

- Wealth Management: Provides a holistic approach for high net worth individuals (HNIs), helping them to grow, manage and transfer their wealth to future generations.
- Securities Trading: Provides clients with strong products and sector expertise through our equities and fixed income desk.

OUR BUSINESS MODEL

BUSINESS GROUP

MERCHANT BANKING AND ASSET MANAGEMENT

SERVICES

- Trust and Agency Services
- Asset Management

HOW WE CREATE VALUE

- Fee income is generated as we support our clients through advising, financing, trading, funds management and sales of investment-related products.

HOW WE DELIVER VALUE

The Investment Management cluster delivers value in the following ways:

- Trust and Agency Services: Provides private, corporate and public trusteeships and estate planning to clients.
- Asset Management: Assists individuals and institutional investors with strategies best suited for their investment goals and portfolios through an array of solutions, including: mutual funds, independent portfolio management and treasury management.
- Alternative Investments: Provides alternative investment opportunities to investors.

OUR BUSINESS MODEL

BUSINESS GROUP

INSURANCE

SERVICES

- Life Insurance
- General Insurance
- Insurance Brokerage

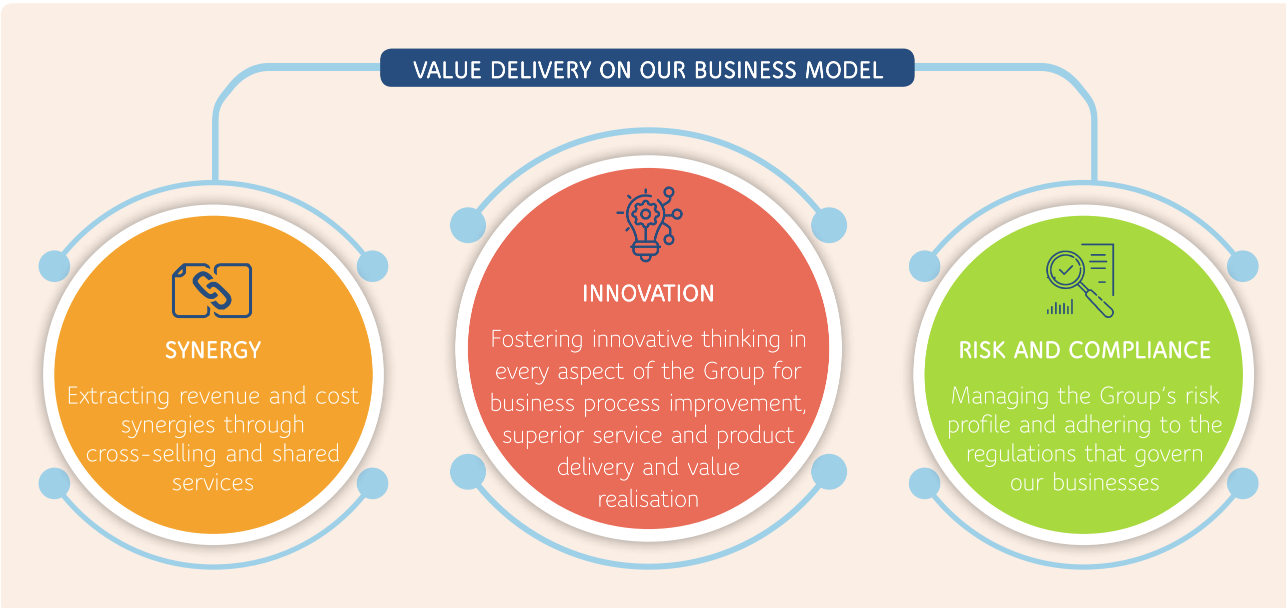
HOW WE CREATE VALUE

- By risk pooling and redistribution, we help our clients manage their risk exposures and earn fees and commission income.
- Through the investment of the premium generated, additional income is generated.
- Insurance brokerage services that include advisory and risk identification functions are provided on commission.

HOW WE DELIVER VALUE

- Life Insurance: Provides insurance coverage to individual and corporate customers.
- General Insurance: Provides a wide range of non-life products and services that address the needs of both the corporate and retail segments of the economy.
- Insurance Brokerage: Provides insurance brokerage solutions to help clients better manage risks.

OUR BUSINESS MODEL



With strategic direction from the FBNHoldings Board, and a dedicated Management team committed to delivering the Company's mandate, periodic assessments of the business and the operating environment guide the development of strategic imperatives, from which initiatives are developed and executed.

These initiatives focus on the extraction of natural synergies between our business groups, identifying growth segments and restructuring for profitable growth, taking into consideration current and future realities of our operating environment.

Successful execution of our strategic initiatives will ultimately reflect in our financial results and increased value to our stakeholders.

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

DELIGHTING OUR CUSTOMERS

A business is nothing without its customers. Recognising this, we aim to provide customer experience that exceeds expectations. In line with our commitment, we continue to review and innovate, introducing new initiatives to improve our customer service delivery. The following initiatives were introduced in 2019:

Self-Service Machines

Faster transaction time is a key driver for improving customer experience. Over 70% of our customers want to make cash deposits of less than ₦200,000. To meet this need, self-service machines were introduced for quick deposits. The Teller Cash Recyclers (TCRs) are automated cash deposit machines that offer instant deposit functions. In 2019, to facilitate faster customer deposits and reduce customer waiting time, 97 TCRs were installed across our branches. In 2020, the plan is to build on this success by installing additional TCRs.

- Total transaction count from January 2019 to December 2019 was 977,119
- Total transaction value from January 2019 to December 2019 was about ₦25.4bn

Mobile Notifications

Customer security is taken seriously; as such, customers are required to safeguard their account details and ensure up-to-date identification details. However, in some cases, not all details are updated. In compliance with the banking regulations, affected customer accounts are expected to be frozen, with a complicated manual process required to unfreeze the accounts. To avert this, our customers are notified in advance through our FirstMobile app when their account details require updates. Early notification reduces complaints relating to frozen accounts and improves customer experience.

Real-Time Branch Experience Surveys

All our 615 branches and 144 quick service points in Nigeria can now be surveyed directly using real-time feedback from customers on our quality of service. This is an add-on to our mystery shopping exercise to provide real-time feedback from customers on their experience.

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

DELIGHTING OUR CUSTOMERS

Channels Optimisation

To achieve exceptional customer experience and continuous real-time monitoring on our channels, below are some initiatives we embarked upon:

Initiative	Key Objective
• Customer Communication Tool Revamp (Avaya)	Facilitate seamless interaction between our customers and the Bank for quick turnaround time and improved customer satisfaction levels.
• ATM Monitoring Tool Implementation	Provide real-time feedback on the performance of ATMs.
• Command Centre Implementation	Monitor, analyse and display operational data required for making informed decisions and ensure customer satisfaction.
• Core Banking Tool Upgrade	Encourage seamless customer transactions and a better banking experience.

Executive Branch Visits

The executive branch visits initiative is a key initiative introduced in 2019 to improve the customer experience at our branches nationwide. Through this initiative, Senior Executives visited selected branches nationwide to:

- Engage internal and external customers
- Improve the overall customer experience
- Observe the activities for process improvement and cascade to other branches

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

IMPROVING CUSTOMER COMPLAINTS MANAGEMENT

To improve the complaints handling process in 2019, several initiatives were successfully implemented.

Reversing Failed Transactions

Through our e-channels, FirstBank processes over 4 billion transactions, totalling over ₦1bn daily. These channels have consistently contributed significantly to the Bank's bottom line. Furthermore, the e-channels have significantly reduced the number of customer visits to our branches, thereby reducing congestion, and encouraging online banking transactions from customers' comfort zones.

If transactions fail on our e-channels, it can cause dissatisfaction to our customers, especially if the funds are not reversed quickly. This can lead to increased customer complaints and a return to branch visits for future transactions. In line with our commitment to delivering outstanding customer service, we are actively exploring the reasons for transaction failures, and developing solutions that will eliminate such, thereby improving customer experience.

Quick resolution of complaints relating to failed airtime recharges and bill payments can be complex. However, resolution is key, as adverse social media comments can impact the reputation of a company.

In 2019, payment reversals relating to failed airtime recharges were successfully introduced within an approved threshold of ₦0-₦5,000, which was subsequently upgraded to ₦0-₦10,000, as this forms the bulk of the complaints in this category.

Platform Upgrade

Our Customer Relationship Management tool, CRM 365, was upgraded with an enhanced case management module. This tool provides improved notification and escalation functions. In addition, the Business Performance Management System platform was upgraded, resulting in reduced log time for failed transactions.

Complaints Handling Framework

Our review of the framework increased Line Executives' awareness of issues impacting customers, especially cases involving large financial transactions.

British Standards Institute Recertification

In line with our commitment to improving standards, FirstBank was recertified as ISO 9001:2015 Complaints Quality Management Systems-compliant for another two years.

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

CONSUMER COMPLAINTS RECEIVED IN 2019

DESCRIPTION	NUMBER OF COMPLAINTS		AMOUNT CLAIMED (₦)		AMOUNT REFUNDED (₦)	
	2019	2018	2019	2018	2019	2018
Pending complaints brought forward	19,429	11,627	1,770,071,496.31	4,557,205,949.16	128,827,150.27	126,758,709.00
Received complaints	766,205	652,301	62,024,856,143.96	30,968,320,673.42	8,896,611,757.10	5,266,502,554.53
Resolved complaints	736,477	644,499	62,624,408,950.98	33,755,455,126.27	9,025,438,907.37	5,393,261,263.53
Unresolved complaints escalated to CBN for intervention	-	-	-	-	-	-
Unresolved complaints pending with the Bank carried forward	49,157	19,429	1,170,518,689.29	1,770,071,496.31	-	-

FINANCIAL REVIEW

Performance Summary

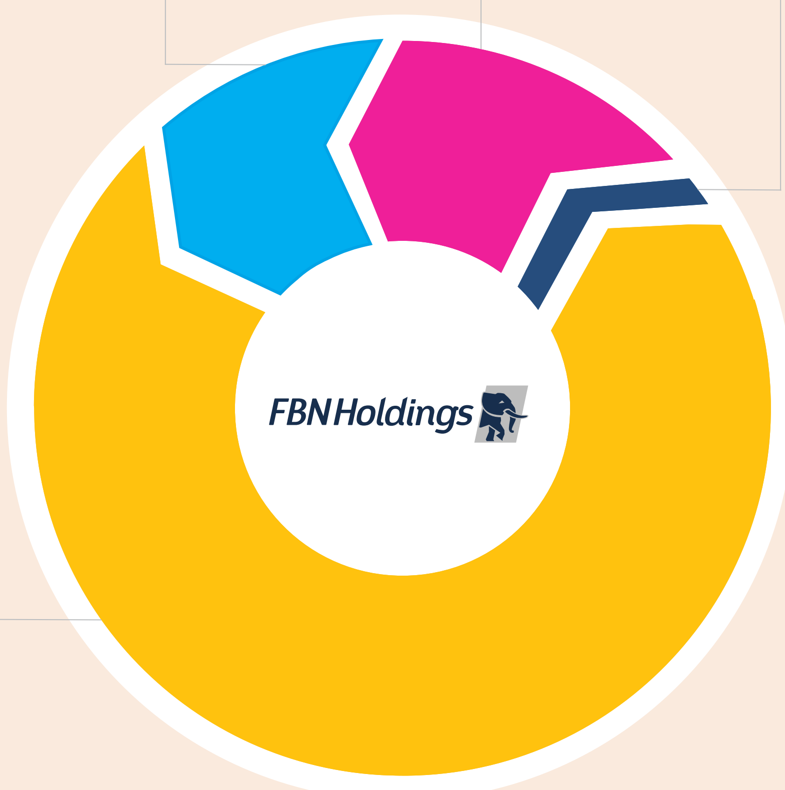
FBN Holdings Plc is the most diversified financial services group in Nigeria. The Holding Company maintains a robust balance sheet size of ₦6,203.5bn, a 11.4% growth from ₦5,568.9bn in 2018.

88.2% COMMERCIAL BANKING

5.7% MERCHANT BANKING AND ASSET MANAGEMENT

5.9% INSURANCE

0.2% OTHERS



Percentages represent contributions to gross earnings in 2019

FINANCIAL REVIEW

GROUP PERFORMANCE

INTRODUCTION

The Group closed the 2019 financial year on positive notes across a number of key metrics, giving the Group a clean slate to accelerate its growth plan as we conclude the three-year Strategic Planning Cycle, 2017-2019 and commence a new cycle that coincides with the start of a new decade.

In line with our promise to the market, FBNHoldings closed the year with a 30.9% year-on-year increase in profit before tax and delivered its target of a single digit Non Performing Loan (NPL) ratio.

Similarly, we successfully overhauled our risk management architecture, strengthened our processes by leveraging technology and institutionalising a strong credit culture across the lending entities. These deliberate steps have seen the NPL ratio of our vintage book remain below 1%. In the same vein, we have made significant improvements in our revenue generation capacity with non-interest income, benefiting from our market leadership in electronic banking channels. It is also noteworthy to highlight that our investments aimed at improving operational efficiencies and enhancing revenue accretion have resulted in higher cost-to-income ratio. The benefits of these investments will be realised in subsequent periods.

The new SPP cycle is focused on strengthening and positioning the various businesses across the Group for sustainable growth over the long-term.

As a Group, we are committed to transforming our financial performance to tangible results for the benefit of all stakeholders especially our shareholders through enhanced returns and dividend payment. As a testament of the resolution of the legacy issues and an indication of the future, FirstBank re-commenced dividend upstream to the Holding Company.

Looking ahead 2020 promises to be a challenging year. In addition to the growing list of economic challenges both at the global level and locally, the world woke up to the outbreak of the deadly COVID-19 pandemic, which has threatened to bring the global economy to a complete halt.

Whilst these are early days in the assessment of the likely economic impact of this virus, there is a sense of unanimity that this event will result in an unprecedented reduction of global economic growth and disruption to the global supply chain.

As an institution, we are positioned to minimise its impact on our businesses by activating our business continuity plans thereby preserving the wellbeing of our employees and other stakeholders.

FINANCIAL REVIEW

GROUP FINANCIAL REVIEW

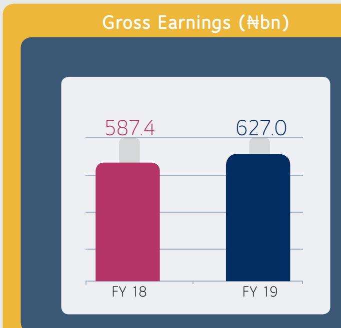
Income Statement

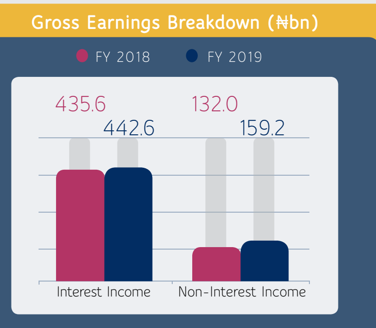
Gross earnings were up 6.7% year-on-year to ₦627.0bn (December 2018: ₦587.4bn), driven by a 1.6% year-on-year increase in interest income, despite declining yield environment, and further supported by a 20.6% year-on-year growth in non-interest income.

Interest income and non-interest income contributed 70.6% and 25.4% (December 2018: 74.2% and 22.5%) respectively to gross earnings.

Net interest income increased by 1.7% year-on-year to ₦290.2bn (December 2018: ₦285.3bn) owing to the 1.6% increase in interest income which was partially offset by a 1.4% growth in interest expenses. Interest income grew largely on account of the 15.2% increase in interest earned from investment securities due to an increase in average volume of investment securities.

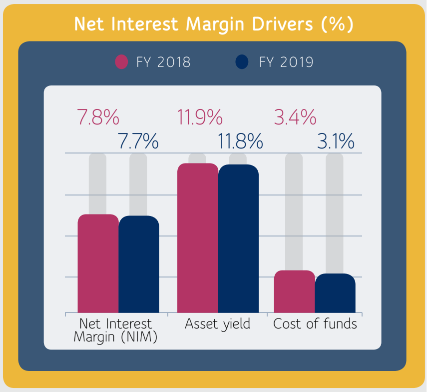
However, income from customer loans declined by 6.8% year-on-year to ₦245.7bn (December 2018: ₦263.6bn) due to compressed margin arising from low interest rate environment during the financial year. Income from customer loans and income from investment securities accounted for 55.5% and 39.3% of total interest income in 2019, compared to 60.5% and 34.6% in 2018. Interest expense, however, increased by 1.4% year-on-year to ₦152.3bn (December 2018: ₦150.2bn) largely driven by a 15.3% year-on-year increase in deposit from customers (mainly current and saving accounts), and a 14.8% year-on-year increase in deposit from banks.





Cost of funds declined to 3.1% (December 2018: 3.4%), primarily on the back of efforts to maintain a cheaper funding mix as well as following the redemption of the USD450 million FBN Eurobond in July 2019. Similarly, the Group maintained a decent mix of low-cost deposits, highlighting the strength of the brand. Ability to mobilise low-cost deposits is consistent with our strategic focus and we will continue to keep cost of funds low in the face of tight liquidity and stiff competition.

On the other hand, yields improved during the year as we continue to focus on balance sheet optimisation to enhance and accrete competitive margins. Accordingly, average yields on customer loans closed at 13.8% (December 2018: 14.1%), while yields on investment securities remained essentially flat at 9.7% (December 2018: 9.4%). Overall, the blended yield on interest earning assets was relatively flat at 11.8% (December 2018: 11.9%) with net interest margin closing at 7.7% (December 2018: 7.8%).



FINANCIAL REVIEW

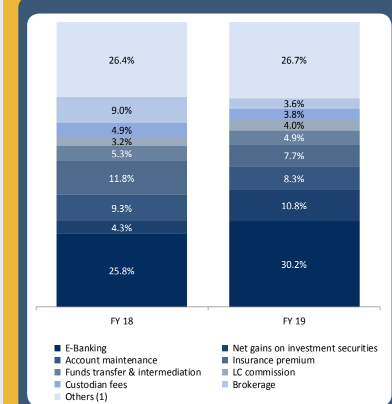
Non-Interest Income (NII) increased by 20.6% year-on-year to ₦159.2bn from ₦132.0bn in the prior year. This was largely driven by ₦10.5bn and ₦10.8bn fair value gains recorded on derivatives and debt securities instruments respectively compared to losses of ₦6.5bn and ₦1.5bn recorded in prior year respectively. Similarly, fees and commission income grew 12.5% year-on-year to ₦104.3bn (December 2018: ₦92.7bn) on the back of growing volumes from electronic banking and alternative digital channels.

The contribution of fees and commission (F&C) income continues to lead the non-interest income revenue stream contributing a total of 65.5% and 70.2% in 2019 and 2018 respectively. The key drivers of F&C remained electronic banking fees and account maintenance fees which grew by 41.2% year-on-year and 7.6% year-on-year to ₦48.0bn (December 2018: ₦34.0bn) and ₦13.3bn (December 2018: ₦12.3bn) respectively.

Electronic banking fees now contribute 46.0% to F&C income from 36.7% in the prior year, as account maintenance fees remain flat at about 13%. Other drivers include: 104.7% year-on-year growth in credit related fees to ₦4.9bn (December 2018: ₦2.4bn); 49.0% year-on-year growth in letters of credit commission to ₦6.4bn (December 2018: ₦4.3bn); 15.9% year-on-year increase in fund management fees to ₦3.4bn (December 2018: ₦3.0bn); as well as 30.1% year-on-year growth in other fees and commissions income to ₦5.0bn (December 2018: ₦3.9bn). The improvement in F&C was partially offset by the combined impact of a 52.5% year-on-year decline in brokerage and intermediation fee to ₦5.7bn (December 2018: ₦11.9bn) as well as 96.7% decline in financial advisory fees to ₦104mn (December 2018: ₦3.2bn) due to the slow pace of growth in both debt and equity capital markets.

The Group remains focused on enhancing its non-interest revenue from further growth in transaction volumes on digital channels and optimisation of the robust technology platforms to better serve its customers.

Non-Interest Income Breakdown (%)

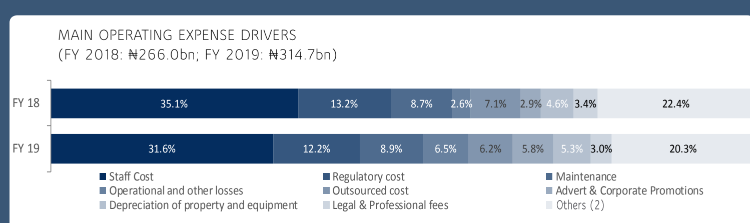


Operating expenses increased by 18.3% year-on-year to ₦314.7bn (December 2018: ₦266.0bn) on the back of one-off strategic expenses and projects aimed at improving operational efficiencies and enhancing revenue accretive capabilities. Staff related costs (31.6%), regulatory cost (12.3%) and maintenance cost (9.0%) jointly account for about half of operating expenses.

6.4% year-on-year increase in staff cost is largely due to an employee reward scheme towards driving a renewed workforce (EVES). Regulatory cost grew by 9.8% year-on-year primarily due to the 6.3% year-on-year increase in total asset as well as deposit growth. Operating expenses also increased as a result of one-time operational losses in respect of settlements to AMCON for assets sold about a decade ago.

The increase in operating expenses was partly offset by 10.2% year-on-year decline in communication, light and power to ₦6.8bn (December 2018: ₦7.6bn) and other operating expenses (-1.9% year-on-year) to ₦12.4bn (December 2018: ₦12.6bn).

Operating Expenses



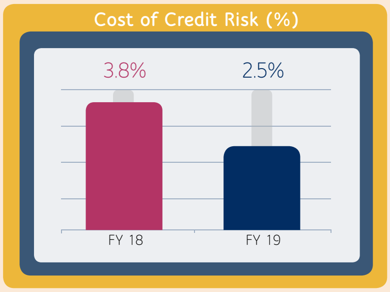
[1] Others include Net gains/(losses) from financial instruments at fair value through profit or loss, financial advisory fees, commission on bonds and guarantees, F&C expense, remittance fees, fund management fees, money transfer commission, trust fee income and other fees & commission income.

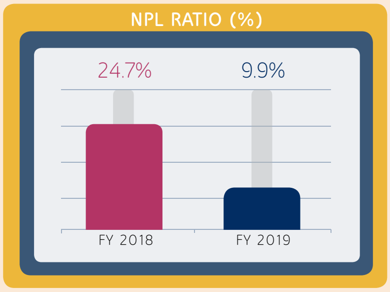
[2] Others include: Donations & Subscriptions, Stationery and Printing, Passages and Travels, Fines & Penalties, Net insurance Claims, Other Operating Expenses

FINANCIAL REVIEW

Cost-to-income ratio closed at 70.0% (December 2018: 63.7%) in 2019. We are confident that our focus on optimising operational efficiency to reduce overall cost to serve, improve employee productivity, enhance customer experience and grow revenue will result in strong benefits in subsequent periods.

Impairment charge for losses declined by 41.5% year-on-year to ₦51.1bn (December 2018: ₦87.5bn) as we worked on cleaning and strengthening our balance sheet. Accordingly, cost of risk decreased to 2.5% (December 2018: 3.8%). Furthermore, and in line with our strategic intent, the Group achieved a single digit NPL ratio of 9.9%. Our focus for 2020 is to further drive down the NPLs below current levels and maintain the vintage NPL at the current level of less than 1%.





Profit before tax increased by 30.9% year-on-year to ₦83.6bn (December 2018: ₦63.9bn). Income tax expense for the year was ₦9.8bn, 76.5% increase over December 2018 of ₦5.5bn, on account of additional deferred taxation arising in current year. Earnings per share increased by 21.2% year-on-year to ₦1.95 (December 2018: ₦1.61) in line with our commitment to enhancing shareholders' value.

Statement of Financial Position

Total assets increased by 11.4% year-on-year to ₦6.2tn (December 2018: ₦5.6tn) driven by 56.9% year-on-year increase in cash and balances with Central Banks as well as 10.9% year-on-year increase in customer loans. Cash and balances with Central Banks, loans to banks & customers and investment securities constitute 81.4% of total assets (December 2018: 87.1%).

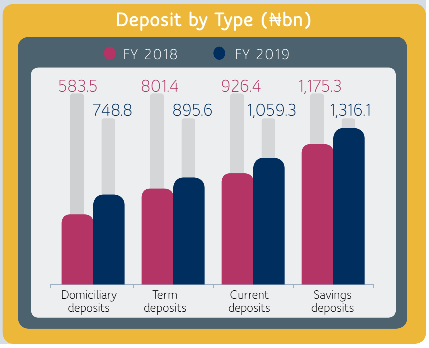
Total customer deposits grew by 15.3% year-on-year to ₦4.0tn (December 2018: ₦3.5tn). The growth in deposits was driven by a 14.4% year-on-year and 12.0% year-on-year increase in current and savings accounts to ₦1.0tn (December 2018: ₦915.3bn) and ₦1.3tn (December 2018: ₦1.2tn) respectively.

In addition, domiciliary deposits grew by 28.3% year-on-year to ₦748.8bn (December 2018: ₦583.5bn). The healthy growth in the face of heightened competition underscores the confidence reposed in the Group by the public and the strength of our franchise.

We will continue leveraging winning strategies and new technologies to differentiate ourselves from our competition and enhance our deposit mix to optimise our cost of funds.

As a result, the ratio of the low-cost deposit to total deposits remained strong at 77.7% (December 2018: 77.0%) and 85.8% (December 2018: 85.0%) at the Group and FirstBank Nigeria respectively.

In line with our strategic focus, we are increasing the number of customers across our businesses and our strong franchise continues to provide the platform for diversified and stable funding. In addition, we expect increased customer acquisition by leveraging on our leading agency banking network of over 53,000* (December 2019: 44,024, December 2018: 14,791) across the country.



*As at 31 March 2020

FINANCIAL REVIEW

Total loans and advances to customers (net) increased by 10.9% year-on-year to ₦1.9tn (December 2018: ₦1.7tn) as the Group continues to create healthy risk asset portfolio towards a stronger balance sheet. Loan growth was driven largely by growth in General Commerce, Communication, Manufacturing, Retail and Agriculture.

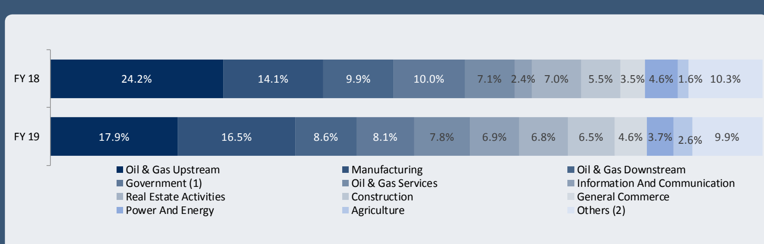
In line with our commitment, we successfully overhauled the risk management architecture, strengthened our processes and institutionalised a strong credit culture across the Group.

The changes made have ensured accountability across the risk management chain and positioned the Group to efficiently expand the loan book in a manner that drives revenue growth without heightened asset quality challenges. On the back of this, asset quality metrics have improved over the last three years owing to loan growth, restructuring, recoveries and write-offs.

Consequently, NPL on our vintage loan book has remained below 1% and the overall NPL ratio of the Group has trended from a high of 24.7% to 9.9%.

We are further improving current asset quality metrics in line with leading comparators in the industry over the next strategic cycle.

Loans and Advances by Sector: FirstBank Nigeria



Shareholders' funds (SHF) closed at ₦661.1bn, 25.0% year-on-year increase over ₦528.9bn in 2018. The growth in SHF was largely on the account of value accretion in AFS fair value reserve and retained earnings which increased by 90.3% year-on-year to ₦147.1bn (December 2018: ₦77.3bn) and over 100% year-on-year to ₦73.2bn (December 2018: ₦3.1bn) respectively.

Capital adequacy ratio for FirstBank (Nigeria) remains above regulatory minimum of 15% at 15.5% (December 2018: 17.3%), while the capital adequacy ratio for FBNQuest Merchant Bank closed at 17.1% (December 2018: 12.2%), above the 10% required by regulation for Merchant Banks.

Liquidity ratio for FirstBank (Nigeria) remains healthy at 38.2% (December 2018: 45.2%) above the 30% regulatory mark.

[1] Government loans are loans to the public sector (federal and state)

[2] Others include finance and Insurance, capital market, public utilities, personal & professional, administrative & support services, human health & social work.

FINANCIAL REVIEW

PERFORMANCE BY BUSINESS GROUPS

COMMERCIAL BANKING

The Commercial Banking group delivered a solid performance in 2019 with profit before tax increasing by 83.1% year-on-year despite varying degrees of challenges and volatility in the operating environment. As a Bank, 2019 marked the effective completion of the 2017–2019 strategic cycle and a key accomplishment during the cycle is the substantial resolution of our non-performing loan portfolio (NPL ratio dropped to 9.7% from 24.3% as of 31 December 2018), thereby positioning the Group for accelerated growth in profitability. We recorded significant growth in our agent banking network with double digit growths in volume and value of transactions processed which further enhanced our leadership position in financial inclusion.

Overall, we are pleased with the progress that has been made in our digital journey as over 85% of customer-originated transactions are processed on digital channels; we will continue to leverage technology to offer superior customer service and enhance operational efficiency.

As we commence the execution of a new 2020–2022 strategic plan and in line with the realities of providing innovative customer service excellence and generating expected shareholder returns, we reviewed our vision to be Africa's bank of first choice to align with our ambition to optimise returns through customer-led innovation and disciplined execution. Within this context, aggressive customer acquisition and excellence across products, channels and geographies is a priority to enhance revenue streams while we accelerate the drive to reduce overall cost to serve, improve employee productivity, enhance customer experience and maximise operational efficiency.

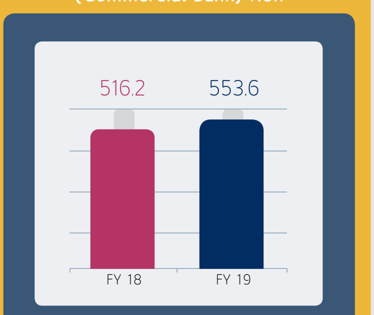
Finally, we reiterate our focus on innovation, leveraging digital and emerging technologies to satisfy our customers, differentiate us from competition, drive revenue growth and optimise our business. As we progress with the new cycle, there is optimism that 2020 and beyond will be more rewarding.

Below is the performance highlights of the Commercial Banking group:

- Gross earnings of ₦553.6bn, up 7.2% year-on-year (December 2018: ₦516.2bn)
- Net interest income of ₦271.6bn, flat at 0.9% year-on-year (December 2018: ₦269.1bn)
- Non-interest income of ₦124.3bn, up 29.5% year-on-year (December 2018: ₦96.0bn)
- Operating expenses of ₦274.4bn, up 17.2% year-on-year (December 2018: ₦234.1bn)
- Profit before tax of ₦70.8bn, up 83.1% year-on-year (December 2018: ₦38.6bn)
- Profit after tax of ₦62.7bn, up 61.3% year-on-year (December 2018: ₦38.8bn)
- Total assets of ₦5.9tn, up 10.7% year-on-year (December 2018: ₦5.3tn)
- Customers' loans and advances (net) of ₦1.9tn, up 10.1% year-on-year (December 2018: ₦1.7tn)
- Customers' deposits of ₦3.9tn, up 15.3% year-on-year (December 2018: ₦3.4tn)

The Commercial Banking business contributed 88.2% (December 2018: 87.8%) to gross earnings of the Group and 85.2% (December 2018: 67.4%) to its profit before tax.

Gross Earnings (Commercial Bank) ₦bn



FINANCIAL REVIEW

MERCHANT BANKING AND ASSET MANAGEMENT

The Merchant Banking and Asset Management business maintained a positive performance during the year amidst macroeconomic headwinds. This performance was driven majorly by the fixed income trading, asset management, trustees and structured products businesses.

We continue to focus on enhancing the quality of and diversifying our earnings by growing our investment management businesses, with Assets under management (AUM) increasing by 22% to close at ₦319bn (December 2018: ₦261bn), thereby contributing positively to annuity fee income.

The Corporate and Investment Banking 'CIB' businesses have also contributed, with the successful repositioning of the Corporate Banking business beginning to bear fruit.

In addition, although the Investment Banking business saw limited growth due to weak macroeconomic conditions, FBNQuest participated in a number of landmark deals that received awards including EMEA Best African Sukuk for the FGN ₦100bn 7-year Inaugural Sovereign Sukuk and FMDQ Gold Award for Most Innovative Registration Member.

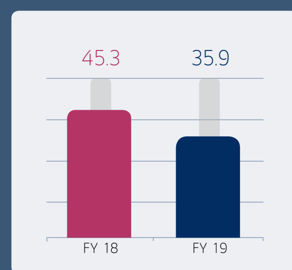
Overall, earnings are above the prior year mainly because of the growth in non-interest income and the implementation of targeted cost minimisation initiatives.

FBNQuest group gross earnings and profit before tax closed at ₦35.9bn and ₦7.2bn respectively, while total assets grew by 13.7% to close at ₦248.6bn. The businesses in the group remain well capitalised with total group equity of ₦48.0bn, while the capital adequacy of the merchant bank stands at 17.1%, above the regulatory requirement of 10%.

In 2020 and beyond, we will be focused on accelerating growth through efficient execution and actively building business partnerships towards enhancing financial performance, improving brand appeal and growing market share, alongside nurturing our human capital and leveraging digital technology to better serve our customers.

The Merchant Banking and Asset Management business contributed 5.7% (December 2018: 7.7%) to gross earnings of the Group and 9.0% (December 2018: 26.9%) to profit before tax.

Gross Earnings (Merchant Bank and Asset Management group) ₦bn



FINANCIAL REVIEW

INSURANCE

The Insurance business group continues to grow its market share and further improve profitability. The business recorded impressive year-on-year growth in Gross Premium Written (GPW) in retail life (+52.4%), group life (+132.0%), annuity (+8.7%) and other general insurance business (+57.8%).

In addition, the insurance brokerage business contributed strongly to earnings following remarkable growth (+19.7% year-on-year) in brokerage fees. These improvements were made possible by the use of technology, which enabled an increase in the number of alternative channels and led to increased revenue, especially in the retail business.

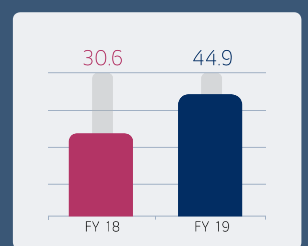
Consequently, Gross Premium Written (GPW) increased by 46.8% year-on-year to close at ₦44.9bn (December 2018: ₦30.6bn).

On the back of this, the Insurance business further reinforced its leadership with a compounded annual growth rate (CAGR) of 38.8% in GPW over the last four years and ranking at the top of the insurance league.

Total revenue of the Insurance business group increased by 50.2% year-on-year to ₦37.8bn (December 2018: ₦25.2bn) while profit before tax rose by 29.1% year-on-year to ₦8.8bn (December 2018: ₦6.8bn). The business group's total assets increased by 52.8% year-on-year to ₦117.0bn (December 2018: ₦76.6bn).

The Insurance business contributed 5.9% (December 2018: 4.2%) to the Group's gross earnings and 9.8% (December 2018: 9.6%) to its profit before tax.

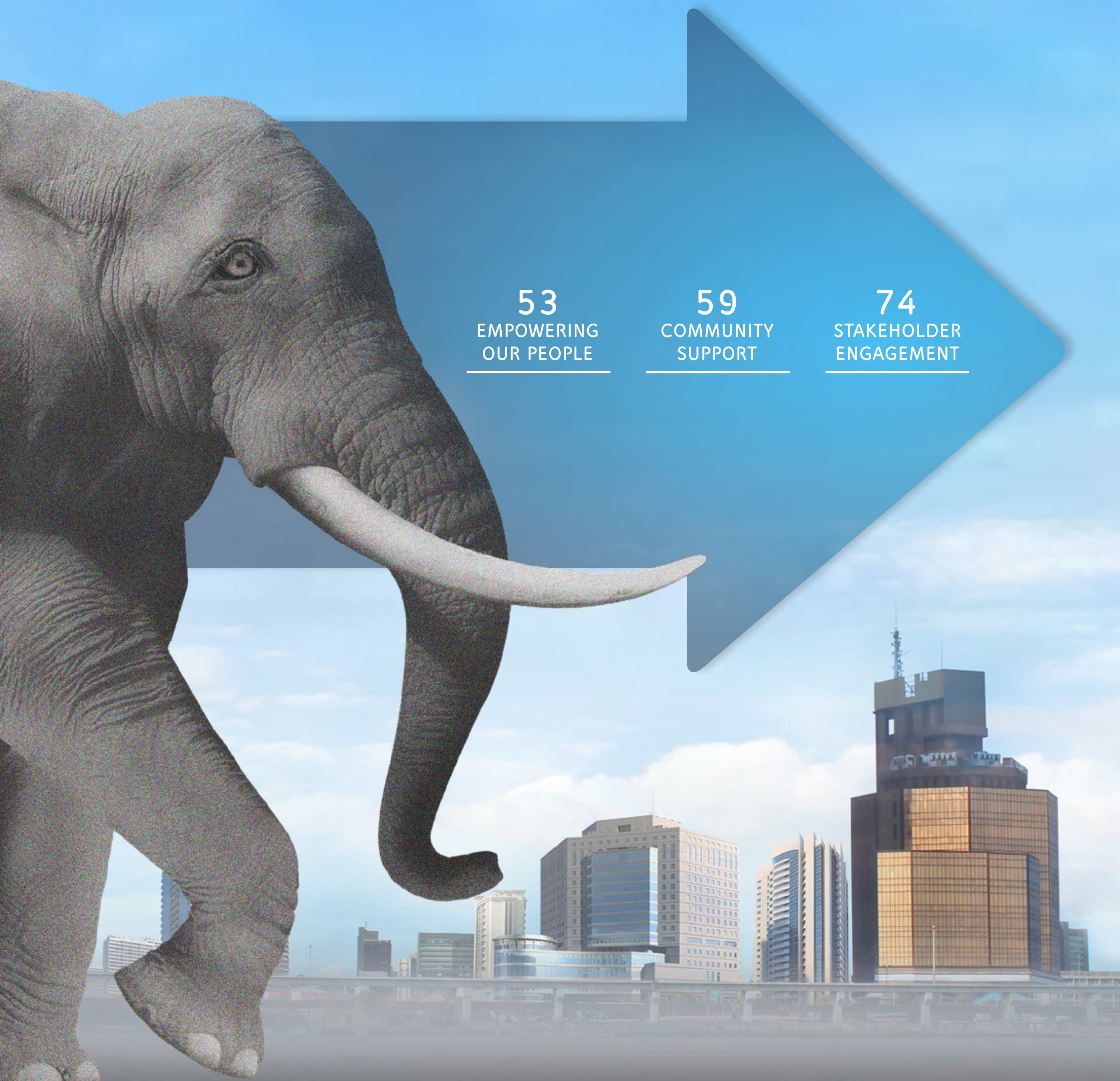
Gross Premium
(Insurance Business group) ₦bn



Post consolidation, the Commercial Banking, Merchant Bank & Asset Management, Insurance and Other services contributed 88.2%, 5.7% 5.9%, 0.2% (December 2018: 87.8%, 7.7%, 4.%, 0.3%) respectively to the Group's gross earnings and 85.2%, 9.0%, 9.8%, -4.0 (December 2018: 67.4%, 26.9%, 9.6%, -3.9% to the Group's profit before tax.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Group is committed to integrating responsibility and sustainability into its business strategy and management processes towards delivering stakeholder value.



OUR APPROACH

The Group is committed to integrating responsibility and sustainability into its business strategy and management processes. To drive performance, relevant frameworks, guidelines and standards have been adopted in line with best practices. This section provides an overview of some of the standards and guidelines applied across the businesses.

GLOBAL REPORTING INITIATIVE GUIDELINES

FBNHoldings has reported on the Global Reporting Initiative (GRI) guidelines since 2015. The GRI is the most widely used sustainability reporting framework in the world. It is a platform for companies and organisations to measure, understand and communicate their economic, environmental, social and governance performance.

An international, not-for-profit, network-based organisation, the GRI's activities involve thousands of professionals and organisations across sectors, constituencies and regions. The GRI promotes the use of sustainability reporting for organisations to contribute, especially at the macroeconomic level.

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact (UNGC) is the world's largest corporate responsibility initiative. It calls on companies and organisations to align their operations and strategies along key principles relating to human rights, labour, environment and anti-corruption. Currently, more than 9,500 companies from over 160 countries, representing nearly every sector, have joined the compact.

By joining the UNGC, an organisation states its willingness to align with the United Nations' values and support initiatives that advance the Sustainable Development Goals.

FirstBank, a subsidiary of FBNHoldings, became a member of the UNGC in 2013. FBNHoldings is also a member and ensures all subsidiaries across the Group align their strategies and practices to the Global Compact's principles.

OUR APPROACH

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

The Nigerian Sustainable Banking Principles (NSBP) originated as a result of the Central Bank of Nigeria and the Bankers' Committee's vision for all Nigerian banks to develop sustainable banking standards and guidelines. To actualise the vision, the Strategic Sustainability Working Group was established, and FirstBank, a subsidiary of FBNHoldings, is a member.

The programme sets out three key focus areas:

1. Agriculture (including water resource-related issues and the Nigeria Incentive-Based Risk-Sharing System for agricultural lending);
2. Power (with emphasis on renewable energy); and
3. Oil and gas.

FirstBank is an active participant in the agriculture and oil and gas sub-committees, and a member of the steering committee responsible for providing implementation guidance on the NSBP.

In line with the guidance, FBNHoldings has published its Communication on Progress Reports from 2013 to date on the UNGC website. For more details, please refer to the NSBP implementation update and the FBNHoldings 2019 Corporate Responsibility and Sustainability Report.

EMPOWERING OUR PEOPLE

Empowering for Success

Fostering the right environment for our people to flourish is critical to our success and our value-based culture. To further underscore the critical role our people play in achieving overall business goals, the Group Human Resources (HR) agenda has been clearly delineated to drive superior performance as we seek to ensure the attainment of our strategic objective that is 'to be the hub for choice industry talent anywhere'.

The Group HR agenda is driven by the following strategic imperatives:

Plan	Attract	Develop	Engage	Reward
Develop appropriate people-management structures and policies to support the strategy	Source and deploy the right talent to meet business requirements	Build employee, leadership and organisational capability through experience, exposure and competency-based interventions	Champion a high-performance culture aligned with the core values	Create and deliver transparent, market-competitive programmes to drive performance improvement and talent appreciation

These imperatives are organised under three focus areas: Human Resources Governance, Diversity and Talent Management, and Culture.

Human Resources (HR) Governance

The HR governance structure ensures the appropriate policies, processes and structures are in place to enhance productivity while minimising risk.

Competency Framework

The framework defines the skills, capabilities and proficiency indicators for all jobs and serves as a critical resource document for talent management activities, such as recruitment, performance management, career and capability development.

Operating Policies and Frameworks

Critical elements of the HR policies and frameworks were reviewed and updated to align with the strategic direction regarding our people agenda:

- Talent Management: Talent management framework, career development policies, career paths and tracks, group mobility practice, performance and reward management;
- Diversity and Inclusion: equal opportunity employer practices, affirmative actions, grievance policies and procedures; and
- Employee Health and Well-being policies.

EMPOWERING OUR PEOPLE

Organisational Design

In our drive for efficient and optimal manning framework, we completed the redesign of organisational structures and manning profiles, focusing on:

- Workforce definition and realignment;
- Manpower adequacy and workload analysis; and
- Job profiles and evaluation.

Talent Management

The Talent Management (TM) agenda enables us to attract, develop, motivate and retain talent, encourage continuous learning, foster a high-performance environment and ultimately improve the employer brand.

Talent Attraction

The talent sourcing activities (for graduates and experienced hires) support the overall workforce strategy, focusing on candidate experience and competency-based recruitment and selection methodologies.

Talent Development

A total of 600,425 training hours were delivered in 2019, against 529,285 in 2018. This further demonstrates our focus on capability development. New approaches were also included, such as:

- Potential assessment to evaluate leadership capability and advancement potential;
- A talent matrix to guide talent classification and career development interventions; and
- Learning and career development interventions, leveraging the robust competency-based learning and development framework.

Leadership Development

This forms an integral part of the talent development programme as we build a workforce for the future. In 2019, the following were introduced:

- The leadership compendium, which offers guidance on key competencies and a roadmap to optimise skills and potentials; and
- Leadership round tables, collaborative forums designed to improve business acumen, organisational awareness and decision-making capabilities.

Employees were also encouraged to pursue personal development plans, with incentives such as educational loans, study leave and tuition refunds.

Talent Retention

Our talent retention strategy emphasises our commitment to consistently achieve low regrettable attrition rates and a strong employer brand through:

- A total reward system, which incentivises talent through a mixed-pay structure as well as our Commendation and Recognition Scheme;
- Health and Well-being programmes, including on-site exercises, health facilities and insurance;
- Offering employees a platform to share opinions with regular communication and feedback as well as bonding activities and events;
- Clear career paths with well-defined roles and progression timelines;
- An innovative and synergistic culture; and
- Efficient work modes.

Employee Health and Well-being

The health and well-being agenda is underscored by the policies that have been embedded across the Group as a key driver for employee productivity. Various initiatives are being implemented in line with the continued focus on employee wellness, curative and preventive health solutions.

Health

Local and international health insurance schemes, hospital retainer schemes, on-site clinic and pharmacy, health screenings and checks, mental health campaigns and first-aid simulation classes.

Wellness

Fitness and exercise clubs, on-site gym, dance and aerobics classes and nutrition campaigns.

EMPOWERING OUR PEOPLE

Diversity and Inclusion Practices

The Group is committed to promoting and supporting diversity in the workplace. This includes cultivating an inclusive environment that supports, accepts and values differences where everyone can achieve their potential.

The Equal Opportunity Employer stance has been reinforced to guarantee employees the right to be treated without discrimination on the grounds of race, ethnicity, gender, age, disability, education, personalities, religion or experience.

A women's network was inaugurated as a platform to empower our women and promote a gender-inclusive environment through increased female representation across all levels.

Furthermore, as part of the diversity management practice, several training programmes and awareness sessions focused around culture appreciation and building cross-cultural competence were offered. In addition, religious and cultural holidays are acknowledged and celebrated across the Group.

Culture

The culture is defined as the Group's shared system of beliefs, core values and rules of conduct, which govern how employees behave and interact in the workplace. The way we hire, train, develop and retain our people and the day-to-day decisions they make are intrinsic to embedding the culture and in turn, delivering the best for our customers, clients and local communities.

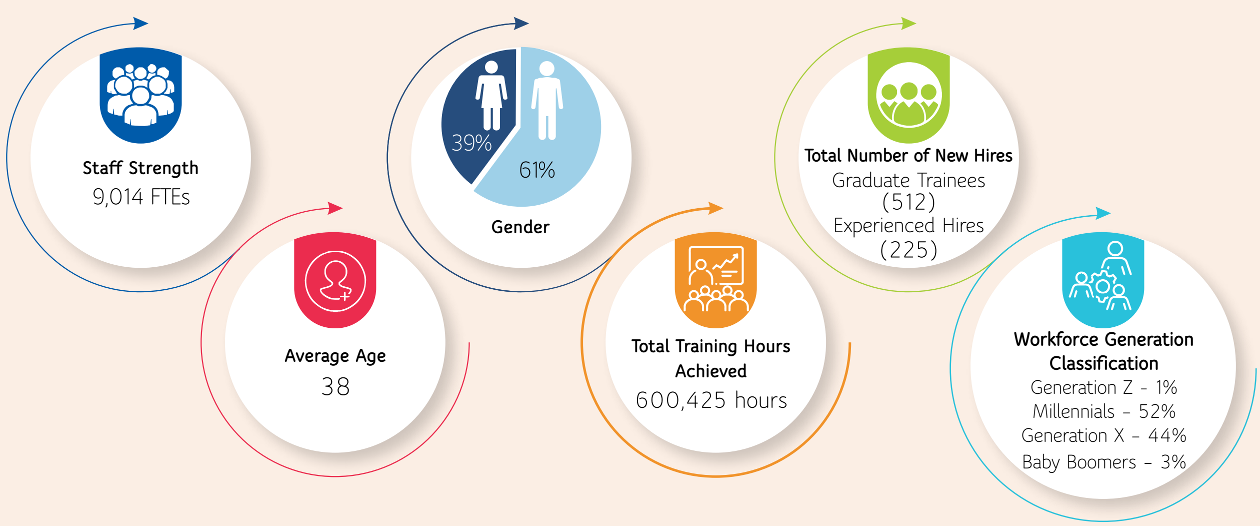
In 2019, we ran a series of programmes and campaigns to reinforce the importance of living these shared values across the Group.

Milestones and Awards

- Group Employee Engagement index 72%
- FBNHoldings
  - Great Place to Work Certification
  - Best in Learning and Development
  - Best Workplace for Women
  - Overall ranking as the 5th best company to work for in Africa
- FBNInsurance
  - Great Place to Work Certification
  - Best in Corporate Social Responsibility
  - Overall ranking as the 4th best company to work for in Africa Medium-Sized Category
- FBN General Insurance
  - Great Place to Work Certification

The engagement index of 72% and the various awards and recognition received further validate the impact and effectiveness of our workplace practices, which have been carefully developed to speak to every aspect of the employee experience life-cycle.

Workforce Statistics



EMPOWERING OUR PEOPLE

Professional Code of Conduct

The approach to professionalism and integrity is set out through a code of ethics framework covering our professional code of conduct policy document, training, awareness programmes and whistleblowing procedures. The framework provides guidance on acceptable conduct in line with the Group's aspirations and core values as well as the requirements of the statutory, legal and regulatory framework of the financial services industry. This enables staff to understand in clear terms what behaviours and conducts are considered appropriate and ensures that the duty of care, trust and integrity are upheld at all times.

> *As we forge ahead into 2020, the HR function remains focused on delivering its people agenda, which is driven by the need to provide the critical enablers to drive business performance and growth.*

Strategic Focus in 2020

As we forge ahead into 2020, the HR function remains focused on delivering its people agenda, which is driven by the need to provide the critical enablers to drive business performance and growth. The HR function will continue to work as an integrated force, partnering with the respective business units and implementing best-in-class practices that will ultimately support the attainment of the Group's goals and aspirations.

Our focus is on developing a global workforce, building a performance driven culture, and ensuring quality and consistency of our policies. This will be achieved through the deployment of strategies and initiatives that will further support the HR agenda and reinforce our stance as an employer of choice.

DIGITAL BANKING SOLUTIONS

FirstBank, a leading bank in driving financial inclusion has over 12 million customers on its digital channels - FirstMobile app, USSD and FirstOnline - while over 85% of customer-induced transactions were performed on self-service channels.

Online Banking (FIRSTMOBILE/FIRSTONLINE)

As an institution at the forefront of innovation in electronic banking, FirstBank continues to improve on the services and user experience on its digital channels. To improve customer experience in 2019, the FirstMobile app was enhanced with new features, such as credit card management and enrolment of QR merchants. This enhancement facilitated the growth of the Bank's user base by 29% to 3.8 million by the end of the year.

Overall, customers conducted approximately 183 million transactions worth ₦10.3tn using the online banking channels (FirstOnline/FirstMobile) by year-end.

Expanding Payment Acceptance Channels Through Innovation

The Bank's Point-of-Sale (POS) business grew by 31% in 2019 with the value of POS transactions exceeding ₦171bn.

FirstBank together with other banks and Visa International launched the QR code payment, mVisa in Nigeria in 2017. This has been extended to other card schemes, such as Mastercard (Masterpass). By the end of 2019, over 17,000 merchants were enrolled on the QR system and the volume and value of transactions processed through this channel have been increasing.

Following FirstBank's launch of the Biller Aggregator Platform in December 2018, the market acceptance of the innovation was demonstrated by the impressive number of transactions processed in 2019, the value of which totalled 15.4 billion.

USSD (*894#), Quick Banking

The quick banking *894# code recorded remarkable growth, with the number of users on the channel attaining 8.7 million as at December 2019. In a single minute, the Bank processed about 1,540 financial transactions through USSD (*894#), quick banking. Over 290,000 accounts were opened through the USSD code in 2019.

Consolidating ATM Services

To further improve ATM services and ensure customer satisfaction, the Bank expanded the ATM network.
By year-end, FirstBank had the industry's largest network of ATMs with 2,970 active terminals, accounting for 17% of the total market. FirstBank's ATMs dispensed over ₦2.87tn in 2019, a 4% increase from 2018.

DIGITAL BANKING SOLUTIONS

Promoting Financial Inclusion Through the Agent network (Human ATMs)

The launch of Firstmonie in 2018 placed FirstBank at the forefront of driving financial inclusion in Nigeria. The number of Firstmonie agents has shown a consistent and remarkable increase with 44,024* agents operating in 770* local government areas.

Firstmonie agents are equipped to offer basic financial services to the unbanked and underbanked within their vicinity beyond regular banking hours. At the agent locations, services rendered include account opening, Bank Verification Number (BVN) enrolment, fund transfers, cash deposits and withdrawals as well as bill payments.

The Firstmonie agents processed over 150 million transactions worth ₦2.5tn in 2019 and opened more than 136,000 accounts, contributing to FirstBank's customer acquisition goal.

The scheme also empowers agents financially through additional revenue from commissions and incentives as well as contributing to the development of the country's economy by creating jobs for the unemployed.

FirstBank is empowering the agent network with an expanded range of services to further provide options to the unbanked and underbanked, including distribution of relevant social services.

Looking Forward

In line with our commitment, FirstBank will continue to put its customers first by delivering excellent service and leveraging digital innovations. This includes the introduction of the mobile wallet to provide additional financial access options to reinforce the Bank's position as the industry leader in electronic payments.

*As at 31 December 2019

COMMUNITY SUPPORT

In line with our commitment to impacting society, the Group demonstrated its support for women, the youth, small-to medium-sized enterprises (SMEs) and the general public in various ways:

Launch of the Direct Sales Executive App: Creating Financial Access for the Unbanked and Underbanked

FirstBank developed a Direct Sales Executive (DSE) app to promote the CBN's drive for greater financial inclusion and reduction in the exclusion rate from 37.2% to 20% by the end of 2020.

The DSE app facilitates Tier 1 account opening on mobile devices without completing physical forms. The app has successfully reduced the timeline for Tier 1 account opening and enables single deposits not exceeding ₦50,000 as well as cumulative balances not exceeding ₦300,000.

The DSE app was used during the CBN's National Account Opening Week for the unbanked and underbanked in six states. To intensify the drive for customer acquisition, FirstBank leveraged its agency banking network, which covers over 95% of Nigeria's 774 local government areas, with agents earning a commission for each account opened and funded.

Other major channels explored were the branch network and our dedicated USSD code (*894#).

Deepening Wealth Creation for Women Across the Nation

FirstGem is a financial solution dedicated to empowering women in personal wealth creation and financial independence. In its third year, FirstGem continued to witness growth in volumes, customer acquisition and beneficiaries. Furthermore, FirstGem has won both local and international recognition, and it is considered the market leader in Nigeria for dedicated gender-based products. Thousands of people have benefited from the product through various programmes organised or sponsored by the Bank. To celebrate its third year, FirstBank hosted a conference themed 'The Modern Woman Manifesto'. In attendance were notable speakers such as Professor Mehta Kandarp, a senior lecturer at the IESE Business School, Barcelona, and Soji Apampa, the Chief Executive Officer of Convention on Business Integrity, an organisation promoting ethical business practices. Professor Kandarp, in his address, highlighted the importance of negotiation skills, and the impact on businesses, especially on working-class women, while Soji Apampa examined the opportunities inherent in the agricultural value chain and the advantages for potential entrepreneurs. As part of the event, there was a seed fund pitch session where five female entrepreneurs were granted funding for business expansion and received mentoring opportunities from the Chairman, First Bank of Nigeria Ltd, Ibukun Awosika.

From left: *Soji Apampa, CEO, Convention on Business Integrity; Bamidele Abiodun, wife of the Governor of Ogun state; Ibukun Awosika, Chairman, FirstBank; Dr. Zainab Bagudu, wife of the Governor of Kebbi state; and Professor Mehta Kandarp, Senior Lecturer, IESE Business School.*

From left: *Gbenga Shobo, Deputy Managing Director, FirstBank; U.K. Eke, Group Managing Director, FBNHoldings; Ibukun Awosika, Chairman, FirstBank; Mehta Kandarp, Senior Lecturer, IESE Business School; and Dr. Adesola Adeduntan, Managing Director/CEO, FirstBank.*

COMMUNITY SUPPORT

Youth Empowerment Initiatives

The Youth Empowerment Series is one of FirstBank's initiatives to promote entrepreneurship among Nigerian youth which constitute about 35% of the Bank's customer base. The annual event commenced in 2017, with the aim to reposition the brand in the minds of the Nigerian youth, while establishing a deeper relationship.

The 2019 edition of the Youth Empowerment Series (YES) 3.0 focused on entrepreneurship, targeting four sectors: music, fashion, media and photography. The event was themed 'Let's Talk', and prominent guest speakers from the four sectors addressed areas relating to financial literacy, decision making, starting a business and overcoming business challenges. Thereafter, the speakers responded to questions from the audience.

Two other notable events in 2019 include the Campus Storm at Obafemi Awolowo University, Ile-Ife which was themed, 'The Entrepreneurial Mindset', and a career fair at the University of Ibadan themed, 'Future of Work'. The events were organised to encourage young people to explore novel career options upon completion of their degrees.

The objective of the initiative is to foster and establish partnerships towards accelerating the success of our customers.

From left: *Adams Ibrahim Adebola (aka VJ Adams), Video Junkie; Chidi Ashimole (aka Lex Ash), Photographer/Creative Director, the Lexash Studio; Folake Ani-Mumuney, Group Head, Marketing and Corporate Communications, FirstBank; Derin Fabikun, Fashion Designer, Fablane; Gbenga Shobo, Deputy Managing Director, FirstBank; Sandrah Tubobereni, Fashion Designer, Tubo; Gbemi Olateru-Olagbegi, On-Air Personality, The Beat 99.9 FM; and Kelechi Amadi-Obi, Creative Photographer/Publisher, Mania magazines, at the FirstBank Youth Empowerment Series (YES) 3.0 held at Harbour Point.*

Supporting SMEs in Growing the Nation's GDP

In 2019, through the First Trader Solution facility, FirstBank played a vital role in supporting the business practices of traders nationwide. In addition, FirstBank's FirstEdu loan supported various schools in bridging the 'no-income' gap between school terms and encouraged asset acquisition. To further demonstrate FirstBank's commitment to the growth of SMEs, loan facilities will be structured to support Health Finance, the Fashion Industry and the Local Government in 2020 and beyond.

"To further demonstrate FirstBank's commitment to the growth of SMEs, loan facilities will be structured to support Health Finance, the Fashion Industry and the Local Government in 2020 and beyond."

FirstBank has also organised financial literacy training on book-keeping and accountability as well as business management for traders and tailors. The Bank will continue to support these sectors going forward.

Furthermore, as a part of the Total Incentive Scheme, a two-day training session was organised to provide 360° support to business start-ups and scale-ups, by providing practical solutions to business challenges.

COMMUNITY SUPPORT

The programmes were facilitated by subject-matter experts in marketing, finance and financial management, and provided insights on business growth, signs and requirements for business expansion, loan accessibility and how to avoid payment default. The inaugural workshop was held in Lagos and attracted 50 business start-ups.

As a follow up to the workshops, the FirstBank SME Desk registered the business names of the participants and introduced them to the FirstConnect platform. The platform allows registered participants to access professional services at discounted rates. The empowerment programme and the partnership with Total Nigeria Plc will continue in 2020.

In 2019, loans disbursed to support the SME segment across various industries were in excess of ₦39bn.

Deepening Money Transfer Services

The future of banking is facilitating direct credits into customers' accounts, as opposed to the traditional route of handling cash. Customers requiring money transfers are encouraged to open accounts (for those without accounts), to promote the CBN's drive at reducing the number of unbanked Nigerians. In 2019, the total value of transfers processed by FirstBank was in excess of ₦120bn and the Bank onboarded two new money transfer organisations.

FirstBank is the leading agent bank in Nigeria for international money transfer remittances.

To increase the volume, revenue and market share for the Bank in the formal money transfer remittance business, FirstBank signed up as an agent with SendValu (AWS Malta) and Xpress Money Transfer; both of which are expected to offer bank deposit options into Nigeria.

In 2019, FirstBank launched the cash pick-up option for WorldRemit.

COMMUNITY SUPPORT

FBNHoldings takes a three-pronged approach to corporate responsibility and sustainability (CSR), through citizenship, stakeholder management and impact management. The approach is designed to drive sustainable finance and investments, people empowerment, community support and contribution to environmental sustainability. This is implemented through four key programmes:

FutureFirst | Infrastructure Development | Start Performing Acts of Random Kindness (SPARK) | Employee Giving and Volunteering

FutureFirst

FutureFirst promotes financial literacy, career counselling and entrepreneurship among young people. To launch FutureFirst, the Group partnered with Junior Achievement Nigeria (JAN), a non-profit organisation dedicated to empowering young people in entrepreneurial development. JAN's programme aligns with the vision of FutureFirst and based on the curriculum, students in different locations across the country have benefited. Through the partnership with JAN, senior secondary school students are provided with practical business experience under three pillars: financial literacy, work readiness and entrepreneurship. Across the country, over 85,000 secondary school students have benefited from FutureFirst. The programme enlisted staff volunteers across the Group, with employees volunteering over 40,000 hours. In 2019, the Group took part in JAN's 20 years' anniversary celebration of empowering the youth in entrepreneurial development.

- **Financial literacy**

  This is structured to empower secondary school students with the requisite financial knowledge needed to access quality financial education in making informed decisions on money-related matters. Through the Global Money Week and World Savings Day, the Group delivered a teaching module on savings to schools across the country.

- **Work readiness**

  The Group supports career counselling to guide students in making informed decisions. Activities such as the Youth Empowerment Series 3.0 and the University of Ibadan Career Fair are designed to provide career counselling.

- **Entrepreneurship**

  FutureFirst offers an experiential aspect to the students' business and economics studies. It provides insight to how businesses operate, encourages critical thinking, promotes speaking and leadership skills, highlights the rewards of a free enterprise system and provides guidance in career opportunities and instills workforce readiness skills.

Olufunke Smith, Group Head, Retail Banking, FirstBank, Simi Nwogugu, Executive Director, JAN with the TC Achievers team and JAN staff at the National Company of the Year competition in Lagos.

From Left: Simi Nwogugu, Executive Director, JAN; Enoch Vanderpuye, Country Team Lead, Marketing and Corporate Communications, FBNBank Ghana with the TC Achievers team, and the JAN staff at the African Company of the Year competition in Ghana.

COMMUNITY SUPPORT

CFA Universities Ethics Challenge

The CFA Institute is a global, not-for-profit association that promotes the highest standard of investment practices. FirstBank has partnered with the CFA Society for three consecutive years in its annual Universities Ethics Challenge.

The Ethics Challenge ensures university students receive mentoring and training in ethical business practices. Students are encouraged to work on case studies that focus on ethical matters and challenges in the financial market. Through analysis, networking, discussion and problem solving, students provide recommendations to resolve the challenges encountered.

The 2019 Ethics Challenge is one of the university outreach programmes that provided a platform for 15 university teams to compete at the First Academy, with Obafemi Awolowo University, Ile-Ife, emerging as the winner. The First Academy is FirstBank's base for competence development, knowledge and management.

From Left: Ismail Omamegbe, Head, CR&S and Media & External Relations, FirstBank; Adeola Asabia, Member, Board of Trustees, Samuel Asabia Chair, Business Ethics, University of Lagos, FirstBank Endowment Programme; Banji Fehintola (CFA), President, CFA Society Nigeria at the regional level of the 2019 Ethics Challenge held in Lagos.

Chuma Ezirim, Group Executive, E-Business and Retail Products, FirstBank presenting the winner's trophy to Mosunmola Adefarati of the Obafemi Awolowo University team (OAU) at the CFA Ethics Challenge 2019, alongside Banji Fehintola, President, CFA Society Nigeria, Folake Odunaiya, CFA Society Nigeria, and Quadri Lawal, Faculty Adviser, OAU (right) with other participating students of OAU at the CFA Award night held in Lagos.

Infrastructural Development

The programme supports infrastructure development within identified areas such as schools, hospitals and environmental projects. Ten universities and three secondary schools are currently supported.

One of such is the construction of a 200-capacity accommodation hall at the Abolarin College, Oke-Ila Orangun, Osun State, Nigeria.

COMMUNITY SUPPORT

Start Performing Acts of Random Kindness (SPARK)

SPARK is a value-based initiative designed to create awareness for the need to collectively perform acts of random kindness. The initiative goes beyond simply meeting the material needs of people who are unable to support themselves to encouraging compassion, empathy and affection. SPARK activities include visits to orphanages, homes for the less privileged and internally displaced persons' camps as well as providing vision screening and affordable eyeglasses for women with low incomes. Through SPARK, the Bank partnered with 22 charity homes and foundations, including the Down Syndrome Foundation, Sickle Cell Foundation, National Association of the Blind, Nigeria Red Cross Society, the Pacelli School for the Blind and Partially Sighted, the International Women's Society and the UN Global Compact.

From Left: Matthew Daniel, student of Wesley School; Olusegun Alebiosu, Chief Risk Officer, FirstBank; Seyi Olusanya, student of Wesley School; Dr. Adesola Adeduntan, Chief Executive Officer, FirstBank; Olayiwola Adeola, student of Wesley School and Kehinde Alimi, Principal, Wesley School 1, during FirstBank's visit to Wesley School for the Hearing Impaired at Surulere, Lagos as part of activities marking FirstBank's CR&S week 2019.

From Left: Olufunke Smith, Group Head, Lagos Island 1, Retail Banking, FirstBank; Incoming Head Girl, Methodist Girls' High School, Yaba, Abiodun George; Ismail Omamegbe , Head, Corporate Responsibility and Sustainability, FirstBank; Outgoing Head Girl, Methodist Girls High School, Yaba, Amarachi Umezurike and Abimbola Ali, Vice Principal, Admin, Methodist Girls High School, Yaba during the celebration of the FirstBank 2019 CR&S Week held at Methodist Girls' High School, Yaba, Lagos.

Employee Giving and Volunteering

The Employee Giving and Volunteering programme encourages employees to give back to the community. The programme is structured around two elements:

Giving: This involves employees donating material resources, including cash, to the less privileged. This initiative is mainly driven through crowd-funding, where large numbers of people make small contributions.

Volunteering: This involves employees donating their time and skills to support philanthropic activities. It provides a platform to develop new skills and partner with people within and outside the Bank towards expanding their horizons.

All volunteering activities must align with the core elements of the CSR strategy, which are education, health and welfare, economic empowerment and the environment.

The initiative is implemented through partners such as LEAP Africa, the Down Syndrome Foundation, Junior Achievement Nigeria and the Nigerian Conservation Foundation.

In 2019, staff volunteers participated in the Global Money Week, World Savings Day and the Youth Empowerment Series.

COMMUNITY SUPPORT

Other Community Support Activities in 2019:

FBNQUEST MERCHANT BANK

- Supporting Teach for Nigeria: This is a non-profit organisation that addresses educational challenges for Nigeria's most marginalised students by enlisting university graduates and young professionals (known as TFN Fellows) to teach in underserved and low-income schools. In 2019, select TFN Fellows were sponsored and assigned mentors who are employees of FBNQuest Merchant Bank with a focus on personal and professional development.

- Women's Economic Empowerment: FBNQuest Merchant Bank collaborated with the International Women's Society Widows Trust Fund to train women on financial literacy. The widows at the event were also financially supported.

- Internal Blood Donation Drive: In collaboration with the LifeBank Nigeria, FBNQuest Merchant Bank facilitated an internal blood donation drive among its employees.

FBNINSURANCE

- Donation to Homes and Hospices: As part of the annual Staff Gift Drive, food items, toiletries and toys were donated to the Down Syndrome Foundation and the Heritage Children's Home.

- Benola: World Cerebral Palsy Day: FBNInsurance supported Benola, a non-governmental initiative that ensures people with cerebral palsy enjoy the best quality of life.

- Equipping laboratories in indigenous schools: FBNInsurance renovated classrooms, furnished the science and agricultural laboratories and donated boreholes and power-generation kits to Aragba Secondary School, Delta state.

Chief Benson Ndakara addressing guests at the commissioning of the renovated Science and Agriculture Laboratories at Aragba Secondary School.

- Jakin non-governmental organisation (NGO) Dress a Child for School: FBNInsurance supported the initiative by providing orphans and vulnerable children with back-to-school kits.

From left: Rivers Khumalo, Chief Technology Officer, FBNInsurance; Sanya Aro, Account Officer, Jakin NGO; Festus Izevbizua, Executive Director, Finance and Admin, FBNInsurance; Adekunle Adeola, Head, Actuarial Services, FBNInsurance at the cheque presentation in support of the 2019 Dress a Child for School initiative.

COMMUNITY SUPPORT

- Jakin Quarterly Empowerment Training (JAQET): This is an initiative supported by FBNInsurance that provides free vocational skills training for vulnerable groups, particularly girls and women aged 14–21.
- Partnership with Rotary Club of Omole-Golden: FBNInsurance partnered with the club to support health screening and checks for people in and around Ogba, Lagos State, Nigeria.
- Renovation of the Gbagada General Hospital Dialysis Clinic: To provide a more conducive environment for the patients in 2019, FBNInsurance renovated the Gbagada General Hospital Dialysis Clinic.

From Left: Olabanjo Oladipo, Head, Corporate Distribution, FBNInsurance; Sanya Aro, Account Officer, Jakin NGO; Moruf Apampa, Executive Director, Business development, FBNInsurance, Ayoade Ademola, Project Officer, Jakin NGO during the cheque presentation in support of the Jakin NGO Quarterly Empowerment Programme (JAQET).

Health workers attending and running health checks for attendees at the Rotary Club of Omole Golden Health Exhibition.

COMMUNITY SUPPORT SCORECARD

S/N	PROGRAMME	OBJECTIVES	2019 ACCOMPLISHMENTS	MEASURE	IMPACT	2020 TARGETS
1.	Hope Rising Initiative	Engender inclusion and diversity through education, advocacy and skill acquisition	• Continued partnership with the Down Syndrome Foundation Nigeria • Support for others such as: - Nigeria Association of the Blind - Benola Cerebral Palsy Initiative - Chinwe Bode-Akinwande Foundation - International Women's Society - Red Cross Society - Pacelli School for the Blind and Partially Sighted Children - Patrick Speech and Language Centre - Rotary Club - Nigerian Conservation Foundation - CFA Society Nigeria	• Number of beneficiaries impacted	• Supported over 25 charity homes in Nigeria	• 5% increase in the number of beneficiaries
2.	FutureFirst Programme	Promote financial literacy, career counselling and entrepreneurship skills for young people	• Partnered with Junior Achievement Nigeria to promote financial literacy, career counselling and entrepreneurship initiatives	• Number of students impacted	• Over 10,000 students benefited from financial literacy and entrepreneurship	• 5% increase in the number of students impacted

COMMUNITY SUPPORT SCORECARD

S/N	PROGRAMME	OBJECTIVES	2019 ACCOMPLISHMENTS	MEASURE	IMPACT	2020 TARGETS
3.	SPARK	To create awareness for the need to collectively perform acts of random kindness	• Project designed to support people deserving of kindness across different geo-political zones in Nigeria and across the eight countries where FirstBank operates	• Number of beneficiaries and programmes implemented	• 25 beneficiary schools • Over 6,000 secondary school students participated in the launch of SPARK • 20,000 underprivileged, including widows, were supported • Participated in seven countries: UK, Ghana, DRC, Guinea, Sierra Leone, Senegal and Nigeria • Over 50 charity homes and non-governmental organisations were supported	• 10% increase in the number of beneficiaries
4.	Employee Giving and Volunteering	Provide a platform for employee giving, volunteering and engagement	• Employees volunteered in the FutureFirst events that were held in Port Harcourt, Ebonyi and Lagos State, Nigeria. • Other staff-supported events included Financial Literacy Day and World Savings Day	• Number of volunteered hours and beneficiaries	• Over 40,000 volunteered hours	• 5% increase in the number of volunteered hours

THE NIGERIAN SUSTAINABLE BANKING PRINCIPLES

The Nigerian Sustainable Banking Principles (NSBP) programme originated as a result of the Central Bank of Nigeria and the Bankers' Committee's vision for all Nigerian banks to develop sustainable banking standards and guidelines. To actualise this vision, the Strategic Sustainability Working Group was established and FirstBank, a subsidiary of FBNHoldings, is a member responsible for providing implementation guidance on the NSBP.

Detailed below are the implementation updates:

THE NSBP IMPLEMENTATION UPDATE

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 1: **Business Activities: Environmental and Social Risk Management** Integrate environmental and social considerations into decision-making processes as it relates to the business activities to avoid, minimise or offset negative impacts.	• Develop appropriate environmental and social (E&S) policies • Develop and customise E&S due diligence procedures	• Developed the Environmental Social and Governance Management System (ESGMS).
	• Articulate the E&S governance and approval authority measures	• The ESGMS has been reviewed and approved by relevant stakeholders in the Bank.
	• Monitor E&S risks and review E&S conditions	• Developed the ESGMS framework for implementation. • Adopted the ESGMS for screening credit transactions.
	• Provide client engagement guidance on E&S matters	• Group Heads and Relationship Managers have been trained on responsible lending as part of the implementation of the ESGMS.
	• Develop appropriate E&S reporting criteria	• Automation of the environmental, social and governance (ESG) risks screening is ongoing while the checklist to facilitate the assessment of the ESG risks on FINTRACK is awaiting take-off.
	• Report on implementation progress and support for investment in sustainable, innovative business opportunities	• Transactions valued at ₦4tn have been assessed for the ESG risks.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 2: **Business Operations: Environmental and Social Footprint** Avoid the negative impact of the business operations on the environment and local communities where the Group operates and promote positive impact .	• Develop environmental management programme with facility management to address climate change and greenhouse gas emission reduction, water efficiency and waste management as well as environment-friendly facility construction and management	• Reduction in office printing access by staff, especially colour printing. • Increased use of conference call facilities for meetings rather than physical attendance thereby reducing travel and fuel consumption as well as carbon emission from our vehicles.
	• Comply with relevant labour and social standards • Implement community investment programmes • Apply the E&S standards to relevant parties	• Implemented community development programmes such as infrastructural development, FutureFirst, Hope Rising and SPARK to promote positive impact on stakeholders.
Principle 3: **Human Rights** Respect human rights in business operations and activities.	• Develop and implement human rights policies (including labour and working conditions) • Integrate human rights due diligence into E&S procedures	• Respect for human rights forms part of the ESGMS.
	• Invest in resources and staff training on human rights-related matters	• Conducted human rights training. • The Group maintains an organisational culture that encourages an open line of communication between superiors and subordinates. • The Group maintains a fair and efficient procedure for resolving disputes and ensures disciplinary measures are fair and effective without breaching labour laws or standards.
Principle 4: **Women's Economic Empowerment** Promote women's economic empowerment through a gender-inclusive workplace culture in the business operations, and provide products and services designed specifically for women.	• Develop and implement women's economic empowerment policies • Establish a women's economic empowerment committee • Develop initiatives and programmes to promote and celebrate women's empowerment	• The Group's Corporate Responsibility and Sustainability policy covers this principle.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
	• Invest in and dedicate resources to female talent	• Granted about ₦138bn worth of loans to female entrepreneurs. • FirstBank empowered over 5,000 female SMEs through its capacity-building programmes.
	• Support the establishment of a sector-wide women's empowerment fund	• Established women's economic empowerment policies such as a maternity leave policy, study leave policy, training policy, career mobility policy. • Introduction of the FirstGem account, specifically for women. • As at December 2019, the total number of FirstGem accounts opened were 79,367. • To promote women's development, FirstBank partnered with Women of West Africa Entrepreneurship; International Women's Society; Women in Management, Business and Public; and the Chinwe Bode-Akinwande Foundation. • In recognition of the Bank's efforts at promoting women's empowerment, FirstBank was identified as one of the leaders in the Women Empowerment category of the CBN's Sustainable Banking Awards. • Through the SPARK initiative, FirstBank empowered women, of which 1,000 are widows. The empowered widows partnered with the International Women's Society and have received funding for the expansion of their micro-medium scale businesses.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 5: **Financial Inclusion** Promote financial inclusion services to individuals and communities that traditionally have had limited or no access to the formal financial sector.	• Develop and implement a financial inclusion policy	• Financial inclusion is covered in the Group's Corporate Sustainability policy.
	• Provide development and growth support to SMEs	• Provided financial services to over 280,000 unbanked through Firstmonie and FirstInstant accounts.
	• Improve financial literacy and institutional practices	• Promoted financial literacy through FutureFirst and participated in financial literacy programmes such as Global Money Week and World Savings Day.
	• Improve access to bank facilities and services	• Promoted financial literacy through FutureFirst, and over 70,000 students across 80 secondary schools benefited.
Principle 6: **E&S Governance** Implement robust and transparent E&S governance practices in the respective institutions and assess the governance practices of the clients.	• Establish E&S governance responsibility • Develop institutional E&S governance practices • Active support of key industry initiatives to support E&S governance-related issues for customers operating in sensitive sectors • Implement E&S performance-linked compensation and incentive schemes	• FirstBank has in place a Sustainability Governance Committee chaired by the Chief Risk Officer.
	• Establish internal and, where appropriate, external E&S audit procedures	• FirstBank is a member of the NSBP network steering committee responsible for implementing the principles across sectors.
Principle 7: **Capacity Building** Develop institutional and sector capacity required to identify, assess and manage the environmental and social risks as well as opportunities associated with the business activities and operations.	• Identify relevant roles and responsibilities towards delivering sustainable banking commitments • Provide sustainable banking training sessions • Create practical E&S training tools and resources	• The Board and the Executive Management have been trained on sustainability. • A total of 17,960 staff have been trained.
	• Multi-stakeholder capacity building	• Partnered with NSBP and IFC to train key staff. The target is to train all staff on sustainability.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 8: **Collaborative Partnership** Collaborate across sectors and leverage international partnerships to accelerate collective progress and align with international standards as well as Nigerian development needs.	• Collaborate and coordinate with other banks	• FirstBank is a member of the NSBP network steering committee responsible for implementing the principles across sectors.
	• Organise sector-wide workshops and events	• FirstBank participated in various industry-wide workshops and events.
	• Align with international standards and best practice initiatives	• FirstBank is a member of the United Nations Global Compact (UNGC) and as guided, the Bank has submitted the 2019 Communication on Progress Report.
	• Establish and participate in Nigerian sector-level initiatives	• The Bank participated in the development of a work plan targeted at energising the activities of the business actors in Nigeria and to encourage non-participants to adopt the UNGC principles.
Principle 9: **Reporting** Regular review of the principles and reporting on the progress at individual institution and sector levels.	• Establish a sustainable banking reporting template	• Developed a banking reporting template.
	• Set clear targets and relevant performance indicators	• Targets and key performance indicators (KPIs) have been set and implementation commenced in 2014.
	• Ensure systems are in place for data collection	• Developed a system for data collection.
	• Agree on the frequency, nature and format of internal and external reporting	• The internal report is published quarterly while the external report is published yearly. • The 2013 to 2019 corporate responsibility and sustainability reports have been published and distributed to stakeholders.
	• Contribute to sector-level reporting	• Submitted the NSBP half-year report to the CBN.

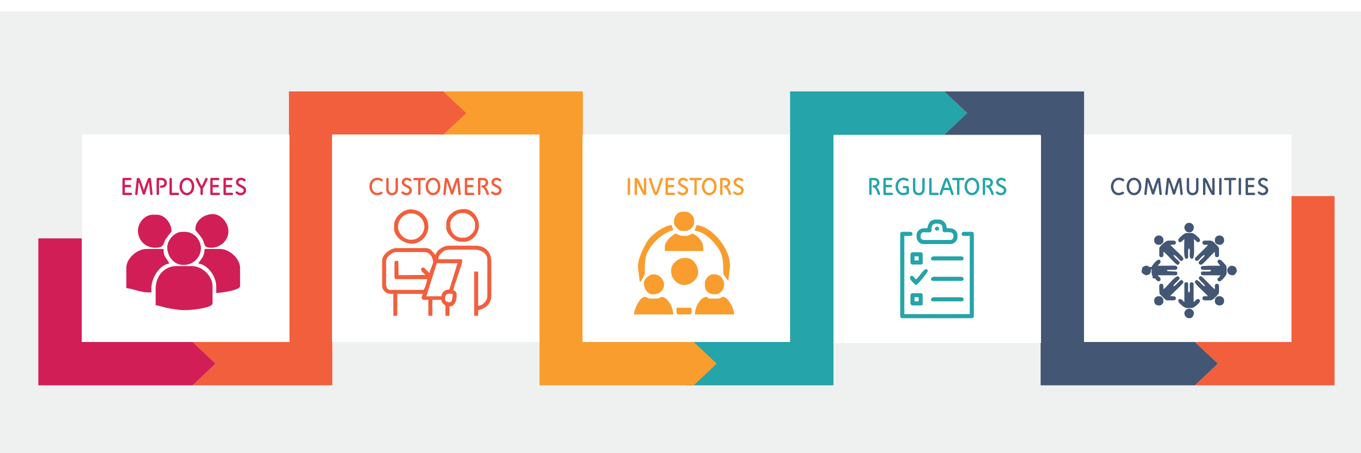
STAKEHOLDER ENGAGEMENT

At FBNHoldings, stakeholder engagement is key to making responsible and balanced decisions. Through the subsidiaries, opportunities for engagement were provided across various forums and channels to shape the direction of the businesses as well as align with stakeholders' needs and expectations. By engaging stakeholders, the Group builds trust and confidence, promotes participation, identifies and promotes robust risk management, and ultimately makes decisions with shared benefits for the stakeholders.

> *By promoting open and frequent dialogue across stakeholders, the Group develops a better understanding of stakeholder requirements and ambitions and how best to address these needs.*

By promoting open and frequent dialogue across stakeholders, the Group develops a better understanding of stakeholder requirements and ambitions and how best to address these needs. Stakeholder engagement is one leg of the tripod that makes up our approach to corporate responsibility and sustainability, alongside citizenship and impact management. Stakeholder engagement takes into consideration the needs of the stakeholders when making business decisions. Our stakeholders are broadly categorised into two groups: internal and external. The internal stakeholders are employees and shareholders, while external stakeholders comprise customers, suppliers, consultants, host communities, regulators, the media and government agencies.

Like previous years, the level of engagement with stakeholders in 2019 was robust. This provided opportunities to further align the business practices with societal needs and expectations, and drive long-term sustainability as well as shareholder value.



STAKEHOLDER ENGAGEMENT

	Reasons for Engagement	Types of Engagement
EMPLOYEES	• Ensure FBNHoldings Group remains a great workplace by providing a secure, positive and inspiring work environment • Promote a diverse and inclusive workforce where colleagues of all backgrounds are treated equally and are provided with opportunities to succeed and achieve their potential • Maintain a value-based environment where positive conduct is encouraged and promoted • Promote synergy among employees and instil the culture of the organisation by encouraging communication and dialogue to increase productivity and staff retention • Create awareness regarding the vision and activities of the Group, and the roles staff are required to play	• Focus groups, knowledge-sharing sessions, roadshows, engagement surveys, emails, intranet communications, magazines and training

	Reasons for Engagement	Types of Engagement
CUSTOMERS	• Develop a better understanding of the customers' financial needs and offer appropriate solutions • Innovate and develop customised products and services to meet the needs of the customers • Offer suitable products and services in an accessible way to drive excellent customer experience • Delight the customers and build trust as well as confidence	• Interactions through branch service points, relationship managers, contact centres, complaint lines (FirstContact and dedicated e-mail addresses), customer engagement forums, social media platforms - Facebook, LinkedIn, Twitter, YouTube, etc - surveys, and marketing and advertising activities through traditional media

STAKEHOLDER ENGAGEMENT

INVESTORS

Reasons for Engagement

- Manage and develop relationships with existing and potential shareholders, investors and analysts
- Provide opportunities to build trust and confidence
- Provide shareholders with the necessary information regarding the activities of the Group required to make informed decisions
- To gain insights into external perspectives
- Develop a better understanding of the shareholders' requirements and aspirations, and how best to address and balance these needs with the objectives of the Group

Types of Engagement

- One-on-one or group meetings
- Roadshows
- Communications and responses to investor and analyst queries
- Annual General Meetings
- Conferences and presentations

REGULATORS

Reasons for Engagement

- Build relationships with regulators and ensure all legal and compliance requirements are met to minimise associated risks and safeguard the licence to operate
- Foster an atmosphere of cordiality and ensure the highest level of compliance by the Group and subsidiaries with all relevant extant regulations

Types of Engagement

- Meetings
- Statutory reporting

COMMUNITIES

Reasons for Engagement

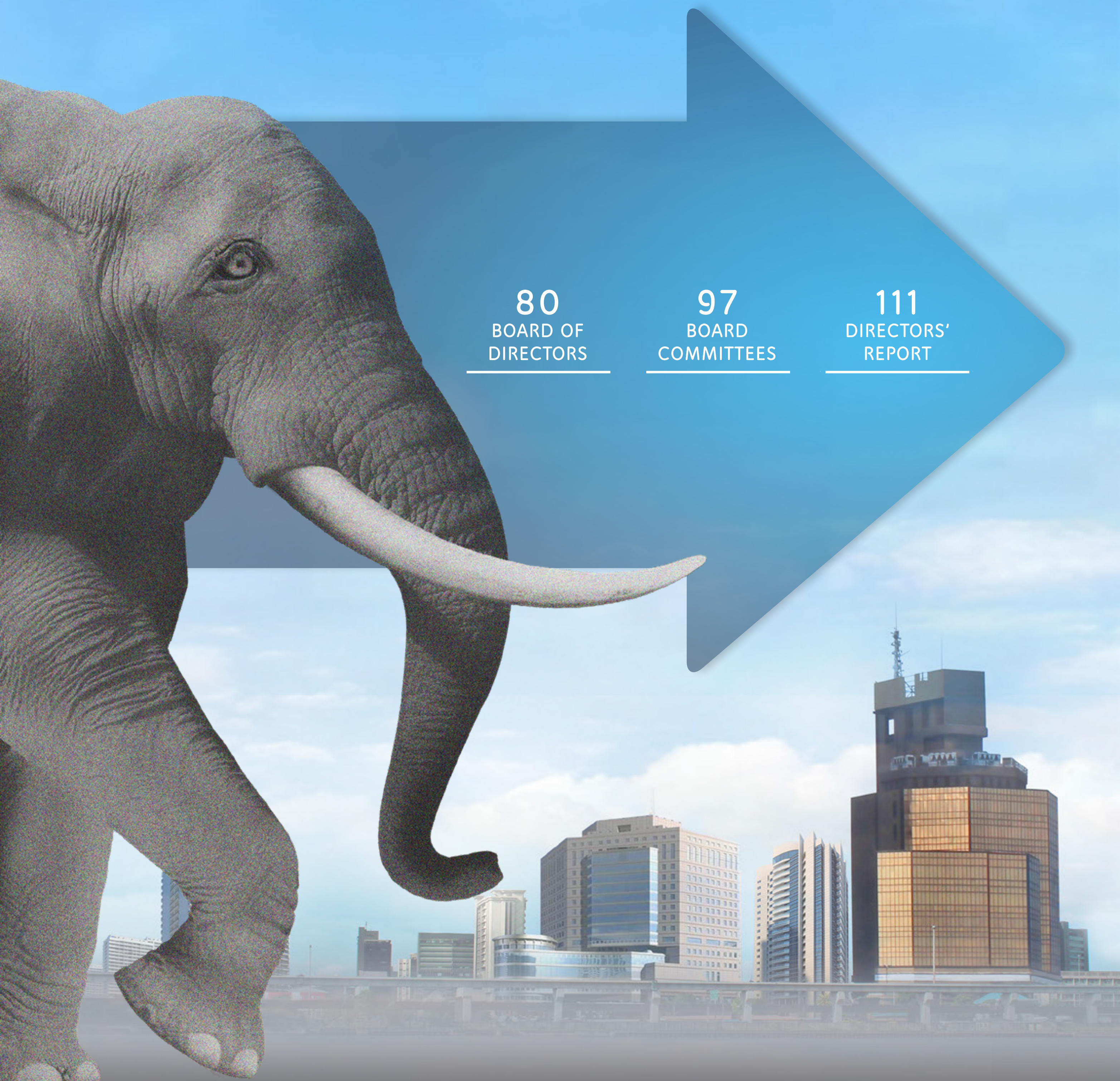
- Develop and sustain mutually beneficial, trusting and meaningful relationships with the communities, focusing on the Group's corporate responsibility and sustainability goals
- Obtain inputs from communities regarding the Group's corporate responsibility programmes and how best to address their needs
- Partner with individuals, groups and NGOs to ensure the Group's activities and operations are conducted responsibly
- Create awareness regarding the Group's corporate responsibility and sustainability initiatives
- Proactively manage the environmental and societal impacts of the business

Types of Engagement

- Citizenship and stakeholder engagement.
- Ongoing support for projects and interaction with a wide variety of NGOs as well as Government organisations
- Steering Committee – The Nigerian Sustainable Banking Principles Champions

GOVERNANCE

A robust corporate governance structure remains a critical enabler of our ability as an institution to enhance the interests of our stakeholders. Over the years, FBNHoldings has maintained an effective governance structure built on accountability, integrity and transparency.



INTRODUCTION

A robust corporate governance structure remains a critical enabler of our ability as an institution to enhance the interests of our stakeholders (shareholders, customers, staff, regulators and the community). Over the years, FBN Holdings Plc (FBNHoldings or FBNH or Holding Company) has maintained an effective governance structure built on accountability, integrity and transparency.

In 2019, the Group remained resolute on the path of good governance, aligning long-term strategy with the governance framework and complying with the highest international standards to promote sound and efficient financial services, as well as to build market confidence.

At FBNHoldings, an engaged, committed and highly effective Board of Directors is vital to the success of the Group. Consequently, we continue to invest in the knowledge of the Directors through bespoke training and other opportunities to deepen their expertise, experience and ability to effectively carry out their role.

The Group's oversight functions are discharged through the respective Boards of each operating entity, which also ensure compliance with industry-specific statutory and regulatory requirements. At the Holding Company and in all its operating entities, the Boards operate through various Committees and FBNHoldings' governance framework ensures that there is a fine blend of Board autonomy and Group coordination at the operating company level.

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

Diversity

We believe diversity provides the best results and enhances the ability to create superior value. Today, diversity within FBNHoldings is reflected not only in the gender mix, which complies with CBN recommendations, but also through the diversity of thought, experience and academic backgrounds across the Group, and through inclusive policies that tackle all forms of discrimination.

Over the years, FBNHoldings has maintained an effective governance structure built on accountability, integrity and transparency.

Currently, there are three women on the Board, representing 30% of the total membership, which is in line with CBN recommendation.

Shareholder and Regulatory Engagement

The Board and Management maintain stakeholder focus through continuous engagement with shareholders and shareholder groups. Engagement sessions continue to provide valuable opportunities for Board and Management to listen to external perspectives as well as to gain insights into shareholders' concerns.

Similarly, we are committed to engaging regulators to foster an atmosphere of cordiality and ensure the highest level of compliance with relevant extant regulations across the Group.

INTRODUCTION

Appointment Philosophy

Relevant regulatory guidelines and laws guide FBNHoldings' appointment philosophy, including a transparent Board appointment process. The 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 candidates subject to the approvals of the relevant regulatory authorities and the shareholders at the general meeting.

Changes to Board Composition

The FBNHoldings Board is a blend of diversity, experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure new ideas and experience are embedded in its decision-making processes. However, in 2019, there were no changes to the Board's composition.

Board Composition

The Board has 10 Directors, comprising seven Non-Executive Directors, two Independent Non-Executive Directors and one Executive Director, who is also the Group Managing Director. This is in alignment with global best practice that encourages a higher percentage of Non-Executive Directors to Executive Directors. All members are distinguished by their professional ability, integrity and independence of opinion.

BOARD OF DIRECTORS

U.K. Eke, *MFR,* | Dr. Oba Otudeko, *CFR* Group Chairman | Dr. Adesola Adeduntan

Dr. Hamza Wuro Bokki | Omatseyin Ayida | Cecilia Akintomide, *OON* | 'Debola Osibogun | Oluwande Muoyo | Oluseye Kosoko | Chidi Anya | Oye Hassan-Odukale, *MFR*

BOARD OF DIRECTORS

Dr. Oba Otudeko, CFR
Group Chairman

U.K. Eke, MFR
Group Managing Director BFIC

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

Chidi Anya
Non-Executive Director BARAC | SAC

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

'Debola Osibogun
Non-Executive Director BGNC | BARAC

Omatseyin Ayida
Non-Executive Director BGNC | BARAC

Dr. Adesola Adeduntan
Non-Executive Director

Oluwande Muoyo
Independent Non-Executive Director
BARAC | BGNC

Cecilia Akintomide, OON
Independent Non-Executive Director
BFIC | SAC

Oluseye Kosoko
Company Secretary

BGNC
Board Governance and Nomination Committee

BARAC
Board Audit and Risk Assessment Committee

BFIC
Board Finance and Investment Committee

SAC
Statutory Audit Committee

FBNHOLDINGS MANAGEMENT


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


Oyewale Ariyibi
Chief Financial Officer


Oluseye Kosoko
Company Secretary


Idris Shittu
Head, Risk Management and Compliance


Tolulope Oluwole
Head, Investor Relations


Bode Oguntoke
Head, Internal Audit


'Yemi Okojie
Head, Strategy and Corporate Development


Tunde Lawanson
Head, Marketing and Corporate Communications


Oyinade Kuku
Head, Human Resources

STATUTORY AUDIT COMMITTEE


Kolawole Durojaiye
Chairman


Nnamdi Okwuadigbo


Abdulmumini Ado Yola (Deceased)


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


Cecilia Akintomide, *OON*
Independent Non-Executive Director


Chidi Anya
Non-Executive Director

OUR SUBSIDIARIES

COMMERCIAL BANKING

FIRST BANK OF NIGERIA LTD

Ibukun Awosika
Chairman, First Bank of Nigeria Ltd

Dr. Adesola Adeduntan
Managing Director
First Bank of Nigeria Ltd

DIRECTORS

Gbenga Shobo
Deputy Managing Director

Lawal Ibrahim
Non-Executive Director

Dr. Ijeoma Jidenma
Independent
Non-Executive Director

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

Olusola Oworu
Independent
Non-Executive Director

Ibrahim Waziri*
Non-Executive Director

Obafemi Otudeko
Non-Executive Director

Tunde Hassan-Odukale
Non-Executive Director

Lateef Bakare
Independent
Non-Executive Director

Dr. Remi Oni
Executive Director
Corporate Banking

Abdullahi Ibrahim
Executive Director
Public Sector

Ado Wanka**
Non-Executive Director

MERCHANT BANKING AND ASSET MANAGEMENT

FBNQUEST MERCHANT BANK LTD

Bello Maccido
Chairman, FBNQuest Merchant Bank Ltd

Kayode Akinkugbe
Managing Director
FBNQuest Merchant Bank Ltd

DIRECTORS

Taiwo Okeowo
Deputy Managing Director

Oluyele Delano, *SAN*
Independent
Non-Executive Director

Dr. Omobola Johnson
Non-Executive Director

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

Akinlolu Osinbajo, *SAN*
Non-Executive Director

Babatunde Odunayo
Non-Executive Director

Oyinkansade Adewale
Independent
Non-Executive Director

FBNQUEST CAPITAL LTD

Oyewale Ariyibi
Chairman, FBNQuest Capital Ltd

Tseyi Hammond
Ag. Managing Director
FBNQuest Capital Ltd

DIRECTORS

Ijeoma Agboti
Non-Executive Director

Ike Onyia
Non-Executive Director

Adekunle Awojobi
Non-Executive Director

FBNQUEST TRUSTEES LTD

Oluseye Kosoko
Chairman, FBNQuest Trustees Ltd

Adekunle Awojobi
Managing Director
FBNQuest Trustees Ltd

DIRECTORS

Patrick Mgbenwelu
Non-Executive Director

INSURANCE

FBN INSURANCE LTD

Adenrele Kehinde
Chairperson, FBN Insurance Ltd

Valentine Ojumah
Managing Director
FBN Insurance Ltd

DIRECTORS

Margaret Dawes***
Non-Executive Director

Caleb Yaro***
Independent
Non-Executive Director

Aderemi Ogunmefun***
Non-Executive Director

Oyewale Ariyibi
Non-Executive Director

Theuns Botha
Non-Executive Director

Festus Izevbizua
Executive Director
Finance and Administration

Moruf Apampa
Executive Director
Business Development

FBN INSURANCE BROKERS LTD

Folake Ani-Mumuney
Chairperson, FBN Insurance Brokers Ltd

Olumide Ibidapo
Managing Director
FBN Insurance Brokers Ltd

DIRECTORS

Oluseyi Oyefeso
Non-Executive Director

Oluseye Kosoko
Non-Executive Director

*Resigned July 2019
**Appointed July 2019
***Retired December 2019

BOARD OF DIRECTORS

The profiles of the members of the FBNHoldings Board of Directors are detailed below:

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 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 the Chairman of the Council of the Nigerian Stock Exchange. He was also the pioneer Chairman of the Nigerian-South African Chamber of Commerce and between 2013 and 2014, was the Chairman of the Business Support Group for delivery of the National Integrated Infrastructure Master Plan. 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 the International Institute for Management Development, Lausanne, Switzerland; Harvard Business School, USA; and the Arthur D. Little School of Management, USA. He was the Chancellor of the Olabisi Onabanjo University, Ogun State, and currently serves as a member of the Office of Distinguished Friends of London Business School, UK. He is the founder of the Oba Otudeko Foundation, a not-for-profit organisation. Dr. Otudeko is married with children.

BOARD OF DIRECTORS

Urum Kalu (U.K.) Eke, *MFR*
Group Managing Director

U.K. Eke, *MFR*, assumed office as Group Managing Director (GMD), FBN Holdings Plc on 1 January 2016. He joined the Board of FirstBank, a subsidiary of FBNHoldings in 2011 as Executive Director, Public Sector South and later became Executive Director, South before his appointment as GMD of FBNHoldings. 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.

He currently sits on the Boards of First Bank of Nigeria Ltd and FBNQuest Merchant Bank Ltd as a Non-Executive Director.

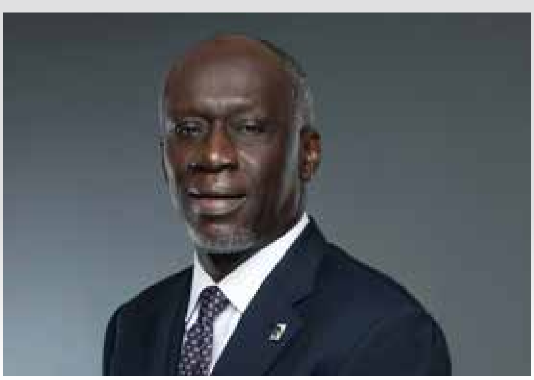
In 2017, he was appointed to the Board of Nigeria Sovereign Investment Authority. He was also Executive Director, Regional Business, Lagos & West, Diamond Bank Plc. His other work experience includes Deloitte Haskins & Sells International where he rose to the position of Audit Senior. He has over 30 years' experience in financial services, strategy, auditing, consulting, taxation, process re-engineering and capital market operations.

U.K. is a Fellow of the Chartered Institute of Bankers, Institute of Management Consultants, Institute of Directors, Institute of Chartered Accountants of Nigeria and holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri.

He has attended several Executive Management and Board training programmes at Harvard Business School, USA; Stanford Business School, USA; IESE Business School, Barcelona; International Institute for Management and Development, Lausanne, Switzerland; Wharton Business School, USA; and Lagos Business School, Nigeria.

A philanthropist and mentor to many, he is the Founder and Chairman, Elder K.U. Eke Memorial Foundation. He is a Patron, Lagos State Council, Boys' Brigade Nigeria, and a Paul Harris Fellow of The Rotary Club International. He is the Chairman of the Advisory Board, Lifeforte International High School, Ibadan.

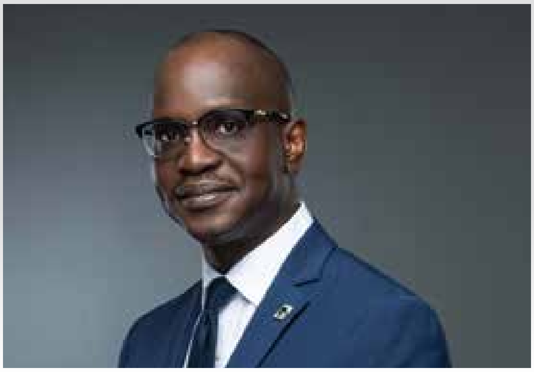
U.K. is a recipient of Nigeria's National Honour of Member of the Order of the Federal Republic (MFR).



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

Oye Hassan-Odukale, *MFR,* is a pioneer Director of FBN Holdings Plc. He holds a Bachelors and Masters degree in Business Administration from the University of Houston. He was until recently, the Managing Director/CEO of Leadway Assurance Company Ltd, a leading insurance company in Nigeria, a position he 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 Boards of several for-profit and non-profit companies in Nigeria. He was a Non-Executive Director on the Board of First Bank of Nigeria Plc (now First Bank Nigeria Ltd), and is currently the Chairman of FBNBank (UK) Ltd, a wholly owned subsidiary of FirstBank. He is a Securities and Exchange Commission-accredited investment manager and portfolio advisor. Oye is married with children and enjoys listening to music, reading and travelling.

BOARD OF DIRECTORS



Chidi Anya
Non-Executive Director

Chidi Anya joined the Board of FBN Holdings Plc in 2013. He has nearly three decades of professional practice in the Nigerian legal system, including pupillage with L.N Mbanefo SAN, and roles as Associate Counsel at Akin Delano & Company, Ibadan, and Senior Associate Counsel at Debo Akande & Company, Lagos. In 1997, he became a founding Partner of The Channings Law Firm, where he has provided leadership and strategic direction overseeing its growth. The Firm currently acts as Company Secretary to several leading indigenous companies and conglomerates in various strategic sectors of the Nigerian economy, providing guidance on corporate governance and compliance.

Chidi is recognised by clients and peers as a leading commercial and corporate lawyer with high-level skills and experience in negotiation, administration, communication, management, advocacy and ethical leadership, all of which he brings to the Board of FBNHoldings. A member of the Nigerian Bar Association and its section on Business Law, he is also a Member of the Institute of Directors (MIoD) and a Notary Public. A Certified Management Consultant and Fellow of the Institute of Management Consultants (FIMC), he has attended various executive management courses at the Kellogg School of Management, Northwestern University, Illinois. Chidi is married with children and his interests include reading, writing, intellectual debates and gardening. Committed to building stronger and more resilient communities, he is active in a number of voluntary groups and programmes.

Dr. Hamza Wuro Bokki
Non-Executive Director

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

He is an astute business development professional, skilled in negotiation, business start-up, planning, analysis, capital markets, Board administration (having served on the Boards of about 20 companies) and business transformation. Hamza was the first student to be awarded a first-class degree in Public Administration from the University of Maiduguri and holds a Masters degree as well as a PhD in Public Administration and Policy Analysis. He is a Fellow of the Chartered Pension Institute of Nigeria and a member of the Nigerian Institute of Management and Chartered Institute of Stockbrokers. Hamza has served on the Boards and audit committees of several companies in the public and private sectors.

Hamza was Managing Director of the Gombe State Investment and Property Development Company Ltd, where he revamped the company's financial position, and 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 judged the best in the country. He has attended several executive programmes on corporate governance. Hamza is married with children and enjoys reading as well as travelling.

BOARD OF DIRECTORS

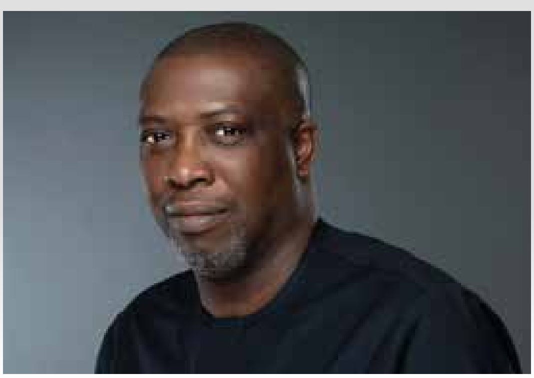
'Debola Osibogun
Non-Executive Director

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

'Debola has considerable experience of Boards at both Executive and Non-Executive levels. She is currently the Managing Director of Davidfinn Global Concept Ltd and the President of the Consumer Awareness and Financial Enlightenment Initiative (CAFEi), a not-for-profit organisation. She also served as the Managing Director of Coop Savings & Loans Ltd and Skye Trustees Ltd, and as Non-Executive Director of FBN Mortgages Ltd. She was the National President of the Mortgage Banking Association of Nigeria.

'Debola is a Fellow and former President of the Chartered Institute of Bankers of Nigeria, a Fellow of the Chartered Institute of Taxation of Nigeria, the Nigerian Institute of Management and the Association of Enterprise Risk Management Professionals, and a member of the Institute of Directors. She earned an MSc in Banking and Finance and a Bachelors degree in Economics, both from the prestigious University of Ibadan. An astute researcher and writer, she has published several articles and papers on primary mortgage institutions, the creation of mortgages and 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 an Executive Member of the Nigerian Real Estate Developers Association.

'Debola has attended several executive programmes at prestigious local and international institutions, including INSEAD, Kellogg School of Management, London Business School and Euromoney Learning. 'Debola is married with children and enjoys playing basketball, polo and golf.



Omatseyin Ayida
Non-Executive Director

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

He is currently the Managing Director of Saken Capital Partners Ltd.

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

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

BOARD OF DIRECTORS

Dr. Adesola Adeduntan
Non-Executive Director

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

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

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

Oluwande Muoyo
Independent Non-Executive Director

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

Prior to this appointment, Oluwande worked with Stanbic IBTC Bank for over 22 years in various parts of the Bank, including Financial Control, Treasury and Financial Services, Trade Finance and Corporate Banking. She holds a BSc degree in Accounting from the University of Lagos. She started her professional career with the international firm, Price Waterhouse (now 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, audit and taxation.

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

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 to bear. She was 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 FBNHoldings her wealth of management experience, particularly from an international financial institution perspective and her legal experience spanning more than 31 years since her call to the 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 also a member of the United Nations Election Monitoring Team for the 1994 elections in South Africa, which saw Nelson Mandela become President.

In 2014, Cecilia was awarded the National 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 and New York Bars.

TENURE OF DIRECTORS

Non-Executive Directors

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

Independent Non-Executive Directors are appointed for an initial term of four years and can be re-elected for a subsequent term of four years, subject to satisfactory performance and approval of members. The maximum tenure of Independent Non-Executive Directors is eight years and for other Non-Executive Directors, 12 years.

Executive Directors

Executive Directors are appointed for an initial term of three years and can be renewed subject to satisfactory performance. However, the maximum tenure of an Executive Director is 10 years.

Executive Directors are discouraged from holding directorships external to the Group.

EFFECTIVENESS

Board Effectiveness

In today's business environment, an effective Board must be capable of managing a wide range of challenges and risks. With its overarching responsibility for an organisation's performance, a Board must set the strategic direction (often across diverse products, markets and geographies), monitor the Company's risk profile, evaluate the performance of the Group Managing Director and other Executives, and be accountable to all stakeholders.

The approach to ensure the Board's effectiveness is threefold: composition, training and a rigorous Board appraisal process.

Guiding Principles on Composition

The first approach is to appoint the right people; individuals who have displayed excellent business knowledge and Board experience.

Effective observance of Codes of Corporate Governance (Codes) must be complemented by an ethical Board. It is essential that members of the Board are persons of integrity, willing to comply with the letters and spirit of the Codes as well as monitor the harnessing of available resources. With this understanding, we have ensured that the current composition of the Board is the best mix of competence and experience required for a company to enhance shareholder value.

We have aligned with global best practice on the ratio of Non-Executives to Executives on the Board. The Non-Executive Directors outnumber the Executive Director by 9:1, underscoring the overwhelming independence of the Board from the Management of the Company.

In strategy formation, Non-Executive Directors are also expected to monitor and contribute creative and informed ideas to the effective management of the Company as well as critically examine the objectives and plans developed by the Executive team.

Training of Directors

Given the Company's commitment to maintaining a highly effective Board, in 2019, Directors attended local and international executive education programmes to improve their decision-making capacity and contributions. An annual Training Plan is agreed by the Board with the Company Secretariat tasked with its implementation.

"We have aligned with global best practice on the ratio of Non-Executives to Executives on the Board. The Non-Executive Directors outnumber the Executive Director by 9:1, underscoring the overwhelming independence of the Board from the Management of the Company."

EFFECTIVENESS

2019 Board Training Plan

S/N	NAMES	COURSE	INSTITUTION	DATE	STATUS
Foreign Training					
1.	Oye Hassan-Odukale, MFR	Boards that Lead: Corporate Governance that Builds value	Wharton Business School	11-12 February	Attended
2.	Dr. Oba Otudeko, CFR	Leading Organisational Change	Wharton Business School	8-11 April	Attended
3.	'Debola Osibogun	Leading Business into the Future	London Business School	23-28 June	Attended
4.	Dr. Hamza Wuro Bokki	Advanced Strategy for Directors	INSEAD	1-5 July	Attended
5.	Oluwande Muoyo	Advanced Strategy for Directors	INSEAD	1-5 July	Attended
Local Training					
6.	Chidi Anya	Stakeholders Forum on Nigerian Code of Corporate Governance	Institute of Directors	28 March	Attended
7.	'Debola Osibogun	Stakeholders Forum on Nigerian Code of Corporate Governance	Institute of Directors	28 March	Attended
8.	Oluwande Muoyo	Stakeholders Forum on Nigerian Code of Corporate Governance	Institute of Directors	28 March	Attended
9.	Cecilia Akintomide, OON	Stakeholders Forum on Nigerian Code of Corporate Governance	Institute of Directors	28 March	Attended
10.	Chidi Anya	Company Direction Course	Institute of Directors	17-18 September	Attended
11.	Oluwande Muoyo	FITC Continuous Education Programme for Directors	Central Bank of Nigeria and Financial Institution Training Centre	24-25 September	Attended
12.	Cecilia Akintomide, OON	FITC Continuous Education Programme for Directors	Central Bank of Nigeria and Financial Institution Training Centre	24-25 September	Attended
13.	Oluwande Muoyo	Company Direction Course	Institute of Directors	3-4 December	Attended

Board Appraisal

The Board engaged the services of an independent consultant KPMG Professional Services to conduct an appraisal of the Board of Directors and individual Director peer-appraisal for the year ended 31 December 2019. The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities.

KPMG's appraisal revealed that FBNHoldings' corporate governance practices were largely in compliance with the key provisions of the Codes of Corporate Governance of the Central Bank of Nigeria, the Securities and Exchange Commission and the Financial Reporting Council of Nigeria. Specific recommendations for further improvement of the governance practices were also articulated and included in a detailed report to the Board.

EFFECTIVENESS

Access to Independent Professional Advice

The Board has the power to obtain advice and assistance from such independent or external professional advisers or experts as it deems necessary or appropriate to aid its effectiveness at the Company's expense. This option was exercised at different times within the 2019 financial year.

Board Responsibilities

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

The Board is also responsible for ensuring that effective systems of internal controls and risk management are maintained across the Group. In addition, the Board is responsible for determining and promoting the collective vision of the Group's purpose, values and culture.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, approval of risk appetite, capital and liquidity matters, major acquisitions, mergers or disposals, Board membership, financial results and governance issues, including the approval of the corporate governance framework.

More specifically, the Board's responsibilities as enumerated in the Board Charter include:

- Building long-term shareholder value by ensuring that adequate systems, policies and procedures are in place to safeguard the Group's assets;
- Appointing, developing and refreshing the overall competency of the Board as necessary;
- Articulating and approving the Group's strategies and financial objectives as well as monitoring the implementation of those strategies and objectives;
- Approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Director in the Group;
- Reviewing, on a regular and continuous basis, the succession planning for the Board and Senior Management staff, and recommending changes where necessary;
- Overseeing the implementation of corporate governance principles and guidelines;
- Reviewing and approving the recommendations of the Governance Committee in relation to the remuneration of Directors;
- Overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks encountered by the Group;
- Articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- Maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Group; and
- Overseeing the Group's corporate sustainability practices with regards to its economic, social and environmental obligations.

EFFECTIVENESS

The Role of the Group Chairman

The roles of the Group Chairman and Group Managing Director are distinct and are not performed by one individual. The principal role of the Group Chairman is to manage and provide leadership to the Board of Directors of FBNHoldings. The Group Chairman is accountable to shareholders and responsible for the effective and orderly conduct of Board and general meetings.

More specifically, the duties and responsibilities of the Group Chairman are to:

- Act as a liaison between the Management and the Board;
- Provide independent advice and counsel to the GMD;
- Keep abreast of the activities of the Company and its Management;
- Ensure the Directors are properly informed, and that sufficient information is provided to enable the Directors to form appropriate judgements;
- Together with the GMD, develop and set the agenda for Board meetings;
- Assess and make recommendations to the Board annually regarding the effectiveness of the Board, its Committees and individual Directors; and
- Ensure that regularly, upon completion of the ordinary business of a Board meeting, the Directors hold discussions without members of Management present.

The Role of the Group Managing Director

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

More specifically, the duties and responsibilities of the GMD are to:

- Lead, in conjunction with the Board, the development of the Company's strategy and oversee the implementation of the Company's long- and short-term plans in accordance with its strategy;
- Ensure the Company is appropriately organised and staffed as well as to hire and terminate staff as deemed necessary to enable the Company achieve the approved strategy;
- Ensure the Group has appropriate systems to conduct its activities both lawfully and ethically;
- Ensure the Company maintains a high standard of corporate citizenship and social responsibility wherever it does business;
- Act as a liaison between the Management and the Board, and communicate effectively with shareholders, employees, government authorities, other stakeholders and the public;
- Ensure the Directors are properly informed, and sufficient information is provided to the Board to enable the Directors form appropriate judgments;
- Abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, health and safety policies;
- Manage the Group within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- Ensure the Group operates within approved budgets and complies with all regulatory requirements of a holding company; and
- Develop and recommend to the Board the annual operating and capital budget and upon approval with fully delegated authority, to implement the plan in its entirety.

EFFECTIVENESS

The Role of the Company Secretary

The Company Secretary's appointment and duties are regulated by statutes, particularly the Companies and Allied Matters Act (Sections 293-298), regulations and the Articles of Association of the Company. The duties of the Company Secretary include:

- Attending meetings of the Company, Board of Directors, and Board committees, and rendering all necessary secretarial services in respect of such meetings and advising on compliance and regulatory issues;
- Setting the agenda of the meetings through consultations with the Chairman and the GMD;
- Maintaining statutory registers and other records of the Company;
- Rendering proper and timely returns as required under CAMA;
- Providing a central source of guidance and advice to the Board and the Company on matters of ethics, conflict of interest and good corporate governance;
- Carrying out such administrative and secretarial duties as directed by the Directors or the Company; and
- Where duly authorised by the Board of Directors, exercising any powers vested in the Directors.

Leadership Appointments Across Operating Companies

In order to reposition the Group to achieve optimal value, the Board initiated changes across the Boards of its operating companies in 2019. On the recommendation of the Board Governance and Nomination Committee, the following leadership changes were made in some of the subsidiaries of FBNHoldings:

01 Tseyi Hammond

Tseyi Hammond was appointed the Acting Managing Director of FBNQuest Capital Ltd. His appointment as Managing Director is, however, subject to the approval of the Securities and Exchange Commission.

02 Oyinkansade Adewale

Oyinkansade Adewale was appointed as a Non-Executive Director of FBNQuest Merchant Bank Ltd.

03 Ado Wanka

Ado Wanka was appointed as a Non-Executive Director of First Bank of Nigeria Ltd.

EFFECTIVENESS

MAKING BOARD MEETINGS EFFECTIVE

How FBNHoldings Board Meetings Work

- The Board meets quarterly and as required;
- The annual calendar of Board meetings is approved in advance at the last Board meeting of the preceding year;
- The annual calendar of Board activities includes a Board retreat at an off-site location to consider strategic matters and Group policy directions, and to review opportunities as well as challenges encountered by the Group;
- Urgent and material decisions may be taken between meetings through written resolutions;
- Notices for meetings are transmitted to Board members at least two weeks before the scheduled meeting;
- The Company Secretariat circulates memoranda electronically to members of the Board;
- All Directors are provided with an agenda and meeting papers in advance of each meeting. Board memoranda are dispatched in advance to enable Directors to have adequate time to review and prepare for meetings;
- Meetings last for an average of five hours. The number of issues identified for deliberation and, above all, the complexity of the issues, are major factors in determining the duration of the meetings; and
- Any Director may request that a topic should be considered at meetings. In addition, any Director may bring any issue deemed deserving of discussion, and this is usually considered under Any Other Business during the meeting.

Board Discussion

In 2019, major Board discussions were:

- Board appraisal exercise and outcomes
- Deliberation on the implementation of the Group's strategy
- Consideration of the quarterly unaudited accounts and the audited financial statements for the year ended 31 December 2018
- Deliberation on the Board composition and restructuring of FBNQuest Capital Ltd and FBNQuest Trustees Ltd
- Board retreat to discuss 2020-2022 Strategic Planning Programme
- Deliberation on the budget for the 2020 Financial Year
- Deliberation on the performance of the Group's businesses

EFFECTIVENESS

Attendance at Board Meetings

The Board of FBNHoldings met eight times in 2019.

NAMES	JANUARY 24	MARCH 13	APRIL 25	MAY 02	JULY 29	OCTOBER 18	OCTOBER 30	DECEMBER 18
Dr. Oba Otudeko, *CFR*	✓	✓	✓	✓	✓	✓	✓	✓
U.K. Eke, *MFR*	✓	✓	✓	✓	✓	✓	✓	✓
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓	✓	✓
'Debola Osibogun	✓	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Adesola Adeduntan	✓	✓	✓	✓	✓	✓	✓	✓
Oluwande Muoyo	✓	✓	✓	✓	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓	✓	✓	✓	✓

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 and tenure. 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.

EFFECTIVENESS

FBNHoldings has the following constituted Board Committees:

Board Governance and Nomination Committee Membership

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

'Debola Osibogun
Chairman

Attendance at the Board Governance and Nomination Committee Meetings

The Board Governance and Nomination Committee met four times in 2019.

NAMES	JANUARY 23	APRIL 23	JULY 25	OCTOBER 17
'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;
- Develop succession plans for the Board of Directors and key Management staff across the Group;
- Nominate and endorse Board appointments for subsidiary companies;
- Recommend Directors' remuneration to the Group;
- Oversee Board performance and evaluation within the Group;
- Identify individuals for consideration for Board appointment and recommend to the Board for approval;
- 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 Non-Executive Directors who meet the independence criteria as defined by the CBN;
- Make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for approval;
- 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;

EFFECTIVENESS

- Ensure compliance with regulatory requirements and other international best practices in corporate governance;
- Review and approve amendments to the Group's Corporate Governance framework;
- Nominate independent consultants to conduct an annual review or appraisal of the performance of the Board and make recommendations to the Board in this regard. This review or appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight of corporate culture, monitoring role and evaluation of Management's 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 Group's Evaluation policy;
- Perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- Evaluate the role of the Board Committees and Boards of subsidiary companies, and ratify the performance appraisals of the Executive Directors as presented by the GMD; and
- Ensure compliance with the Codes of Corporate Governance of SEC, CBN, FRCN and global best practices on corporate governance.

EFFECTIVENESS

Board Audit and Risk Assessment Committee Membership

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

Oluwande Muoyo
Chairman

Attendance at the Board Audit and Risk Assessment Committee Meetings

The Board Audit and Risk Assessment Committee met seven times in 2019.

NAMES	JANUARY 21	MARCH 11	APRIL 16	MAY 02	JULY 16	JULY 25	OCTOBER 15
Oluwande Muoyo	✓	✓	✓	✓	✓	✓	✓
'Debola Osibogun	✓	x	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓

Key Responsibilities

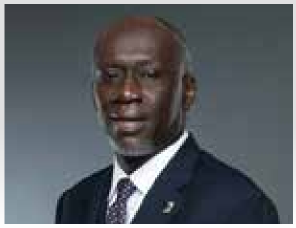
The responsibilities of the Committee are to:

- Ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Group;
- Evaluate the Group's risk profile and the controls in place to mitigate 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;
- 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 External Auditor annually. The report of this assessment should be submitted to the Board and the Statutory Audit Committee.

EFFECTIVENESS

Board Finance and Investment Committee Membership

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



Oye Hassan-Odukale, *MFR*
Chairman

Attendance at the Board Finance and Investment Committee Meetings

The Board Finance and Investment Committee met six times in 2019.

NAMES	JANUARY 23	APRIL 17	JULY 17	JULY 25	OCTOBER 15	DECEMBER 12
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓	✓	✓
Dr. Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓
U.K. Eke, *MFR*	✓	✓	x	✓	✓	✓

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 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 relevance of Management's assumptions for planning purposes;
- Critically evaluate and make recommendations to the Board for approval of the Group's business strategy periodically;
- Periodically engage the Management and act as a sounding board on strategic issues;
- Regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- Review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investment/portfolio;
- Oversee the Group's investment planning, execution and monitoring processes;
- Oversee the long-term financing options for the Group;
- Review the Group's financial projections as well as capital and operating budgets; and review on a quarterly basis with the Management, the progress of key initiatives, including appraising actual financial results against targets and projections;
- Review and recommend for Board approval the Group's capital structure, which should not be limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure;
- Recommend for Board approval the Group's dividend policy, including nature and timing; and
- Ensure an effective tax policy is implemented.

EFFECTIVENESS

Group Executive Committee (GEC)

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 2019.

Membership

The GMD of FBN Holdings Plc serves as the Chairman, while other members are:

U.K. Eke, *MFR*
Chairman

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

Key Responsibilities

The responsibilities of the Committee are to:

- Ensure overall alignment of the Group strategy and plans;
- Review strategic and business performance against approved plans and budget of the Group, and agree recommendations and corrective actions;
- Promote the identification of synergies and ensure the implementation of synergy initiatives;
- Monitor progress of Group synergy realisation initiatives and make recommendations;
- Discuss and monitor compliance with group policies such as risk management, internal audit etc; and
- Review and recommend modifications to group policies.

EFFECTIVENESS

Management Committee (MANCO)

The role of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Holding Company.

Membership

The GMD of FBN Holdings Plc serves as the Chairman, while other members are:

- Chief Financial Officer
- Company Secretary
- Head, Risk Management and Compliance
- Head, Investor Relations
- Head, Internal Audit
- Head, Strategy and Corporate Development
- Head, Marketing and Corporate Communications
- Head, Human Resources

U.K. Eke, *MFR*
Chairman

Key Responsibilities

The responsibilities of the Committee are to:

- Develop and review, on an ongoing basis, the Holding Company's business focus and strategy, subject to the approval of the Board;
- Confirm alignment of the Holding Company's plan with the Group's overall strategy;
- Recommend proposals to the Board on the strategies to achieve the Group's objectives regarding investment and divestment activities;
- Track and manage strategic and business performance against approved plans and the budget of the Holding Company; and
- Make proposals to the Board and Board Committees on major policies and decisions relating to staff compensation, major capital spending, organisational structure, etc.

EFFECTIVENESS

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, subject to a maximum of six members.

Shareholder Representative Profile

Kolawole Durojaiye, *FCA*
Chairman,
Statutory Audit Committee

Kolawole Durojaiye, *FCA,* was re-elected as Shareholders' Representative on the Statutory Audit Committee on 3 May 2019 and brings to the Committee 25 years' experience in auditing and banking. Prior to his appointment, he worked with the Central Bank of Nigeria for 24 years, rising to the position of Director. He was Assistant Manager at KPMG Nigeria between 1986 and 1996, leading teams in commercial and merchant banks, finance companies and other financial institutions. Kolawole was part of the team that codified the Nigeria Microfinance Policy Framework, following the international study tour of countries with successful microfinance histories and was fully involved in the implementation as Secretary to the Joint CBN-NDIC Consultative Committee on Microfinance Banking.

A Fellow of the Institute of Chartered Accountants of Nigeria, Kolawole has attended several training courses and conferences; he also participated in the sixth Global Housing Finance Conference led by the World Bank Group, Washington DC, USA in May 2014, and led the specialist team that formulated the recent reforms of primary mortgage banks in Nigeria. Kolawole is married with children.

Nnamdi Okwuadigbo, *FCA*
Shareholders' Representative
Statutory Audit Committee

Nnamdi Okwuadigbo, *FCA,* was elected as Shareholders' Representative on the Statutory Audit Committee on 3 May 2019 and brings to the Committee over 30 years' experience in auditing, accounting/financial reporting, taxation, debt recovery, business advisory, financial management, portfolio management and management consulting, within the public and private sectors. He is the Founder and Managing Partner of the firm of Nnamdi Okwuadigbo & Co. He is a professional with industry responsibility, having worked with Gearhart Nigeria Ltd as Financial Controller and Barclays Bank Nigeria Ltd.

He is a fellow and the current President of the Institute of Chartered Accountants of Nigeria (ICAN). He holds a certification in International Financial Reporting (CertIFR). Nnamdi is married with children.

EFFECTIVENESS

Abdulmumini Ado Yola*
Shareholders' Representative
Statutory Audit Committee

Abdulmumini Ado Yola had over 35 years' work experience which spans the Nigerian financial and public sectors. He was skilled in business planning, capital markets, financial reporting and financial modelling.

Prior to joining the Central Bank of Nigeria as an Assistant Director, Market Development Office, his work experience spanned the Nigerian Stock Exchange, where he rose through the ranks. Abdulmumini started his career at the Ministry of Commerce, Industry and Cooperative, Kano State, where he acquired his skill in financial services.

Abdulmumini graduated from Bayero University, Kano with a BSc in Business Administration and held a Masters in Business Administration from the same institution.

He was appointed at different times by the Kano State Government, as a member of the Kano State Technical Committee on Privatisation and a member of the Kano State Committee on the Revitalisation of Industrial Activities. He was also appointed a member of the Task Force on Privatisation of banks and he attended local and international trainings. Abdulmumini was married with children. Abdulmumini died in February 2020.

Audit Committee Members

S/N	NAMES	ROLE	STATUS	EDUCATIONAL QUALIFICATIONS
1.	Kolawole Durojaiye, *FCA*	Chairman	Shareholder representative	FCA, MBF, BSc (Agric Economics)
2.	Nnamdi Okwuadigbo, *FCA*	Member	Shareholder representative	FCA, BSc (Accounting)
3.	Abdulmumini Ado Yola*	Member	Shareholder representative	MBA, BSc (Business Administration)
4.	Oye Hassan-Odukale, *MFR* **	Member	Non-Executive Director	MBA Finance, BBA, BSc (Business Administration)
5.	Chidi Anya **	Member	Non-Executive Director	MILD, BL, LLB
6.	Cecilia Akintomide, *OON* **	Member	Independent Non-Executive Director	LLM, BL, LLB

*Deceased

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

EFFECTIVENESS

Independence of the Statutory Audit Committee

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

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

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

Attendance at Statutory Audit Committee Meetings

The Statutory Audit Committee met four times in 2019.

NAMES	MARCH 12	JUNE 26	SEPTEMBER 17	DECEMBER 12
Kolawole Durojaiye	✓	✓	✓	✓
Nnamdi Okwuadigbo*	N/A	✓	✓	✓
Abdulmumini Ado Yola*	N/A	✓	x**	x
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓

*Nnamdi Okwuadigbo and Abdulmumini Ado Yola were elected to the Committee at the Annual General Meeting of 3 May 2019.

** Abdulmumini Ado Yola began medical leave on 1 September 2019; he died in February 2020.

The Responsibilities of the Committee

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

- Ascertain whether the Company's accounting and reporting policies 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, remuneration and removal of the external auditor of the Company, ensuring the independence and objectivity of the external auditor and that there is no conflict of interest which could impair the independent judgement of the external auditor;
- Authorise the internal auditor to carry out investigations into any activity of the Company that 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.

EFFECTIVENESS

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 auditor for the 2019 financial year was Messrs. PricewaterhouseCoopers (PwC).

FBNHoldings is in full compliance with the Code as its external auditor was appointed as auditor in the 2012 financial year and hence have been retained for eight years.

2019 Audit Fees

The audit fee paid by FBNHoldings (the Company) to the external auditor for the 2019 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.

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 and 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 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, develop a plan to bridge that gap and thereafter position them as potential successors.

For Non-Executive Directors, the Governance Committee will periodically undertake a detailed 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.

Performance Monitoring

As part of its oversight role, the Board continuously engages the Management and contributes ideas to the Group's strategy, from the planning phase to its execution. The Board holds an annual Board retreat, at which the strategy for the coming year is rigorously debated and agreed between Management and the Board. Once a strategy is defined, updates on specific strategic objectives become part of the ongoing Board agenda, providing the Board with access to sufficient detail to critique the implementation of the strategy.

EFFECTIVENESS

During this process, the Board is continuously updated on significant issues, risks or challenges encountered during strategy implementation across the Group, and on the steps taken to alleviate those risks.

On a quarterly basis, the Management reviews the Group's financial and performance indicators with the Board, and the Board continuously assesses progress and confirms alignment or otherwise with the Group's strategic goals and objectives.

The Group's actual performance is presented relative to its planned or budgeted performance in order to provide the Board with ongoing insights into the level of achievement.

In addition, peer benchmarking forms a continuous part of the Board meetings to put FBNHoldings' performance into perspective against competitors.

REMUNERATION STRUCTURE

Introduction

This section provides stakeholders with an understanding of the remuneration philosophy and policy adopted at FBNHoldings for Non-Executive Directors, Executive Directors and employees.

Remuneration Philosophy

FBNHoldings' compensation and reward philosophy represent the values and beliefs that drive the Company's compensation policy. The compensation philosophy is in line with the Group's quest to attract and retain highly skilled personnel who will keep the Group ahead of competition. In reviewing the compensation package, factors to be considered include organisational policy, market positioning, the Group's financial performance, government policies, regulations, industry trends, inflation and the cost of living index.

Remuneration Strategy

FBNHoldings' compensation and reward strategy aims at attracting, rewarding and retaining a motivated talent pool to drive the Company's values, ideology and strategic aspirations. The compensation strategy supports the corporate strategy and is reviewed as required to reflect changes in internal and external environmental conditions. The compensation and reward strategy seeks to position the Group as an employer of choice within its market by offering an attractive and sustainable compensation package. Compensation is also differentiated and is used as a tool for retaining high-potential talent and driving desired culture and values.

> *FBNHoldings' compensation and reward strategy aims at attracting, rewarding and retaining a motivated talent pool to drive the Company's values, ideology and strategic aspirations.*

Compensation Policy

The Group's Compensation Policy provides the guidelines for administration of staff compensation and is aimed at attracting, rewarding and retaining a motivated talent pool. The compensation structure is categorised into Remuneration, Perquisites and Benefits. Remuneration includes base pay and allowances as well as performance-based bonuses and incentives, as follows:

EFFECTIVENESS

Base pay includes the salary component for the defined job grade and is mainly cash-based. It is guaranteed and payable monthly in arrears, as per the employment contract. It is the basis for the computation of some allowances and most benefits.

Allowances are other pay items outside base pay and are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch and clothing. They are payable in cash and are paid monthly, quarterly or yearly for tax planning, liquidity planning and staff convenience. Allowances are separated into two: those that form part of staff salary and those categorised purely as allowances.

Bonuses and incentives are related to achievement of organisational and individual targets and may be cash or non-cash, such as performance bonuses and commendation letters.

Perquisites are usually lifestyle-oriented and designed to ensure comfort, motivation, commitment and retention of staff, particularly those at the senior level or with high potential. These may include status cars, power generators, gym equipment and other items.

Benefits are entitlements, usually attainable subject to organisational conditions. They include leave, medical allowance and social club subscriptions. To guarantee staff convenience and in line with the Group's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that, while ensuring adequate cash flow for staff, the Group does not run contrary to tax laws and other statutory regulations.

Executive Remuneration

As a Board, we are mindful of the views of the various stakeholders on Executive remuneration. We aim to motivate, incentivise and retain best talents while keeping an eye on prevailing economic outlook.

The remuneration for Executive Directors is determined by the Board and usually reflects competitive benchmarking in the industry while ensuring that it adequately attracts and retains the best and most experienced individuals for the role. This also applies to Non-Executive Directors who are entitled to Directors' fees, reimbursable expenses and sitting allowances.

BOARD COMPENSATION

Non-Executive Directors

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

Remuneration for Executive Directors

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

For more details on the remuneration, please refer to Note 48 of the FBNHoldings' 2019 financial statements.

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

STATEMENT OF COMPLIANCE

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

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

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

Oluseye Kosoko
Company Secretary

Dr. Oba Otudeko, *CFR*
Group Chairman

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

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

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

Oluseye Kosoko
Company Secretary

Dr. Oba Otudeko, *CFR*
Group Chairman

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

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

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

Oluseye Kosoko
Company Secretary

Dr. Oba Otudeko, *CFR*
Group Chairman

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

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

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

Oluseye Kosoko
Company Secretary

Dr. Oba Otudeko, *CFR*
Group Chairman

WHISTLEBLOWING PROCEDURES

At FBNHoldings, a culture where people can speak up is promoted. Individuals are encouraged to raise concerns about perceived wrongdoing or unethical conduct.

Whistleblowing is a process of raising concerns about wrongdoing, illegal actions or unlawful conduct such as fraud, corruption, bribery or theft. The Group guarantees confidentiality, noting that there are circumstances where people need to raise concerns discreetly without fear of harassment, intimidation, victimisation, reprisal or retaliation. The Board of FBN Holdings Plc attaches importance to high ethical standards and integrity and expects its employees and officers to do the same in all their dealings.

The Group's Whistleblowing 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). Reports made through this policy should not be based on mere speculation, rumours or gossip, but on factual knowledge. The full version of the Group's Whistleblowing Policy can be viewed on the website: www.fbnholdings.com/whistle-blowing/.

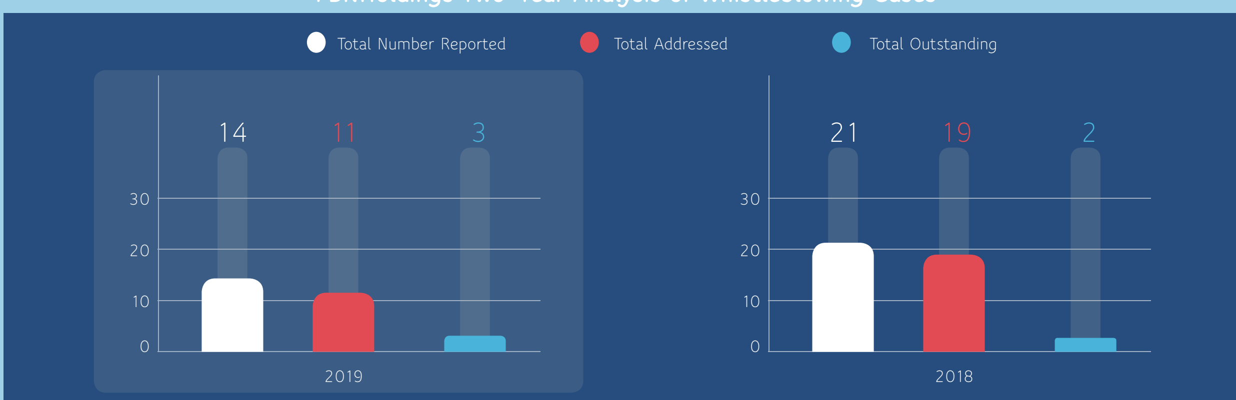
The whistleblower can report through any of the following, either by declaration or in confidence/anonymously:

- 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; and
- Dedicated email address: FBNHoldingsWhistleBlowing@fbnholdings.com.

Any issue raised should include all relevant background information (including dates) as well as the reason(s) why the whistleblower is particularly concerned about the situation.

The Policy was developed by the Group to protect whistleblowers who disclose concerns in good faith and without frivolity, malice or mischief. The concern raised is thoroughly investigated and reported to the appropriate authorities, including the Chairman, Board Audit and Risk Assessment Committee. The whistleblower, whether internal or external, may elect to disclose information directly to any of the listed regulatory bodies such as the Central Bank of Nigeria (anticorruptionunit@cbn.gov.ng), the Nigeria Deposit Insurance Corporation (info@ndic.org.ng/helpdesk@ndic.org.ng), the Securities and Exchange Commission (sec@sec.gov.ng), the Nigeria Insurance Commission (info@naicom.gov.ng), the National Pension Commission (info@pencom.gov.ng) and the Nigerian Stock Exchange (x-whistle@nse.com.ng).

FBNHoldings Two-Year Analysis of Whistleblowing Cases



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 2019.

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 (now First Bank of Nigeria Ltd) 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 of the Group as well as 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
FBNBank DR Congo Limited
FBNBank Ghana Limited
FBNBank Sierra Leone Limited
FBNBank Guinea Limited
FBNBank Gambia Limited
FBNBank Senegal Limited
First Pension Custodian Nigeria Limited

Merchant Banking and Asset Management Group comprising:
FBNQuest Merchant Bank Limited
FBNQuest Capital Limited
FBNQuest Asset Management Limited
FBNQuest Securities Limited
FBNQuest Funds Limited
FBNQuest Trustees Limited

Insurance Group comprising:
FBN Insurance Limited
FBN General Insurance Limited
FBN Insurance Brokers Limited

c. Operating Results

The Directors recommend for approval a dividend of ₦0.38k per share, amounting to ₦13,640,211,261.00

Highlights of the operating results for the period under review are as follows:

	GROUP		COMPANY	
	31 Dec 2019 ₦'mn	31 Dec 2018 ₦'mn	31 Dec 2019 ₦'mn	31 Dec 2018 ₦'mn
Gross Earnings	627,008	587,406	18,396	13,649
Profit Before Tax	83,595	63,853	13,874	9,440
Taxation	(9,783)	(5,544)	(12)	(98)
Profit for the year from continuing operations	73,812	58,309	13,862	9,342
Loss for the year from discontinued operations	(147)	(77)	-	-
Profit for the year	73,665	58,232	13,862	9,342
Profit attributable to:				
Equity holders of the parent entity	69,918	57,692	13,862	9,342
Non-controlling interests	3,747	540	-	-
Earnings per share (kobo) - Basic	195	161	39	26
Earnings per share (kobo) - Diluted	195	161	39	26

DIRECTORS' REPORT

d. 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:

S/N	Name	2019 HOLDINGS		2018 HOLDINGS		Entities
		Direct	Indirect	Direct	Indirect	
1.	Dr. Oba Otudeko, *CFR*	5,895,264	113,079,843	5,895,264	113,079,843	Metropolitan Trust Nig. Ltd
			44,188,168		44,188,168	Honeywell Staff Ct & Cs
			70,206,271		70,206,271	Orbit International Ltd
			111,663,659		111,663,659	Springwater Ltd
			72,138,423		72,138,423	Landbond Ltd
			52,394,669		52,394,669	Coral Products Ltd
			68,404,806		68,404,806	Network Securities Ltd
	TOTAL	**5,895,264**	**532,075,839**	5,895,264	532,075,839	
2.	Oye Hassan-Odukale, *MFR*	8,854,003	112,552	1,854,003	112,552	Lac Investments Ltd
			13,229,148		13,229,148	Haskal Holdings Ltd
			29,917,410		24,223,469	Oho Investments Ltd
			4		-	Oho Investments Ltd Account II
			1,004,528		2,175,578	Leadway Capital & Trusts Ltd
			266,697,449		266,697,449	Leadway Assurance Co. Ltd
	TOTAL	**8,854,003**	**310,961,091**	1,854,003	306,438,196	
3.	Chidi Anya	-	500,000	-	52,168	Muonta and Guonta Ltd
4.	Dr. Hamza Wuro Bokki	6,680,863		5,389,061	-	-
5.	'Debola Osibogun	1,171,612		1,171,612	-	-
6.	Omatseyin Ayida	1,100,000	4,018,131	1,100,000	4,018,131	Alemaje and Company Ltd
			40,627,606		9,914,780	Apricot Securities Ltd
			99,994,505		79,994,505	Jurewa Investment Ltd
		1,100,000	**134,680,565**		**93,927,416**	
7.	U.K. Eke, *MFR*	65,196,390	-	22,453,436	-	-
8.	Dr. Adesola Adeduntan	18,871,689	-	18,871,689	-	-
9.	Oluwande Muoyo	1,971,481	798,596	771,481	798,596	Clayder Ltd
10.	Cecilia Akintomide, *OON*	5,500		5,500	-	-

DIRECTORS' REPORT

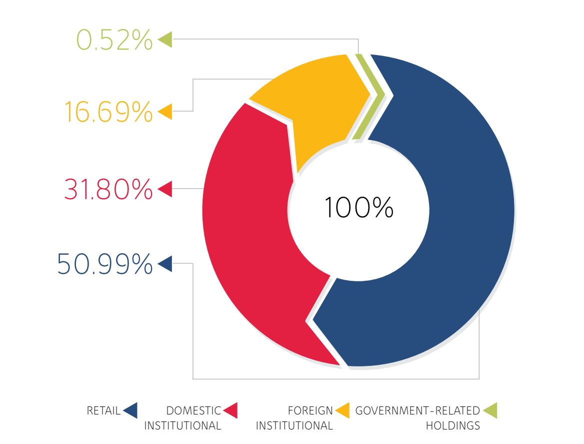
e. Shareholding Analysis

Shareholding Range Analysis as at 31 December 2019

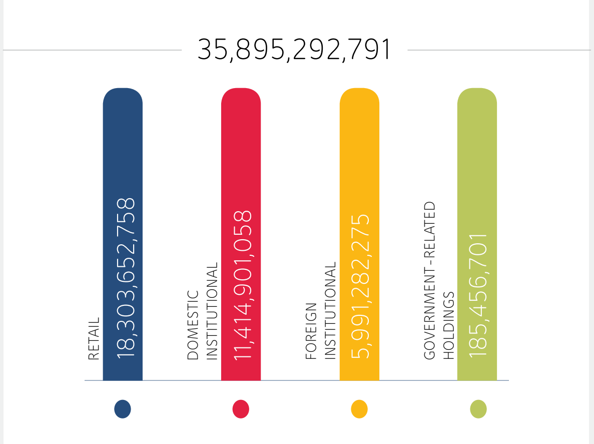
RANGE			No. of Holders	% Holders	Units	% Units
1	-	1,000	291,327	24.22	212,523,003	0.59
1,001	-	5,000	492,240	40.93	1,183,777,660	3.30
5,001	-	10,000	170,953	14.22	1,175,333,005	3.27
10,001	-	50,000	205,566	17.09	4,175,780,245	11.63
50,001	-	100,000	20,998	1.75	1,461,803,363	4.07
100,001	-	500,000	17,309	1.44	3,440,943,180	9.59
500,001	-	1,000,000	2,092	0.17	1,468,250,952	4.09
1,000,001	-	5,000,000	1,697	0.14	3,255,520,537	9.07
5,000,001	-	10,000,000	193	0.02	1,375,077,586	3.83
10,000,001	-	50,000,000	179	0.01	3,703,861,628	10.32
50,000,001	-	100,000,000	21	0.00	1,413,476,922	3.94
100,000,001	-	35895292791	43	0.00	13,028,944,710	36.30
			1,202,618	**100.00**	**35,895,292,791**	**100.00**

Shareholding Analysis as at 31 December 2019

% Holdings



Holdings



f. Substantial Interest in Shares

According to the Register of Members as at 31 December 2019, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

g. 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.

DIRECTORS' REPORT

h. Donations and Charitable Gifts

The Company did not make any donations during the year ended 31 December 2019.

i. 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.

j. Post Balance Sheet Events

1. Towards the end of 2019, there was an outbreak of the novel coronavirus disease, codenamed COVID-19, which has spread globally. The outbreak has been declared a global pandemic i.e. a public health emergency of international concern by World Health Organization (WHO) in March 2020. As at the date of this Report, the Nigeria Centre for Disease Control (NCDC) had confirmed COVID-19 cases in some States in Nigeria. The disease has caused a significant reduction in social interaction and disruption in economic activities while some public facilities have been shut down in a bid to contain the spread of the virus. The Directors have considered the potential implications of this outbreak on the Group's activities and operations and are taking measures to ensure that the Group's ability to continue to operate is not affected significantly. The various measures instituted by the government to contain the pandemic have not curtailed the Group's ability to continue to operate and serve its customers. The Directors are confident that the Group will continue to operate into the foreseeable future.

2. The new Finance Act was signed into law on 13 January 2020 and this was the basis upon which the Company's tax was calculated.

3. In line with the Group's 2020-2022 strategic objective, FBN Holdings Plc has commenced discussions with Sanlam (PTY) Limited (the owners of the 35% equity of FBNInsurance) and engagement with the relevant regulators with a view towards divesting from FBNInsurance and selling its 65% holdings to Sanlam.

k. Human Resources Policy

Recruitment

The Company conforms with all regulatory requirements in the employment of staff, whilst also ensuring that only fit and proper persons are approved for appointment to board or top management positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointments are duly implemented.

Employment of Physically Challenged Persons

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

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

Employee Involvement and Training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various forums including town hall meetings. Towards this end, the Company provides opportunities where employees deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon.

The Company places a high premium on the development of its workforce. Consequently, the Company sponsored its employees for various training courses, both locally and overseas, in the year under review.

Health, Safety and Welfare at Work

The Company maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees. Employees are adequately insured against occupational and other hazards.

DIRECTORS' REPORT

The Company has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met.

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

The Company operates a Group Life and Group Personal Accident (formerly known as Workmen's Compensation) Insurance cover and Employee Compensation Act contributions for the benefits of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004 (amended in 2014).

Gender Analysis

The number and percentage of males and females employed as at 31 December 2019 vis-a-vis total workforce is as follows:

	Number		%	
	Male	Female	Male	Female
Employees	24	13	65	35

Gender analysis in terms of Board and Top Management as at December 31, 2019 is as follows:

	Number			%	
	Male	Female	Total	Male	Female
Board	7	3	10	70	30
Management Staff	7	2	9	78	22

l. Auditors

The external auditors, Messrs. PricewaterhouseCoopers (PwC), have acted as auditors of FBN Holdings Plc for eight years and for its largest subsidiary, First Bank of Nigeria Ltd, for ten consecutive years. In line with paragraph 5.2.12 of the CBN Code of Corporate Governance, the auditors have indicated that they will not be seeking re-appointment as auditors of both FBN Holdings Plc and First Bank of Nigeria Ltd. In accordance with Section 357(1) of CAMA, a resolution will be proposed, and if considered appropriate passed, by shareholders, at the next annual general meeting (AGM) of the Company, to appoint new auditors. Shareholders will also be required to authorise the Directors to fix the remuneration of such new auditors.

BY ORDER OF THE BOARD

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

KPMG

REPORT OF THE INDEPENDENT CONSULTANT TO THE BOARD OF DIRECTORS OF FBN HOLDINGS PLC ON THEIR APPRAISAL FOR THE YEAR ENDED 31 DECEMBER 2019

In compliance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code") and the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code"), FBN Holdings Plc ("FBNHoldings" or "the Company") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2019. The CBN Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

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

On the basis of our review, the Company's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Company's governance practices have been articulated and included in our detailed report to the Board. This includes the recommendation that will further strengthen the whistleblowing process.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
5 March, 2020

RISK REVIEW

The Enterprise Risk Management Framework provides a structured approach to implementing risk-taking and risk management activities across the Group.

RISK SUMMARY

There were significant regulatory headwinds in 2019, as the regulators intensified supervisory functions over the financial services industry to promote the stability of the financial system. Most notably, the Central Bank of Nigeria (CBN) raised the Loan to Deposit Ratio (LDR) to 65% and reviewed the guide to bank charges/commissions. Similarly, the National Information Technology Development Agency (NITDA) issued guidelines on data protection.

Penalty for non-compliance with the 65% minimum LDR is a levy of additional cash reserve requirement equal to 50% of the lending shortfall of the target LDR at a zero-interest, resulting in further sterilisation of investible funds and reduction in interest income.

Similarly, the downward review of bank charges and commissions impacted non-interest income, reducing the revenue accruable to the Group.

In addition, the data protection guidelines place increased responsibility on financial institutions with respect to the handling of customer information and ability to extensively leverage information obtained in the normal course of business.

The loan portfolio is one of the assets of the Group and we have a duty to safeguard and improve its quality. The risk management strategy is based on moderate and guided risks within specified limits for the sustainable growth of shareholder value.

> *"The risk management strategy is based on moderate and guided risks within specified limits to ensure sustainable growth in shareholder value."*

The Group's credit risk is guided by the Credit Risk Policy and book plan that set out specific guidelines for risk origination and management of the loan portfolio. The Policy also sets out the roles and responsibilities of the individuals and committees involved in the credit process and the approval hierarchy.

To monitor and manage credit risks, credit models and systems are applied regularly. This provides the foundation for credit decisions and calculation of economic capital for internal allocation of capital to the various businesses.

Cyber security is given top priority across the Group as a result of the dynamic and evolving cyber threat landscape. In 2019, the Group continued the revamp and evaluation of its cyber security capabilities and enhanced computing practices. Through the Contain-Treat-Sustain strategic security initiative, the Group continued the implementation of the globally acclaimed security initiatives and practices to predict, identify, prevent, respond and recover from cyber attacks across operating entities.

Despite the challenging operating environment, the Group was able to adequately manage its risks while complying with evolving reforms and international best practices.

Emerging Risks

Emerging enterprise risks are identified periodically to empower risk-taking, which is closely linked to the Group's strategy. Key among these risks are cyber risks, environmental and social responsibility risks, regulatory risks and conduct risks.

Cyber security threats have increased in volume and sophistication as threats such as ransomware and targeted phishing attacks have become prevalent. Information technology is required to expedite transactions and as such, financial institutions must remain resilient, deploy robust systems and take proactive steps to safeguard critical information assets, especially customer information accessible through cyberspace.

Cyber security resilience is fully integrated into the business, goals and objectives of the Group, and it is an integral part of the risk management processes for the sustainability of the organisation.

RISK SUMMARY

Over the years, there has been an increase in environmental sustainability risks, characterised by extreme weather conditions and degradation of the environment resulting from deforestation, flood, oil spillage and a rise in carbon emissions. There has also been a decrease in biodiversity; consequently, agricultural systems are under strain and pollution of the air and sea have increasingly become a threat to human health.

The Group maintained a two-pronged approach to environmental sustainability based on the impact of the business operations and customers on the environment.

The approach to reducing the direct impact of the business operations on the environment is to minimise our carbon footprint through increased energy efficiency and paper reduction, promotion of wildlife and biodiversity conservation or preservation, in partnership with the Nigerian Conservation Foundation.

Across the Group, we are conscious of our lending activities, making sure the business activities of the customers are eco-friendly.

The banking sector remains the most dominant and regulated industry in Nigeria. As such, the CBN has consistently initiated policies to strengthen the sector, promote stability and encourage financial inclusion.

Major Risks That Increased In 2019 and the Associated Mitigants		
Risk Type	**Risk Drivers**	**Mitigants**
Cyber Risk	• Financial loss, disruption or damage arising from information technology system failures	• Implementation of robust end-to-end security infrastructure • Performance of annual penetration assessments • Authentication upgrades
Environmental and Social (E&S) Risk	• Environmental risk arising from changes in the atmosphere, water and land as a result of human activities • Social risk emanating from the impact of the business operations on the environment and society	• Implementation of robust and transparent E&S governance practices • Assessment of E&S governance practices of the clients
People Risk	• Employees' inability to adequately serve clients, support operations and deliver business strategy	• Training and development of the employees

RISK SUMMARY

Risk Type	Risk Drivers	Mitigants
Technology Risk	• Loss arising from system failures that could cause service outages and disrupt business operations	• Testing of technology and applications to identify and rectify potential weaknesses that can result in downtime
Regulatory and Compliance Risk	• Loss arising from non-compliance with circulars, guidelines or codes applicable to the financial services industry	• Robust compliance risk assessment • Sound corporate governance practices and effective monitoring of all directives and disclosures
Third-Party Risk	• Loss arising from vendors or suppliers reneging on contractual obligations	• Engagement of reputable service providers with proven pedigree • Establish appropriate insurance policies against identified contractual risks

2020 Focus Areas

RISK SUMMARY

2020 Focus Areas

Cyber Security Risk:

The Group will continue to safeguard information and sensitise the customers by:

- Driving risk consciousness and creating security awareness among our employees, contractors and customers;
- Providing innovative solutions to combat insider-related fraud and compromises;
- Improving the metrics across different cyber security indices; and
- Providing updates on emerging trends in cyber security and its threats.

Compliance Risk:

Compliance functions will continue to work with the business and collaborate with other second line of defence functions to promote a best-in-class compliance culture.

Subject to regulatory peculiarities in the different geographies, the compliance function will continue to standardise its compliance risk management practices across the operating entities.

Furthermore, compliance staff will be rotated across the Group to ensure all staff are positioned to deliver sustainable business growth and profitability.

Operational Risk:

Operational risk management continues to be at the forefront across the Group with emphasis on personal accountability by:

- Assigning responsibility, authority and accountability to every individual in the organisation; and
- Making sure Managers of business units and functions assess the risk processes, rectify defaults and sign-off on the risk undertaken.

Through the tone at the top, the Group will continue to emphasise the need for business managers to prioritise risk management by regularly reviewing key risks, and implementing adequate consequence management.

Business Continuity Risk

Towards the end of 2019, there was an outbreak of the novel coronavirus disease codenamed COVID-19 which has spread globally. The disease has caused a significant reduction in social interaction, disruption in economic activities while some public facilities have been shut down in a bid to contain the spread of the virus.

The Group responded promptly to the pandemic by activating its Business Continuity Plans (BCP) across the operating entities through various "Crises Management Teams". One of the responsibilities of these teams is to map out future scenarios covering issues relating to Health and Safety of staff and customers, reducing business operations to critical functions only and provide ways to best serve our customers without endangering lives.

The Group will continue to review the various statistics relating to the pandemic and immediately update its BCP to ensure continuity of business as well as prepare the organisation should there be a further development of the COVID-19 pandemic and its possible scenarios.

Credit Risk:

The Group will continue to promote risk management practices through careful selection of risk assets across target sectors.

In addition, there will be strict adherence to target market and Risk Acceptance Criteria in line with the Group's risk appetite, and proactive management of concentration risk in the portfolio.

Market Risk:

The Group will continue to manage trading and non-trading market risk exposures within the Group's risk appetite and tolerance level to protect shareholders' wealth.

Utmost attention will be given to monitoring and managing market risk factors in the current market volatility, including monetary policy decisions.

RISK MANAGEMENT

Introduction

FBNHoldings has adopted a holistic approach to managing risk and return across its operating entities. The objective of the risk management approach is to balance the level of risk connected with the business goals and provide integrated customer solutions while achieving consistent and sustainable performance. The Board of FBNHoldings considers risk management across the operating entities as important.

The Group has a defined risk management structure that cuts across the operating entities, headed by qualified and experienced Chief Risk Officers (CROs), who oversee risk management in each of the subsidiaries. The CROs are supported by a well-motivated workforce trained to adapt to the changing nature of risk management. The risk departments support, challenge and inspire the business side with risk management frameworks and policies which provide important guidelines. These frameworks and policies are interpreted and applied with the right risk mindset for the effectiveness of risk management.

Enterprise Risk Management Framework

The Enterprise Risk Management (ERM) Framework provides a structured approach to implementing risk-taking and risk management activities across the Group, supporting the long-term revenue, earnings and capital growth strategy. This is communicated through the risk policies and standards that are intended to provide consistent design and execution of strategies across the organisation. There is a common approach to managing all the risks to which the Group is exposed and to evaluating risk-adjusted returns on contemplated business activities. The entities within the Group are primarily accountable for the risk undertaken through a three-pronged line of defence risk management models.

Appropriate controls are embedded in each business process and activity 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.

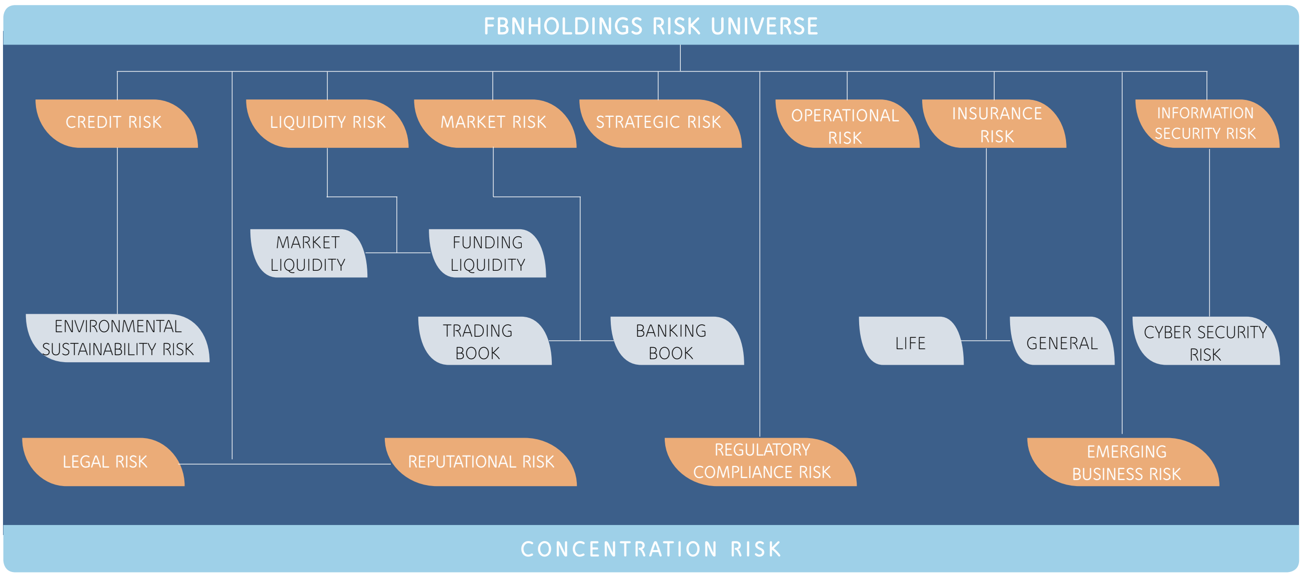
The risk management practices are influenced and impacted by internal and external factors such as; economic conditions, political environments, technology and risk cultures, which can significantly impact the levels and types of risks the Group encounters in its pursuit to strategically optimise risk-taking and management. The ERM Framework incorporates relevant impacts and mitigating actions as appropriate.

The Management is responsible for managing risk within the risk appetite and has established risk management strategies and monitoring practices.

RISK MANAGEMENT

The Risk Profile of the Group

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



Risk Management Model Three Lines of Defence

This model offers a robust risk management procedure where risk management and responsibility for managing risks are embedded at every level within the organisation.

Risk is managed in the Group through a 'three lines of defence' model, which clearly defines the responsibilities and accountabilities, and ensures effective independent oversight as well as assurance that activities are in place to inform key decisions.

The first line of defence consists of business units and other risk owners with the primary responsibility for risk decisions identifying, measuring, monitoring and controlling risks within their areas of accountability. They are required to establish effective governance and control frameworks for their business to ensure compliance with the Group policies, procedures, regulatory pronouncements, maintaining appropriate risk management skills, mechanisms and toolkits, and acting within established Group risk appetite parameters as approved by the Board.

The second line of defence is responsible for monitoring the internal control systems designed through various Board-approved risk management policies and processes.

It strategically links the control systems to all the activities of the first line of defence on an enterprise-wide basis, providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions, etc), initiating changes where and when necessary as well as providing additional monitoring processes for emerging threats and vulnerabilities.

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of the Group's overall risk management and framework, policy and risk plan implementation.

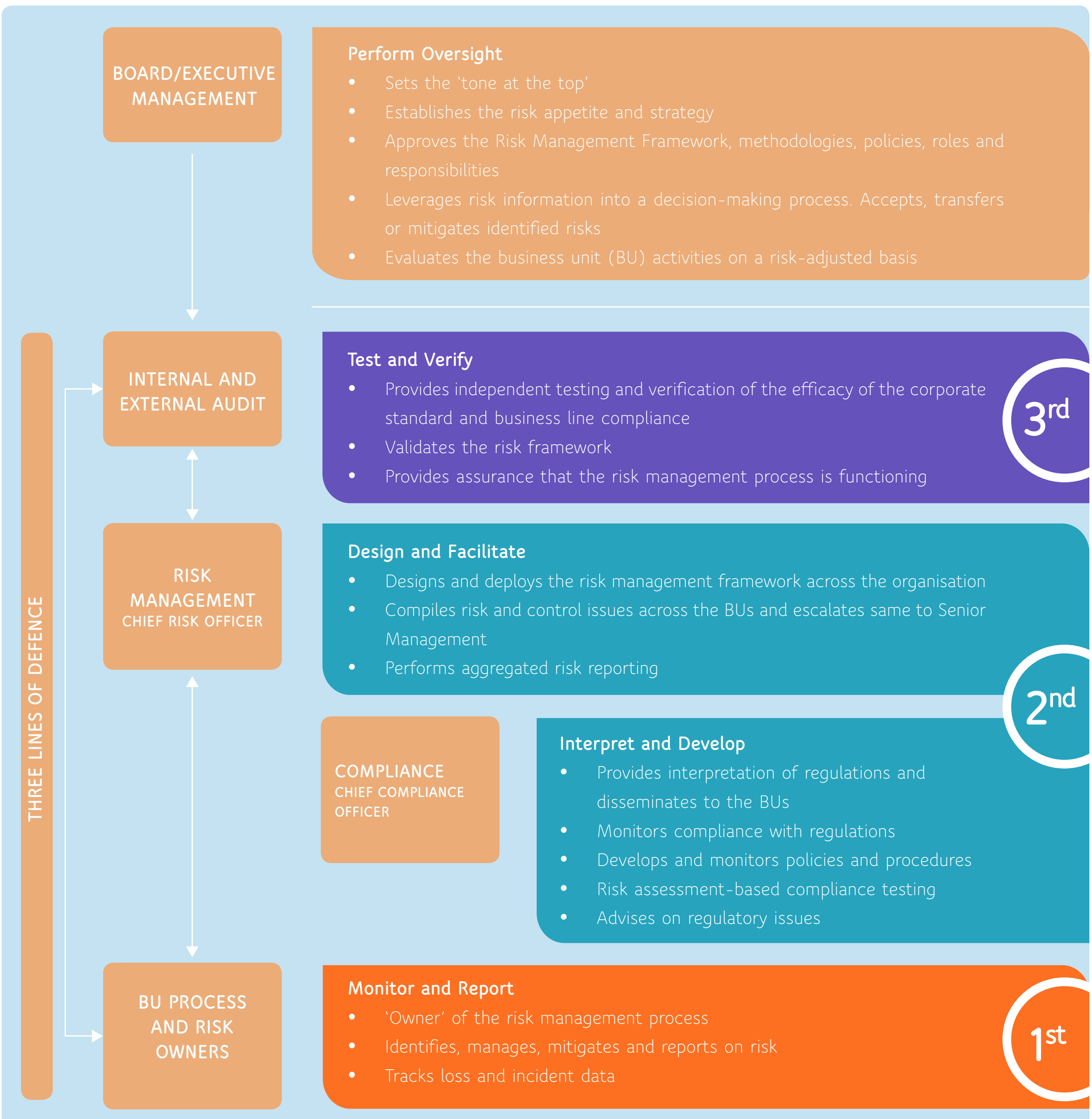
It provides independent perspectives on the overall control framework and tests the adequacy and effectiveness of the controls. The main duties of this line of defence are performing periodic reviews based on a rationalised and systematic approach that allows risk assessment and governance reporting, providing oversight on the risk management processes, reporting to the Board Audit and Risk Assessment Committee (BARAC) and

RISK MANAGEMENT

the Board of Directors on the state of the control environment and the gaps in the control or monitoring environment.

The Board Audit and Risk Assessment Committee (BARAC) evaluates the processes for identifying, assessing, monitoring and managing key risk areas. The Committee also evaluates the adequacy of the Group's risk management systems and control environment.

The Management Committee is responsible for formulating policies, monitoring implementation of risk policies, reviewing risk reports for presentation to the Board and Board Committees, and implementing Board decisions across the Group.



RISK MANAGEMENT

Risk Governance

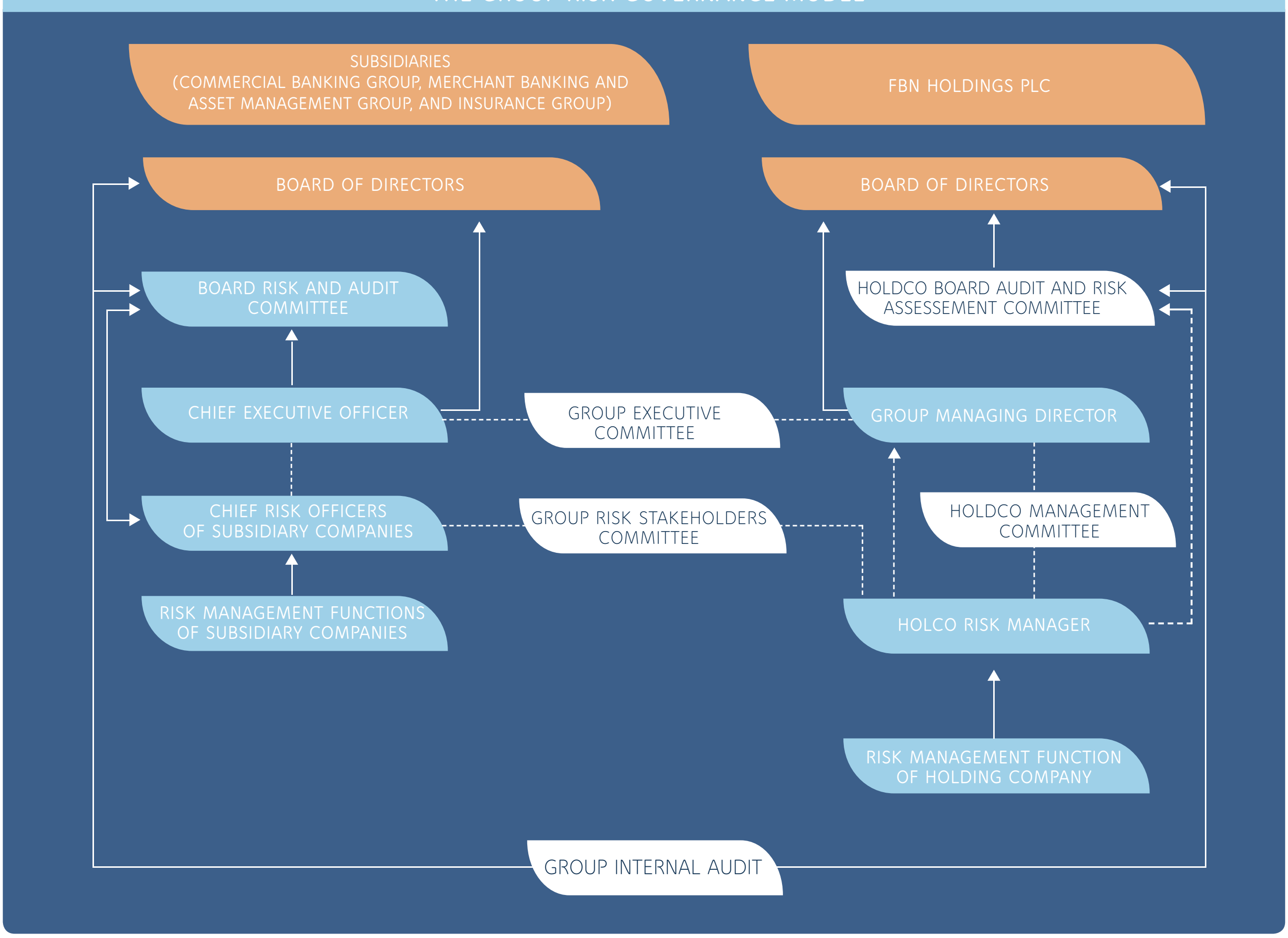
The Board of Directors, assisted by the Board Audit and Risk Assessment Committee, decides on and supervises the Group's risk appetite, including the risk strategy each year. They are also responsible for the development of a sound and consistent Group-wide risk culture that is based on a clear understanding of the risk exposure of the Group and how to manage the 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 the Board and Management levels. The delegation of the risk management responsibilities across the Group is structured to ensure decisions are enacted at the appropriate level, in line with the business objectives and subject to robust as well as effective reviews. Strategic business decisions are taken within Board-approved risk appetite with the Executives and Risk Committees closely monitoring the risk profiles against the risk appetite.

The Group Risk Stakeholders Committee comprises the Chief Risk Officers, Heads of department of the risk directorates, Chief Compliance Officers, Chief Internal Auditor of all the operating entities and the Head, Risk Management and Compliance of FBNHoldings. The Committee meets quarterly to deliberate on the various risks that the Group is exposed to.

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

THE GROUP RISK GOVERNANCE MODEL



RISK MANAGEMENT

Risk Appetite

Risk appetite is the level and type of risk the Group is willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes. In addition, risk appetite reflects potential impact on earnings, capital and funding or liquidity. The Group's risk appetite is the level of risk it is willing to accept to align with and support the financial and strategic objectives, relative to the capacity to assume losses.

Risk Tolerance

Risk tolerance refers to the quantitative threshold that allocates the Group's risk appetite to specific risk types, business units, products, customer segments and other levels. Certain risk tolerances are policy limits that will not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits). The risk appetite is a strategic determination based on long-term objectives, while risk tolerance is a tactical readiness to bear a specific risk within established parameters. The enterprise-wide strategic risk appetite is translated into tactical risk tolerance that constrains risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.

Once established, these parameters are communicated across the Group to provide clear guidelines to stakeholders and to provide feedback when exceeded.

Risk Appetite Statement

This is the maximum level of risk the business is willing to undertake across the major risk exposure to the business in the pursuit of the strategic objectives. The Group accepts moderate risk in every activity it undertakes to achieve the strategic objectives by declaring its willingness to accept moderate risks related to each key value driver.

Risk Culture

At FBNHoldings, there is a strong risk culture and common risk language across the Group. The Group Enterprise Risk Management Framework is supported by an underlying culture and shared behaviours guided by the values which set out in clear terms what constitutes good behaviour and practice. To effectively manage the risks across the Group, the three lines of defence provide the risk appetite, business strategy and the risk mitigants.

As a Group, to reinforce the importance of the culture, the Whistleblowing Policy has been established with a dedicated phone number and email address through which staff can confidentially report matters of concern. Across the Group, all the businesses maintain whistleblowing policies with well-defined escalation processes for timely investigation.

A number of management actions have been instituted to constantly reinforce the risk culture such as the tone at the top, accountabilities, effective communication and an appropriate performance incentive.

EMERGING RISKS

The risks associated with the financial services industry are constantly evolving with industry trends. The table below highlights the major emerging risks across FBNHoldings and the Management actions to mitigate the risks.

RISKS	KEY MITIGATING STRATEGIES
Regulatory and Legal Risks The Nigerian Financial Services Industry continues to evolve with the attendant regulations from various regulatory bodies. In 2019, a total of 113 circulars and regulations were issued by various regulators. Of these, about 70 circulars have a direct impact on the Group's business. The most impactful directives were: • The Financial Reporting Council of Nigeria (FRCN) issued a new code of Corporate Governance that replaced the 2016 code. The new code seeks to institutionalise corporate governance best practices in Nigerian companies. • The Nigeria Information Technology Development Agency (NITDA), issued the Nigeria Data Protection Regulation, 2019. The NITDA Regulation recommends that Data Protection policy should be in place by companies. • Revised guide to bank charges and commissions.	• Ensure new and revised legal and regulatory requirements are identified, monitored and reflected in the Group's process and rule book; • Ensure there are competent and experienced compliance teams 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; • Ensure the regulatory requirements are incorporated in the operational procedures manual and the manual is kept up to date; • Prompt submission of the regulatory reports; and • Sound corporate governance practices and 'setting the right tone at the top' with respect to regulatory compliance across the businesses.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Information and Cyber Security Risks Cyber threats and cyber attacks remain the bane of many organisations with consequences sufficiently serious to threaten or even end the existence of compromised organisations. Cyber attacks on infrastructure and devices are increasing in sophistication and impact, as basic methods of information compromise continue to result in severe damages. Cyber crime remains a global concern for individuals, organisations and governments. The rapid spread and adoption of mobile devices, the internet, alternative banking channels, inadequate regulations and knowledge gaps, have aided the growth and spread of cyber crime. The culprits continue to take advantage of opportunities such as convenience, anonymity and the speed of the internet to perpetuate malicious acts. Trust remains the key product offering of the banking and financial services industry, and the contract of trust with customers must be defended to ensure the integrity, confidentiality and availability of data and information. Today, electronic commerce services are accessible across the world. Anything that jeopardises that relationship of trust poses a major risk to the industry.	• Disaster Recovery Centre; • Comprehensive service level agreement (SLA) with information technology service providers; • Regular information technology audit and control; • Hedging against external events with adequate insurance cover; • Robust business continuity management system that has obtained ISO 22301 certification to improve the Group's resilience; • Regular monitoring and reviewing of all outsourcing arrangements across the Group; • Strict adherence to the Group's outsourcing policy; • Enforcement of service level agreements (SLAs) and sanctions for breach of contracts; • Real-time reporting of high-risk incidents or exposures; • Physical and personal security as well as business protection policy to mitigate internal and external threats; • Engagement of an independent security assessment company to determine the security risk posture of the Group and recommend appropriate precautions to its information assets; • A Group-wide awareness programme making information security the responsibility of all staff; and • Alignment of the Group's processes to international standards and best practices, such as ISO 27001 and PCI DSS.

PRINCIPAL RISKS

The Group is a diversified financial institution with various risk exposures across its operating entities. The occurrence of these risks could have an adverse impact on the achievement of the strategic objectives and financial position of the Group. Some of the major risks across the operating entities are indicated below:

STRATEGIC RISKS

The risk of loss resulting from inability to adequately plan or implement an appropriate business strategy or to adapt to changes in external businesses.

Potential Impacts on Business

This could lead to loss of market share and in extreme cases, business failure.

Strategic Risk Measurement

Strategic risk is measured through Risk-Adjusted Return on Capital and economic capital.

Strategic Risk Mitigating Strategies

It is the responsibility of the various Executive Committees of the operating entities to establish and oversee the execution of their business strategies and identify as well as manage the risks embedded in these strategies.

Other strategies include:

- Group-wide review and analysis of previous strategies and development of strategic business risk and capital planning that is reviewed with the Board of Directors as well as the Executive Committees of the operating entities; and
- Performance and risk reviews of all key businesses by the Management and annual reviews by the Board of Directors.

Strategic Risk Monitoring

The Management and Board of the operating entities establish Key Performance Indicators (KPIs), Key Risk Indicators (KRIs) and tolerance levels. Through regular reporting, KPIs and KRIs are monitored on a continuous basis to mitigate strategic risks and take advantage of unexpected opportunities that may arise.

PRINCIPAL RISKS

CREDIT RISKS

The risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligations.

The Group's credit risk arises from direct and contingent lending as well as counterparty risk from trading activities.

Credit risks are default or counterparty risks, performance risks, payment risks, diversion risks and managerial risks.

Potential Impacts on Business

Crystallisation of the credit risks could lead to loss of revenue through provision for non-performing loans and eventual write-off, disruption of cash flow, collection cost and damaged reputation.

Credit Risk Mitigating Strategies

- Credit risk is governed by the Credit Committee that oversees the overall Credit Risk Management programme. The Group oversees the quality and diversification of the credit portfolio and criteria for the selection of obligors and counterparties, including derivative counterparties and reinsurers. The policies establish exposure limits for single or connected borrowers, corporate connections, quality ratings, industry and geographic region that governs the usage of credit derivatives. The corporate connection limits are governed by the large exposure policy;

- The credit-granting operating entities follow a defined evaluation process that provides an objective assessment of credit proposals. A risk rating is assigned based on a detailed examination of the borrower which includes a review of the business strategy, market competitiveness, industry trends, financial strength, access to funds and other risk exposures to the organisation;

- Established delegated credit approval authorities that will 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 can vary according to the risk rating; and

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

Credit Risk Measurement

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

PRINCIPAL RISKS

COUNTERPARTY RISKS

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

Pre-settlement risks involves one party to a contract failing to meet the terms of the contract and defaulting before the contract's settlement date.

Settlement risk is the risk that one party will fail to deliver the terms of a contract at the time of settlement.

Potential Impacts on Business

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

Counterparty Mitigating Strategies

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

PRINCIPAL RISKS

MARKET AND LIQUIDITY RISKS

MARKET RISKS

The risk that the value of a trading or an investment portfolio could decrease due to changes in market risk factors, such as stock prices, interest rates, foreign exchange rates and commodity prices.

This represents the potential for a negative impact on the balance sheet or income statement resulting from adverse changes in the value of financial instruments as a result of movements in certain market variables and implied volatilities.

Potential Impacts on Business

This could result in significant financial loss from reduction in Net Interest Income and impairment of interest rate-related instruments, including fixed-rate and floating-rate debt securities and similar instruments as well as non-convertible preference shares.

Market Risk Mitigating Strategies

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

Foreign Exchange Mitigating Strategies

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

Other strategies are:

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

PRINCIPAL RISKS

INVESTMENT RISKS

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

Potential Impacts on Business

This could lead to diminution in the value of the investments.

Investment Risk Mitigating Strategies

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

PRINCIPAL RISKS

LIQUIDITY RISKS

The Group is exposed to liquidity risk in each of the operating companies as well as the Holding Company.

In the operating entities, expected cash and collateral demands arise from day-to-day needs to fund anticipated withdrawals of customer deposits, policyholder benefits, reinsurance settlements, derivative instrument settlements and collateral pledging, expenses, investment and hedging activities.

For the Holding Company, the Group depends mainly on the ability of its operating entities to upstream funds to meet its obligations and pay dividends.

Potential Impacts on Business

This could lead to insolvency and eventual reputational risk.

Liquidity Risk Mitigating Strategies

The asset mix of the balance sheet takes into consideration the need to retain adequate unencumbered and appropriate liquid assets to satisfy the requirements arising under stress scenarios and to strengthen the ratios.

Other strategies include:

- Diversify the business across different products, markets, geographical regions, funding sources and policyholders;
- Design insurance products to encourage policyholders to maintain the policies in-force to generate a diversified and stable flow of recurring premium income;
- Policyholder termination features of the wealth management products and related investment strategies are aimed at mitigating the financial exposures and liquidity risks related to unexpected policyholder terminations;
- Establish and implement investment strategies intended to match the term profile of the assets to the liabilities supported;
- Forecast and monitor daily operating liquidity and cash movements in various individual entities and operations as well as centrally with a view to ensure liquidity is retained and cash is utilised optimally;
- Control risk-taking by setting appropriate portfolios and risk limits;
- Maximise returns on treasury portfolios within the approved risk limits;
- Establish a contingency plan to address possible liquidity challenges;
- Ensure assets are liquid enough to be liquidated without significant losses; and
- Operating entities to monitor the obligations and commitments by estimating the cash flows to be derived from all assets and liabilities for the different maturity tenures as well as determine the net surplus or funding requirement. Limits will be set for tenure in relation to the estimated liquidity requirement.

PRINCIPAL RISKS

OPERATIONAL RISKS

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

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

PEOPLE RISKS

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

Potential Impacts on Business

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

People Risk Mitigating Strategies

Each operating company has a robust Operational Risk Management Framework that sets out the processes to identify, assess, manage, mitigate and report on significant people risk exposures. Execution of the operational risk management strategy focuses on change management and a cultural shift towards greater awareness and better understanding of operational risk.

The Group has Enterprise-wide Risk Management Programme for specific operational risks that can materially impact the ability to do business or impact the Group's reputation.

Other strategies include:

- Robust human capital management and development (HCMD) practices to achieve a strong workplace;
- Effective background checks and comprehensive confirmation process for new hires;
- Competitive remuneration package to attract and retain the best talents;
- Enforcement of strong supervisory control;
- Zero tolerance for staff integrity related issues and fraud;
- Strict enforcement of the requirements outlined in the staff handbook;
- A disciplinary committee that meets regularly to deal with and resolve employee issues;
- A comprehensive and reliable insurance policy; and
- Encouraging a healthy work-life balance.

Responsibility

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

PRINCIPAL RISKS

PROCESS RISKS

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

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

Potential Impacts on Business

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

Process Risk Mitigating Strategies

- A Comprehensive Control Administrative and Accounting Procedures manual to guide operational activities and processes of the Group;
- Introduction of a functional reporting structure to allow for effective supervisory control of the operations of the Group;
- Introduction of self-assessment programme to allow process owners to identify and control weaknesses with a view to taking proactive remedial action;
- A robust business continuity plan and disaster recovery programme;
- Process automation and re-engineering; and
- Increased operational risk awareness training and programmes.

PRINCIPAL RISKS

SUSTAINABILITY RISKS

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

Potential Impacts on Business

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

Sustainability Risk Mitigating Strategies

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

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

PRINCIPAL RISKS

REGULATORY COMPLIANCE RISKS

Regulatory compliance is designed to promote compliance with regulatory guidelines across the Group's footprint and to create awareness within the operating entities of the laws and regulations that affect the Group as well as the risks associated with failure to comply.

Underlying causes of regulatory compliance risk can be one or more of the following:

- Lack of understanding of laws and regulations;
- Misinterpretation of the law;
- Lack of awareness of the regulatory updates;
- Failure to communicate changes to relevant stakeholders;
- Inadequate controls to meet requirements; or
- Failure to monitor procedural effectiveness.

Potential Impacts on Business

The impact of this risk 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 to possible decline in share price and negative investor perception, occasioned by disclosure of regulatory infractions in the Annual Report or withdrawal of licence.

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;
- Establishment of processes to identify, monitor and reflect new and amended regulatory requirements in the Group's process and rule book;
- Ensure regulatory requirements are incorporated in the operational procedures manual where appropriate;
- Prompt submission of the regulatory reports; and
- Sound corporate governance practices and setting the right tone at the top with regards to regulatory issues.

PRINCIPAL RISKS

LEGAL RISKS

Legal risks stem from the contractual agreements that financial services firms undertake. These consist of the risk that a loan agreement may not be enforceable under the relevant law and that the nature of the products or services may expose the financial services company to litigation.

Legal risk could also emanate when governments suddenly amend laws in a way that negatively affects an investor's position. This could also occur through lawsuits or adverse court judgments that can disrupt or negatively affect the conditions of the business entity.

Potential Impacts on Business

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

Legal Risk Mitigating Strategies

- Consistent application of professional standards;
- Availability of a well resourced legal department manned by senior and competent resources with quality experience;
- Transparency and fairness while transacting business;
- Bespoke documentation and clarity to reduce areas of possible conflict;
- Availability of a dependable record retention system;
- Protection of intellectual property through licencing; and
- Engagement of an external counsel with proven competence in the prosecution of the Group's claims against third parties and in the conduct of the Group's defence, as well as exploring alternative dispute resolution mechanisms, among others.

COLLATERAL COVER RISKS

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

Potential Impacts on Business

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

Collateral Cover Risk Mitigating Strategies

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

PRINCIPAL RISKS

REPUTATIONAL RISKS

The risk that an organisation's reputation may be damaged by one or more reputational events such as negative publicity regarding its business practices, conduct or financial condition.

This arises when a reputational event has the potential to materially influence the public and stakeholders' perceived trust and confidence in an institution. It may also be considered as falling short of the expectations of an organisation's stakeholders.

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

The Group manages reputational risk through established policies and controls in its businesses and risk management processes and through proactive monitoring and identification of potential reputational risk events.

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

Potential Impacts on Business

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

Reputational Risk Mitigating Strategies

- Maintain timely and efficient communication among shareholders, customers, Board of Directors, employees and other stakeholders;
- Establish strong enterprise risk management policies and procedures throughout the organisation, including an effective anti-fraud programme;
- Reinforce the risk management culture by creating awareness across the organisation;
- Prompt and accurate response to the Group's regulators, oversight professionals such as internal and external auditors, and law enforcement agencies; and
- Establishment of a crisis management team in the event of a significant action that may trigger a negative impact on the organisation.

Responsibility

The Group Managing Director and the Executive Committee are ultimately responsible for the reputation of the Group while the employees and representatives are responsible for conducting their business activities in a manner that upholds good reputation.

This responsibility is executed through an enterprise-wide reputation risk policy that specifies the oversight responsibilities of the Board of Directors and the responsibilities of the Executive Management, communication to and education of all Directors, officers, employees and representatives, including the Code of Business Conduct and Ethics, and application of guiding principles in conducting all the business activities.

PRINCIPAL RISKS

INSURANCE RISKS

The risk of loss due to actual experience being different from that assumed when an insurance product was designed and priced. The unpredictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events.

Insurance risk exists in all the insurance businesses, including annuities and life, accident and sickness and creditor insurance as well as the 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 negatively 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 – 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.
- Underwriting risk – the risk of loss borne by an underwriter which 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

- The Company has documented reinsurance policies for adequate reinsurance arrangements and treaties for all categories of insurance business transacted. The policies include the process for reinsurer selection, monitoring, claims recovery, etc;
- A robust product approval process, which is a cornerstone to identify, assess and mitigate risks associated with new insurance products or changes to existing products; combined with guidelines and practices for underwriting and claims management, this process promotes the effective identification, measurement and management of insurance risk; and
- Reinsurance risks involves transactions that transfer insurance risk to independent reinsurance companies. It is also used to manage the exposure to insurance risk by diversifying risk and limiting claims.

PRINCIPAL RISKS

CYBER SECURITY RISKS

Organisations including banks are exposed to various cyber threats as a result of their size, business footprint, legacy systems, governance practices, software and compatibility issues, while the complexity of operating models and opportunities for collaboration present huge benefits for growth and security maturity.

Furthermore, the cyber threat landscape is dynamic and evolving. Organisations have had to play catch-up to close the gap presented by the rapid evolution in cyber technology.

Given the increasing challenges encountered by organisations, cyber security practitioners are compelled to adopt technology advances such as artificial intelligence, data analytics, quantum computing, the Internet of Things and various security models at a faster pace to protect their organisations.

In 2019, there were a number of high-profile cyber attacks, including data breaches, the use of ransomware, phishing campaigns, business email compromise attempts, advanced persistent threats, and state sponsored attacks which made headlines and impacted global brands. Global statistics on cyber crime and associated losses seem to paint a gloomy picture in the combat against cyber crime. However, these reports generally focus on losses rather than the gains made by organisations in combating cyber crime. Some organisations are making great strides for each reported loss and huge gains are made in learning, modifying and improving the entire enterprise security architecture.

Trust is a key component for financial institutions. Organisations must strive to build and ensure customers' trust is not eroded. Defending the integrity, confidentiality and availability of data, information and records is key to the preservation of our customers' trust. With the regulatory push on data privacy and open banking, organisations are compelled to safeguard the data entrusted to them and protect customers from the impacts of cyber crime.

Given the importance of trust in a business relationship, safeguarding the brand and reputation remains essential to the delivery of FBNHoldings' core objectives. Protecting the technology assets from cybercriminals is at the heart of the Group's strategy. The operations mostly driven by technology are vulnerable to growing cyber risks. To ensure sustainability and growth, the Group ensures continuous intervention in critical operational areas, such as threat intelligence, vulnerability management, patch management, standardisation, capacity management, network optimisation and protection. The Group continues to enhance its domain-layered security methodology to achieve holistic defence against cyber threats and attacks. This approach requires deployment of solutions to close known gaps and build predictive capabilities for the long-term sustainability of the security interventions while increasing employees' knowledge of security through awareness programmes.

The banking subsidiary adopted and implemented the CBN's Risk-Based Cyber security Framework and Guidelines for Deposit Money Banks (DMBs) and Payment Service Providers (PSPs). The framework sets the minimum baseline on cyber security for DMBs and PSPs to foster a more secure financial environment and encourage standard security practices across the financial industry in Nigeria.

Over the next 12 months, the Group will continue to execute programmes that will further strengthen the internal capacity, improve the cyber threat intelligence gathering and intervention capability, upgrade cyber threat management solutions, upskill staff to reduce the risk levels, continue to monitor the cyber threat landscape and apply effective as well as reliable responses.

PRINCIPAL RISKS

Potential Impacts on Business

Basic methods of information compromise could result in severe damages.

Cybercriminals and terrorist groups could inflict financial losses and widespread economic damage on organisations and nation states.

Ransomware, one of the most prevalent ways to exploit the value that organisations place on digital information, could threaten the lives of customers and employees, interrupting operations as well as causing heavy financial losses.

Cyber Security Risk Mitigating Strategies

- In 2019, the Group continued the revamp and evaluation of its cyber security capabilities and enhanced computing practices. Through the Contain-Treat-Sustain strategic security initiative, the Group continued the implementation of the global acclaimed security initiatives and practices to predict, identify, prevent, respond and recover from cyber attacks across the operating entities;
- Adopt reliable solutions and revamp existing solutions;
- Equip the 24/7 Security Operations Centre with full visibility of the Group's IT infrastructure layout and transactional activities across the enterprise;
- Attract key skillsets across the globe, together with staff training and retention to ensure employees possess the requisite skills to drive the strategy;
- Improve the Group's capacity to receive advanced cyber threat intelligence and to take immediate action;
- Ensure initiatives at the banking subsidiary such as PR1MUS continue to deliver innovative products to the customers in Nigeria and the operating entities across Middle Africa.

Through the Operational Risk and Governance and Compliance Management, the Group has a centralised repository of key regulations, policies, processes, risks and controls with issue logs and corrective action plans with monitoring, escalation and reporting capabilities.

PRINCIPAL RISKS

INFORMATION SECURITY RISKS

Information security risks include all actions that could negatively impact information assets, including unauthorised access, use, disclosure, modification, perusal, inspection, recording or destruction of information assets that could result in possible disruption or degradation of the Company's operations.

In line with the Governance, Risk Management and Compliance practices, the Group continues to focus on improving its overall information security maturity across operating entities to reduce cyber attacks on its infrastructure and customers.

The Group has put in place structures to establish, implement, operate, monitor, review, maintain and improve its documented information security management systems within the context of the Group's overall business risks. Following security investments over the years, the Group continues to witness huge improvements in its risk indicators.

This includes a 98.9% reduction in successful phishing email delivery to customers, expedited takedown of cloned websites and applications, and 98% uptime on the Company's web-facing infrastructure. In 2019, the Group did not record any significant cyber-related breaches.

In line with the Group's strategy, stakeholders have been kept informed of recent security trends across the world with consistent security awareness communication on global security trends and best practices, to ensure the safety of the customers and the general public.

The Group has complied with the National Information Technology Development Agency regulation on data privacy, in the handling of customers' data and records. Furthermore, the Group will continue to reinvent and innovate to respond to changes in the global cyber security landscape, with future-ready initiatives to ensure the safety of the institution and its stakeholders.

Potential Impacts on Business

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

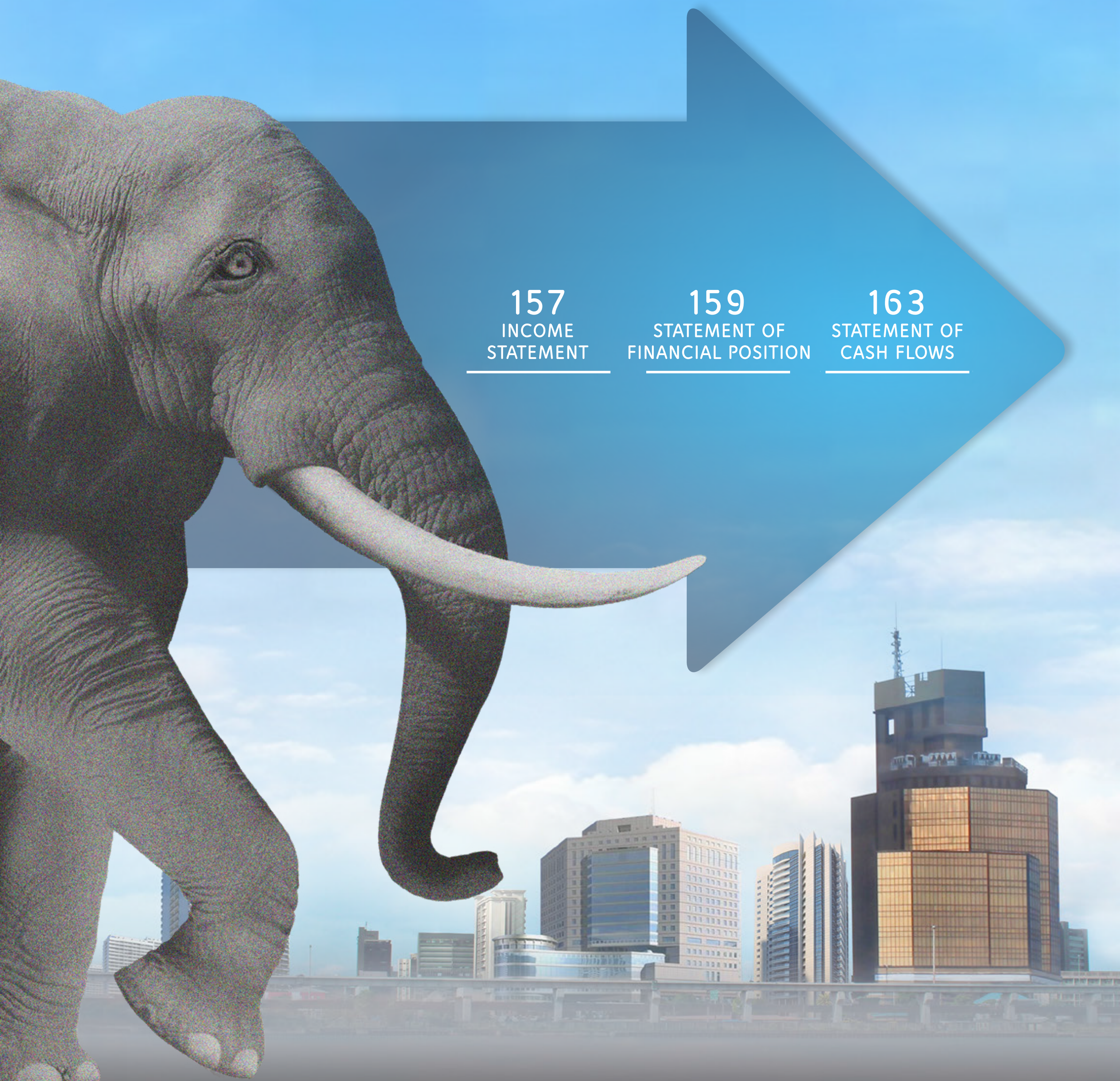
Information Security Risk Mitigating Strategies

- Continue 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;
- Document and standardise the processes within the Group while building appropriate controls;
- Classify all information assets with appropriate priorities, assigning ownership and making sure all assets are handled in line with the documented handling procedures;
- Ensure a Group-wide security risk assessment is carried out by an independent security assessment company to determine the security risk position of the Group and recommend appropriate safeguards;
- Develop a Group-wide awareness programme and make information security the responsibility of all staff; and
- Align the Group's processes to international standards and best practices such as the ISO 27001 and PCI DSS.

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

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards.



DIRECTORS AND ADVISORS

DIRECTORS

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

COMPANY SECRETARY	Oluseye Kosoko
REGISTERED OFFICE	Samuel Asabia House 35, Marina Lagos
AUDITOR	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Victoria Island, Lagos
REGISTRAR	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKERS	First Bank of Nigeria Limited 35, Marina Lagos FBNQuest Merchant Bank Limited 10, Keffi Street, Ikoyi Lagos

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Oluseye Kosoko
Company Secretary
FRC/2013/NBA/00000002006

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 (6) of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended 31 December 2019 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 auditor's 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 11 March 2020

Kolawole Durojaiye, FCA
Chairman, Audit Committee
FRC/2019/ICAN/00000019789

Members of the Committee
Mr. Kolawole Durojaiye, FCA
Mr. Nnamdi Okwuadigbo, FCA
Mr. Abdulmumini Yola*
Mr. Oye Hassan-Odukale, MFR
Mr. Chidi Anya
Ms. Cecilia Akintomide, OON

* Deceased

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 2019, 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 2019;
- the consolidated and separate statements of comprehensive income for the year ended;
- the consolidated and separate statements of financial position as at 31 December 2019;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Impairment allowance on loans and advances to customers (refer to Notes 5, 9 and 23)
 	
The gross balance of loans and advances to customers as at 31 December 2019 was ₦1,931 billion for the Group. The associated impairment reserve on loans and advances to customers was ₦78.9 billion.
 	
The measurement of impairment losses is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The significant judgments include:
 	
• determination of the Group's definition of default;
• determination of the criteria for assessing significant increase in credit risk (SICR);
• methodology used to determine the 12 month and lifetime probability of default (PD) used in the Expected Credit Loss (ECL) model;
• methodology used to determine the Loss Given Default (LGD) used in the Expected Credit Loss (ECL) model;
• determination of the credit conversion factor for undrawn loan commitments and the key inputs used in determining the lifetime exposure at default (EAD);
• methodology for the determination of the weighting of the multiple economic scenarios used in the ECL model.
 	
This is considered a key audit matter in the consolidated financial statements only.
	We adopted a substantive approach in assessing the adequacy of the allowance for impairment made by management.
	
	We applied target testing in selecting a sample of customers for detailed checking of customer information and account history and assessing
	whether events or changes have occurred that may affect the performance and the stage allocation of the loans.
	
	We obtained the ECL models and tested the appropriateness of the historical data used. We used our credit modelling experts to perform the following procedures on the ECL models.
	
	• We checked that the Group's definition of default is consistent with the requirements of the standard.
	• We assessed the reasonableness of the criteria defined by the Group as indicative of a significant increase in credit risk. We reviewed staging rules to establish that quantitative, qualitative and backstop indicators are considered in classifying loans and advances to customers into different stages as required under IFRS 9 – Financial instruments. We re-performed SICR analysis to check for accuracy.
	• For a sample of loans, we examined the appropriateness of the probability of default (PD) by checking that the extrapolation of marginal PD is accurate and by performing independent calculations. With the assistance of our credit modelling experts, we:
	    • Examined the appropriateness of PD co-efficient for product types by checking the reasonableness of the adjustment factors for Corporate loans and P-value for Retail loans.
	    • Checked that individual maturities of selected facilities were considered in the determination of the PD term structure used in the ECL computation.
	    • Re-performed PD calculation for a sample of loans to test for accuracy.

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers (refer to Notes 5, 9 and 23)	• For a sample of loans, we tested the collateral values used in the computation of the Loss Given Default, by comparing those values to the results of valuation performed by management's valuation experts. We assessed the competence and independence of the management's experts. • We evaluated the reasonableness of the Loss Given Default (LGD) assumptions used in the LGD modelling process. We also checked the accuracy of procedures performed in determining the final LGD used in ECL computation. • We reviewed the appropriateness of the credit conversion factor used in determining the exposure at default for the Group's off-balance sheet exposures. We checked the reasonableness and accuracy of the methodology used in forecasting EAD term structure for a select sample of loans. We re-performed EAD to check for accuracy. • We checked the appropriateness of the weighting of the multiple economic scenarios used in averaging the ECL estimates by recomputing the weightings calculations. We also reviewed the reasonableness of the methodology used in determining the weightings. • Reviewed the IFRS 9 disclosures for reasonableness.
Valuation of liability on insurance contracts – (refer to Notes 2.22c, 5f and 39) The balance of Liability on insurance contracts is ₦63.7 billion. We focused on this balance because the valuation involves the exercise of significant judgements and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates and future growth rates. 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; • We checked the data used in the valuation of the insurance contract liabilities for consistency with internal records; • With the assistance of the auditor's expert, we reviewed the operating assumptions relating to mortality, morbidity, lapse and surrender and economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates and future growth rates, based on the requirements of IFRS 4; and • We checked the figures disclosed in the financial statements to the amounts stated in the actuarial valuation report; • We reviewed the financial statement disclosures for reasonableness.

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

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Other information

The Directors are responsible for the other information. The other information comprises Directors and advisors, Corporate governance report, Directors Report, Responsibility for annual financial statements, Statement of compliance with NSE listing rule on Securities Trading Policy, Report of the Audit Committee, Statement of Value Added and Five-Year Financial Summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the FBN Holdings Plc 2019 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the FBN Holdings Plc 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance 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.

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

v) as disclosed in Note 49 to the consolidated and separate financial statements, the Group paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2019.

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

6 April 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	31 December 2019 ₦'million	Restated 31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Continuing operations					
Interest income	7	**442,556**	435,563	**2,173**	2,163
Interest expense	8	**(152,342)**	(150,242)	**(14)**	-
Net interest income		**290,214**	285,321	**2,159**	2,163
Impairment charge for losses	9	**(51,133)**	(87,465)	**-**	-
Net interest income after impairment charge for losses		**239,081**	197,856	**2,159**	2,163
Insurance premium revenue	10	**17,100**	18,035	**-**	-
Insurance premium revenue ceded to reinsurers		**(4,793)**	(2,494)	**-**	-
Net insurance premium revenue		**12,307**	15,541	**-**	-
Fee and commission income	11	**104,330**	92,724	**-**	-
Fee and commission expense	11b	**(20,483)**	(17,330)	**-**	-
Foreign exchange income	12	**9,540**	32,918	**6**	52
Net gains/(losses) on sale of investment securities	13	**17,167**	5,733	**8**	(21)
Net gains/(losses) from financial instruments at fair value through profit or loss	14	**28,937**	(3,135)	**(371)**	575
Dividend income	15	**4,370**	2,312	**16,580**	10,840
Other operating income	16	**2,921**	3,233	**-**	40
Insurance claims		**(10,106)**	(4,717)	**-**	-
Personnel expenses	17	**(99,380)**	(93,395)	**(1,201)**	(904)
Depreciation of property and equipment	32	**(16,828)**	(12,282)	**(319)**	(397)
Amortisation of intangible assets	33	**(6,197)**	(5,336)	**-**	-
Other operating expenses	18	**(182,151)**	(150,292)	**(2,988)**	(2,908)
Operating profit		**83,508**	63,830	**13,874**	9,440
Share of profit of associates		**87**	23	**-**	-
Profit before tax		**83,595**	63,853	**13,874**	9,440
Income tax expense	19a	**(9,783)**	(5,544)	**(12)**	(98)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**73,812**	58,309	**13,862**	9,342
Discontinued operations					
Loss for the year from discontinued operations	31	**(147)**	(77)	**-**	-
PROFIT FOR THE YEAR		**73,665**	58,232	**13,862**	9,342
Profit attributable to:					
Owners of the parent		**69,918**	57,692	**13,862**	9,342
Non-controlling interests		**3,747**	540	**-**	-
		73,665	58,232	**13,862**	9,342
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/(loss) per share (in Naira):	52				
From continuing operations		**1.95**	1.61	**0.39**	0.26
From discontinued operations		**(0.00)**	(0.00)	**-**	-
From profit for the year		**1.95**	1.61	**0.39**	0.26

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 31 December 2019 ₦'million	GROUP Restated 31 December 2018 ₦'million	COMPANY 31 December 2019 ₦'million	COMPANY 31 December 2018 ₦'million
PROFIT FOR THE YEAR		**73,665**	58,232	**13,862**	9,342
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Changes in fair value of debt instruments at fair value through other comprehensive income:					
-Net changes in fair value of debt instruments		**22,032**	(13,753)	**127**	(144)
Share of other comprehensive loss of associates		**-**	(5)	**-**	-
Exchange difference on translation of foreign operations		**(990)**	612	**-**	-
Items that will not be reclassified to profit or loss					
Net fair value gains on equity instruments		**48,643**	12,694	**-**	-
Remeasurement of defined benefit pension scheme	41	**(429)**	597	**-**	-
Income tax relating to components of other comprehensive income	34	**-**	(1,934)	**-**	-
Total other comprehensive income/(loss) for the year		**69,256**	(1,789)	**127**	(144)
COMPREHENSIVE INCOME FOR THE YEAR		**142,921**	56,443	**13,989**	9,198
Comprehensive income attributable to:					
Owners of the parent		**138,294**	56,080	**13,989**	9,198
Non-controlling interests		**4,627**	363	**-**	-
		142,921	56,443	**13,989**	9,198
Total comprehensive income/(loss) attributable to owners of the parent arises from:					
Continuing operations		**138,375**	56,122	**13,989**	9,198
Discontinued operations		**(81)**	(42)	**-**	-
		138,294	56,080	**13,989**	9,198

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	31 December 2019 ₦'million	Restated 31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
ASSETS					
Cash and balances with Central Banks	20	**1,025,325**	653,335	**-**	-
Loans and advances to banks	22	**754,910**	863,435	**5,706**	16,639
Loans and advances to customers	23	**1,852,411**	1,670,476	**94**	110
Financial assets at fair value through profit or loss	24	**282,660**	109,162	**3,057**	3,427
Investment securities	25	**1,414,530**	1,663,821	**11,393**	7,079
Asset pledged as collateral	26	**464,922**	309,051	**-**	-
Other assets	27	**212,092**	126,292	**15,922**	292
Investment properties	28	**100**	515	**-**	-
Investment in associates accounted for using the equity method	29	**711**	625	**-**	-
Investment in subsidiaries	30	**-**	-	**239,514**	242,395
Property and equipment	32	**112,939**	91,515	**490**	382
Intangible assets	33	**18,961**	16,134	**-**	-
Deferred tax assets	34	**25,009**	25,558	**-**	-
		6,164,570	5,529,919	**276,176**	270,324
Assets held-for-sale	31	**38,956**	38,990	**-**	-
Total assets		**6,203,526**	5,568,909	**276,176**	270,324
LIABILITIES					
Deposits from banks	35	**860,486**	749,315	**-**	-
Deposits from customers	36	**4,019,836**	3,486,691	**-**	-
Derivative liabilities	24a	**6,046**	15,791	**-**	-
Current income tax liabilities	19b	**13,778**	15,656	**12**	102
Other liabilities	37	**297,140**	375,642	**9,321**	8,034
Liability on investment contracts	38	**24,676**	19,766	**-**	-
Liability on insurance contracts	39	**63,748**	34,192	**-**	-
Borrowings	40	**250,596**	338,214	**-**	-
Retirement benefit obligations	41	**3,352**	1,940	**-**	-
Deferred tax liabilities	34	**250**	266	**-**	-
		5,539,908	5,037,473	**9,333**	8,136
Liabilities held-for-sale	31	**2,493**	2,493	**-**	-
Total liabilities		**5,542,401**	5,039,966	**9,333**	8,136

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	31 December 2019 ₦'million	Restated 31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'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	**73,197**	3,066	**15,379**	10,850
Statutory reserve	43	**101,378**	93,325	**-**	-
Capital reserve	43	**1,223**	1,223	**10**	10
Small and Medium Enterprises (SME) investment reserve	43	**6,076**	6,076	**-**	-
Fair value reserve	43	**147,070**	77,276	**114**	(12)
Contingency reserve	43	**3,013**	2,022	**-**	-
Statutory credit reserve	43	**14,576**	33,599	**-**	-
Foreign currency translation reserve	43	**47,736**	48,727	**-**	-
		645,609	516,654	**266,843**	262,188
Non-controlling interests		**15,516**	12,289	**-**	-
Total equity		**661,125**	528,943	**266,843**	262,188
Total equity and liabilities		**6,203,526**	5,568,909	**276,176**	270,324

The financial statements were approved and authorised for issue by the Board of Directors on 11 March 2020 and signed on its behalf by:

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the parent											
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Statutory reserve ₦'million	SME investment reserve ₦'million	Fair value reserve ₦'million	Contingency reserve ₦'million	Statutory credit reserve ₦'million	Foreign currency translation reserve ₦'million	Total ₦'million	Non-controlling interests ₦'million	Total equity ₦'million
Balance at 1 January 2018	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214	(5,494)	673,720
Initial application of IFRS 9	-	-	(169,700)	-	-	-	204	-	(42,838)	-	(212,334)	-	(212,334)
Impact of IFRS 9 on deferred tax			2,743								2,743		2,743
Restated opening balance	17,948	233,392	(654)	1,223	84,103	6,076	78,185	1,257	(22)	48,115	469,623	(5,494)	464,129
Profit for the year	-	-	57,692	-	-	-	-	-	-	-	57,692	540	58,232
Other comprehensive income:													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	612	612	-	612
Fair value movements on financial assets	-	-	-	-	-	-	(884)	-	-	-	(884)	(176)	(1,060)
Income tax relating to components of other comprehensive income	-	-	(1,934)	-	-	-	-	-	-	-	(1,934)	-	(1,934)
Remeasurement of defined benefit pension scheme, net of tax	-	-	597	-	-	-	-	-	-	-	597	-	597
Share of OCI of associates, net of tax	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	56,355	-	-	-	(889)	-	-	612	56,078	364	56,443
Transactions with owners													
Dividends	-	-	(8,974)	-	-	-	-	-	-	-	(8,974)	(1,027)	(10,001)
Investment by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	18,371	18,371
Transfer between reserves	-	-	(43,662)	-	9,222	-	(20)	764	33,621	-	(75)	75	-
Total transactions with owners	-	-	(52,636)	-	9,222	-	(20)	764	33,621	-	(9,049)	17,419	8,370
At 31 December 2018	17,948	233,392	3,066	1,223	93,325	6,076	77,276	2,022	33,599	48,727	516,654	12,289	528,943
Balance at 1 January 2019	**17,948**	**233,392**	**3,066**	**1,223**	**93,325**	**6,076**	**77,276**	**2,022**	**33,599**	**48,727**	**516,654**	**12,289**	**528,943**
Profit for the year	-	-	**69,918**	-	-	-	-	-	-	-	**69,918**	**3,747**	**73,665**
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	**(990)**	**(990)**	-	**(990)**
Fair value movements on financial assets	-	-	-	-	-	-	**69,794**	-	-	-	**69,794**	**881**	**70,675**
Remeasurement of defined benefit pension scheme	-	-	**(429)**	-	-	-	-	-	-	-	**(429)**	-	**(429)**
Total comprehensive income	-	-	**69,489**		-	-	**69,794**	-	-	**(990)**	**138,293**	**4,627**	**142,920**
Transactions with owners													
Dividends	-	-	**(9,333)**		-	-	-	-	-	-	**(9,333)**	**(1,401)**	**(10,734)**
Transfer between reserves	-	-	**9,978**	-	**8,053**	-	-	**991**	**(19,023)**	-	-	-	-
Total transactions with owners	-	-	**646**	-	**8,053**	-	-	**991**	**(19,023)**	-	**(9,333)**	**(1,401)**	**(10,734)**
At 31 December 2019	**17,948**	**233,392**	**73,197**	**1,223**	**101,378**	**6,076**	**147,070**	**3,013**	**14,576**	**47,736**	**645,609**	**15,516**	**661,125**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Fair value reserve ₦'million	Total ₦'million
Balance at 1 January 2018	17,948	233,392	10,104	10	510	261,964
Initial application of IFRS 9	-	-	378	-	(378)	-
Restated opening balance	17,948	233,392	10,482	10	132	261,964
Profit for the year	-	-	9,342	-	-	9,342
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	(144)	(144)
Total comprehensive income	-	-	9,342	-	(144)	9,198
Transactions with owners						
Dividends	-	-	(8,974)	-	-	(8,974)
Total transactions with owners	-	-	(8,974)	-	-	(8,974)
At 31 December 2018	17,948	233,392	10,850	10	(12)	262,188
Balance at 1 January 2019	**17,948**	**233,392**	**10,850**	**10**	**(12)**	**262,188**
Profit for the year	**-**	**-**	**13,862**	**-**	**-**	**13,862**
Other comprehensive income						
Fair value movements on financial assets	**-**	**-**	**-**	**-**	**127**	**127**
Total comprehensive income	**-**	**-**	**13,862**	**-**	**127**	**13,989**
Transactions with owners						
Dividends	**-**	**-**	**(9,333)**	**-**	**-**	**(9,333)**
Total transactions with owners	**-**	**-**	**(9,333)**	**-**	**-**	**(9,333)**
At 31 December 2019	**17,948**	**233,392**	**15,379**	**10**	**114**	**266,843**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Operating activities					
Cash flow (used in)/generated from operations	44	**(661,715)**	233,563	**(3,330)**	(3,590)
Income taxes paid	19	**(10,443)**	(6,026)	**(35)**	(63)
Interest received		**519,376**	437,392	**1,806**	2,410
Interest paid		**(146,145)**	(126,472)	**-**	-
Net cash flow (used in)/generated from operating activities		**(298,927)**	538,458	**(1,559)**	(1,243)
Investing activities					
Disposal of subsidiaries, net of cash disposed		**-**	500	**-**	-
Purchase of investment securities		**(1,897,585)**	(1,295,228)	**(21,885)**	(10,691)
Proceeds from the sale of investment securities		**2,191,817**	1,114,808	**18,058**	10,181
Dividends received		**4,370**	2,312	**4,001**	19,825
Purchase of property and equipment	32	**(20,006)**	(15,615)	**(221)**	(105)
Purchase of intangible assets		**(8,300)**	(5,542)	**-**	-
Proceeds on disposal of property and equipment		**445**	388	**-**	9
Net cash flow generated from/(used in) investing activities		**270,741**	(198,377)	**(47)**	19,219
Financing activities					
Dividend paid		**(10,734)**	(10,001)	**(9,333)**	(8,974)
Proceeds from new borrowings	40	**129,653**	41,709	**-**	-
Repayment of borrowings	40	**(220,514)**	(148,749)	**-**	-
Interest paid on borrowings	40	**(14,917)**	(31,926)	**-**	-
Additional capital from NCI		**-**	18,373	**-**	-
Principal element of lease payments		**(3,096)**	-	**-**	-
Net cash flow (used in)/generated from financing activities		**(119,608)**	(130,594)	**(9,333)**	(8,974)
(Decrease)/Increase in cash and cash equivalents		**(147,794)**	209,487	**(10,939)**	9,002
Cash and cash equivalents at start of year		**1,419,889**	1,166,447	**16,639**	7,585
Effect of exchange rate fluctuations on cash held		**32,903**	43,955	**6**	52
Cash and cash equivalents at end of year	21	**1,304,998**	1,419,889	**5,706**	16,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 were approved and authorised for issue by the Board of Directors on 11 March 2020.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

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

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

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

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

2.1.1 Basis of measurement

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

- Derivative financial instruments which are measured at fair value.

- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.

- Financial assets, carried at fair value through other comprehensive income, are measured at fair value through equity.

- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligations less the fair value of the plan assets.

- The plan assets for defined benefit obligations are measured at fair value.

- Loans and receivables are measured at amortised cost.

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 amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 - Leases
- Annual Improvements to IFRS standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 - Uncertainty over Income Tax Treatments

(i) IFRS 16 - Leases

The Group had to change its accounting policies as a result of adopting IFRS 16. This is disclosed in note 2.14 and 32(b).

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

in preparing these consolidated financial statements.

(i) Definition of material - Amendment to IAS 1 and IAS 8 (effective 1 January 2020)

The IASB has made amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(ii) Revised Conceptual Framework for Financial Reporting (effective 1 January 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;

- reinstating prudence as a component of neutrality;

- defining a reporting entity, which may be a legal entity, or a portion of an entity;

- revising the definitions of an asset and a liability;

- removing the probability threshold for recognition and adding guidance on derecognition;

- adding guidance on different measurement basis; and

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2.3 Consolidation

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

a. Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

c. Disposal of subsidiaries

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

d. Associates

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

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

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

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

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

e. Investment entities

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

2.4 Segment reporting

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

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

2.5 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgement in developing 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 assets denominated in foreign currency classified as fair value through other comprehensive income (FVOCI) are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. 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 FVOCI, are included in other comprehensive income.

c. Group entities

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.

c. Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

2.8 Inventories

Inventories include stock of consumables and repossessed assets held for resale. Stock of consumables comprise of materials to be consumed in the process of rendering of services as well as accessories held for subsequent issuance to customers. They are measured at lower of cost and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net reliasble value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recgnised as an expense in the period in which the relevant revenue is recognised.

Repossessed assets held for resale include assets held as collaterals recovered from defaulting loan customers. These assets includes Land, Buildings, Tank farm, Rigs and Vessels; they are valued at the lower of cost and net realisable value. Cost is the carrying amount of the related loan at the date of exchange. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.9 Financial assets and liabilities

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

Initial recognition

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

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

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:
(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

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

2.9.1 Financial assets

Classification and measurement

The Group classifies its debt financial assets in the following measurement categories:

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

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

Business Model Assessment

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

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

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

- Investment strategy for holding or selling the assets;

- Past experience on how cash flows for these assets were collected;

- How the asset's performance is evaluated and reported to key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

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

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

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

Cash flow characteristics assessment

The assessment aims to identify whether the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments. Thus the principal is not the legal amount due under the contractual terms of an instrument. This definition allows assets acquired at a discount or premium pass the SPPI test. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

a. Financial assets measured at amortised cost

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

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

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

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

b. Financial assets measured at FVOCI

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

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- interest revenue using the effective interest method;

- expected credit losses and reversals; and

- foreign exchange gains and losses.

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

c. Financial assets measured at FVTPL

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

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

d. Equity instruments

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

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

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

e. Impairment of financial assets

The Group recognises expected credit losses ("ECL") on forward-looking basis for its financial assets measured at amortised cost, lease receivables, debt instrument at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss.

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No impairment is recognised on equity investments. This is because the fair value changes would incorporate impairment gains or losses if any.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f. Modification and renegotiation of financial assets

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

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

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

g. Derecognition other than on a modification

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

- the Group transfers substantially all the risks and rewards of ownership, or

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

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

(i) has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) is prohibited from selling or pledging the assets; and

(iii) has an obligation to remit any cash it collects from the assets without material delay.

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

h. Reclassifications

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

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

i. Derivative financial instruments

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

j. Embedded derivatives

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

2.9.2 Financial liabilities

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

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

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

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

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

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

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

b. Financial liabilities at amortised cost

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

c. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

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

2.9.3 Determination of fair value

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

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

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

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

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

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group. This transfer is done on the date in which the market information becomes available.

2.9.4 Offsetting financial instruments

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

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

2.10 Revenue recognition

a. Interest income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial assetinstead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

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(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

b. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. For other fees and commission income, it is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

Credit related fees: This includes advisory and commitment fees. These are fees charged for administration and advisory services to the customer up to the customer's acceptance of the offer letter. The advisory and commitment fees are earned at the point in time where the customer accepts the offer letter which is when the Group recognises its income. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate.

Letter of credit and commission fees:
This represents commission earned on Letter of credit contracts initiated at the request of customers. The nature of this income is such that the performance obligation is the execution of customer's instruction: a direct payment is made on behalf of our customers to the beneficiary (as stated by our customer) when goods/ services are received; or, a payment is made to the stated beneficiary only when our customer cannot fulfill its obligation. Income earned on letter of credit contracts is satisfied at a point in time. This is because revenue is recognised only when payments have been received by the intended beneficiary.

Electronic banking fees: Electronic banking fees relate to fees and commission charged by the banking subsidiaries on electronic transactions carried out by its customers e.g. USSD income, Agency banking commission. The nature of this income is such that the performance obligation of the Group is the provision of the platform for the execution of the transactions. Income is earned when these transactions have been successfully executed on these platforms. Income from electronic banking is satisfied at a 'point in time.

Money transfer commission: This represents commission earned on local and foreign money transfers initiated by the Group's customers. The nature of this income is such that the performance obligation of the Group is the delivery of transferred monies to the intended beneficiaries. Income on money transfers is satisfied at a "point in time". This is because commission is recognised only when the transferred sums have been delivered to their intended recipients.

Commission on bonds and guarantees:
This represents commission earned on bond and guarantees contracts. It includes commissions earned on advanced payment guarantees, performance bonds, bid bonds etc. This fee is earned over the tenor of the bond and guarantee.

Funds transfer and intermediation fees:
This is principally made of commission on collections. The Group acts as a collecting agent for corporate bodies or government organisations; thus, earns commissions on these collection services. The Group's performance obligation is the collection of funds on behalf of the customer. Income from funds transfer and intermediation is satisfied at a point in time as the commissioned earned is deducted and recognised when remitting these funds to the respective customer.

Account maintenance fees: This represents the fee charged by banking subsidiaries within the Group on current accounts maintained by customers. This fee is charged with respect to customer induced debit transactions to third parties as well as debit transfers/lodgements to customer's account in another bank. This was introduced by the CBN to replace COT which was abolished in 2016. The performance obligation required from the Group is the maintenance/safe keeping of the customers' fund. Income earned from account maintenance is satisfied at a 'point in time.

Brokerage and intermediation fees: This represents fees charged by the Group in order to execute transactions or provide specialized services as requested by customers. Such transactions/services include execution of primary and secondary market transaction on behalf of customers. Income from brokerage and intermediation services are satisfied at a point in time as they are earned and recognised when such services have been executed on behalf of customers.

Custodian fees: This represents commission earned by the Group while rendering custodian services to its customers. This custodian services are to a large extent the safe keeping of financial assets. Income earned on custodian services are earned at a point in time.

c. Dividend income

Dividend income is recognised when the right to receive income is established. This income is earned at a point in time.

d. Other operating income

This largely comprises of income made from private banking services, gain on sale of plant and equipment and gain on sale of properties . These income are earned at a point in time.

2.11 Impairment of non-financial assets

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

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

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

2.12 Discontinued operations

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

- 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.

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arises.

2.13 Collateral

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

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

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

2.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group primarily leases buildings for use as office spaces for branch operations, quick service points (QSPs) and residential use, land for use as car parks and off-site ATM locations, printers for office equipment.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated and the lease terms range from 1 year to 25 years. The lease agreements do not impose any covenants - however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components and treat them accordingly.

Until the 2018 financial year, leases of property (land, buildings) were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Right of use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

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- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than ₦1 million when new e.g. small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has applied the low value lease exemption for leases of printers as they are less than ₦1 million when new.

Extension and termination options

Extension and termination options are included in all of the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the Group and the lessors and some of the termination options held are exercisable only by the Group.

Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 (Leases) on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 January 2019. The new accounting policies are disclosed in Note 2.2.1

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 (Determining whether an Arrangement contains a Lease).

Impact on the financial statements

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.57%.

	As at 31 December 2018	Impact of IFRS 16		As at 1 Jan 2019
		Reclassification	Remeasurement	
	₦'million	₦'million	₦'million	₦'million
Assets				
Right-of-use assets	-	4,608	13,894	**18,502**
Prepayment	4,608	(4,608)	-	**-**
	4,608	-	13,894	**18,502**
Liabilities				
Non-current				
Lease liabilities	-	-	7,481	**7,481**
Current				
Lease liabilities	-	-	6,414	**6,414**
	-	-	13,894	**13,894**

Reconciliation of lease liabilities as at 1 January 2019	₦'million
Operating lease commitments disclosed as at 31 December 2018	-
Add: adjustments as a result of a different treatment of extension and termination options	13,894
Lease liabilities recognised as at 1 January 2019	13,894
Current lease liabilities	6,414
Non-current lease liabilities	7,481
	13,894

Right of use assets as at 1 January 2019

	31 Dec 2019 ₦'million	1 Jan 2019 ₦'million
Buildings - Residential and office	15,839	18,250
Land - Car park spaces	201	252
Total right-of-use assets	16,040	18,502

Impact on segment disclosures and earnings per share

	Amount under IAS 17 ₦'million	Impact of IFRS 16 ₦'million	Amount under IFRS 16 ₦'million
Segment assets:	4,608	13,894	18,502
Segment liabilities:	-	13,894	13,894

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 over the lease term.

(ii) Finance lease

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

2.15 Investment properties

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

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

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

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

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

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

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

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

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

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

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

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

2.16 Property and equipment

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

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate
Improvement and buildings	2%
Motor vehicles	25%
Office equipment	20%
Computer equipment	$33^1/_2$%
Furniture and fittings	20%
Machinery	20%

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

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

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

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

Work in Progress represents costs incured on the assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

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

2.17 Intangible assets

a. Goodwill

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

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

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

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

b. Computer software

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

i. It is technically feasible to complete the software product so that it will be available for use;

ii. Management intends to complete the software product and use or sell it;

iii. There is an ability to use or sell the software product;

iv. It can be demonstrated how the software product will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

vi. The expenditure attributable to the software product during its development can be reliably measured.

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

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

c. Brand, customer deposits and customer relationships

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

2.18 Investment contracts

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

2.19 Cash and cash equivalents

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

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

2.20 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans

a. Defined contribution plan

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

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

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

b. Defined benefit plan

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

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

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

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

(ii) Short-term benefits

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

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

2.21 Provisions

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

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

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

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

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

2.22 Insurance contracts

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

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.

(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 Group performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.23 Fiduciary activities

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

2.24 Issued debt and equity securities

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

2.25 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. Earnings per share

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

d. Treasury shares

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

e. Statutory credit reserve

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

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

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

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in income statement.

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

2.26 Financial guarantees

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

3. Financial risk management

3.1 Introduction and overview

Effective risk management is fundamental to the business activities of the Group. At FBN Holdings, we promote a culture where risk management is everyone's business from Board level down to risk owners and units across the Group. Our approach to risk is supported by a robust Enterprise Risk Management framework (ERM) and a strong risk culture to identify, measure, monitor and control risks thereby promoting accountability at all levels across the Group. Objectives of the ERM framework are communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organisation. The risks arising from financial instruments to which the Group is exposed are financial risks, which includes Credit risk, Liquidity risk and Market risk. Other material risks impacting activities of the Group include: Operational, Legal, Compliance, Strategic, Reputational, Information security, Environmental and Social risks.

3.1.1 Risk Management Philosophy

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

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

3.1.2 Risk appetite

Risk appetite is the level and type of risk the Group is willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes. In addition, risk appetite reflects potential impact on earnings, capital and funding/ liquidity.

The Group's risk appetite is the amount of risk its willing to accept to align with and support our financial and strategic objectives, relative to our risk capacity to assume losses.

Risk Appetite Statement (RAS)

Our RAS is the expression of the maximum level of risk we would take across the major risks facing our business and accept in the pursuit of our strategic objectives. The Group would accept moderate risk in every activity it undertakes to achieve these strategic objectives by declaring its willingness to accept moderate risks related to each key value driver.

Risk tolerance

This refers to the quantitative thresholds that allocate the Group's risk appetite to specific risk types, business units, products, customer segments, and other levels. Certain risk tolerances are policy limits that shall not be exceeded except under extraordinary circumstances (hard

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limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits). Whereas risk appetite is a strategic determination based on long-term objectives, risk tolerance is a tactical readiness to bear a specific risk within established parameters. Enterprise-wide strategic risk appetite is thus translated into specific tactical risk tolerances that constrain risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.
Once established, these parameters are communicated downward throughout the Group to give clear guidelines to every stakeholder and to provide feedback when they are exceeded.

3.1.3 Risk management framework

The risk management framework of the Group consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.
With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for purpose.

The Group's framework for management of enterprise risk specifically covers:

- Governance and oversight of the overall risk management framework.
- Risk appetite statement and risk appetite measurements.
- Policies, procedures, controls and systems through which risk is identified and managed.
- Oversight, control, assurance and delegation of authorities for each type of risk.
- Monitoring and reporting of the risk profile against risk appetite.
- Control and correction of the risk profile should it deviate from risk appetite.
- Reassessment of risk appetite and/or the Group's strategy in the light of changes in the business.

The Board of Directors has overall responsibility for the establishment of the Group's Risk Management framework and exercises its oversight function through its various committees e.g the Board Audit and Risk Assessment Committee. These committees are responsible for developing and monitoring risk policies in their specific areas and report regularly to the Board of Directors. The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day-to-day activities of the Group. These committees include the Group Executive Committee.

3.1.4 Risk governance structure, roles and responsibilities

The Group addresses the challenge of risks by applying leading practices that are supported by a robust governance structure consisting of Board level and Executive Management committees.

The Group adopts the 'three-pronged line of defense' model to underpin its approach to strong risk management principles. Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. Risk governance is maintained through delegation of authority from the Board, down to Management hierarchy, supported by committee structure both at the Board level and at Management level. The delegation of risk management responsibilities across the Group is structured to ensure that decisions are enacted at the most appropriate level, in line with business objectives, subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite with the executive and risk committees closely monitoring risk profiles against this appetite.

Risk governance framework

First line of defence	Second line of defence	Third line of defence
Daily risk management, monitoring and high level oversight	Risk oversight and challenges, policies and methodologies.	Independent assurance of risk management
Business units and risk-takers	• Risk Committee • Chief Risk Officers, Heads of Risk Management across the Group • Risk Management function	• Audit Committee • Internal Audit • External Audit • Regulators • External Assessors

a. First line of defence - Risk Management and Ownership

The primary responsibilities and objectives of the first line of defence include:
- Managing risks/implementing actions to manage and treat risks at transaction level;
- Implementing risk management processes on an ongoing basis as changes occur with business mix, systems, or regulatory and other requirements; and
- Executing risk assessments and identifying emerging risks at the transaction/ business case level.

b. Second line of defence - Risk Oversight

The main objective of the second line of defence is to provide oversight of the execution of the frontline controls. The second line of defence is responsible for monitoring the internal controls that have been designed with the following main responsibilities:

- Establishing risk management policies and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions);
- Identifying enterprise trends, synergies and opportunities for change;
- Initiating change, integrating and making new monitoring processes operational; and
- Oversight over key risks.

c. Third line of defence - Risk Assurance

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Group's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defense include:

- Performing periodic reviews based on a rationalised and systematised approach that allows for risk assessment and governance reporting;
- Providing oversight on the risk management process;
- Reporting to the Executive Management Committee, the Audit Committee and the Board of Directors on the state of the control environment and gaps in the controls or monitoring environment;

Board Audit and Risk Assessment Committee evaluates the processes for identifying, assessing, monitoring and managing key risk areas; it also evaluates the adequacy of the Group's risk management systems and control environment.

Management Committee is responsible for formulating policies; monitoring implementation of risk policies; reviewing risk reports for presentation to the Board/ Board committees; and implementing Board decisions across the Group.

3.2 Credit risk

Credit risk is the single largest risk for the Group's business, therefore, prominence is placed on effective management of credit risk.

Credit risk is defined as the potential that a borrower or counter party will fail to meet obligations in accordance with agreed terms. It is also defined as the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties.

Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities. It can also arise from credit enhancement provided such as financial guarantees, letters of credit, endorsements and acceptances.
The Risk Management function of each subsidiary has specific and overall responsibility for facilitating risk asset creation and exposure management processes across the Group.

3.2.1 Management of credit risk

The Credit Risk Policy Manual is the primary reference document for creating and managing credit risk exposures. The manual outlines the general policies and procedures, framework for credit risk management across the subsidiaries and incorporates provisions for marketing, risk analysis, approval, administration, monitoring and reporting of risk exposures.

The Credit Risk Management Policy Manual is designed to:

- Standardise credit policies, give employees clear and consistent direction for the creation of risk exposures across all asset creating business units;

- Provide a comprehensive guide and framework in creating and managing risk assets;

- Ensure prompt identification of problem credits and prudent management of decline in credit quality;

- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio; and

- Provide a framework for the on-going maintenance of the risk management policies and processes.

Credit risk management policies and procedures are articulated by the Risk Management function of each subsidiary.

3.2.2 Risk limit control and mitigation policies

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

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

(a) Portfolio limits

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

The Group's Portfolio limit includes:

- Maintain aggregate large exposure of not more than 400% of shareholders' funds.
- Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'Ba2'.
- Maintain minimum weighted average facility risk rating (facility-WARR) of 'Ba2'.

The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
- The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'Baa3' or better.

- No more than 15% of the Group's portfolio would be in any industry rated 'Ba3' or worse.

- No more than 10% of the Group's portfolio in any single industry rated 'B3' or worse.

(b) Geographical limits

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

(c) Single obligor limits

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

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

The Group also sets internal credit approval limits for various levels in the credit process.

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.

3.2.3 Collateral held as security to mitigate credit risk

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The principal collateral types for loans and advances are:

- Cash/Treasury bill/Government securities
- Legal Mortgage over residential properties, business real estates in prime locations
- Charge over business fixed and floating assets as well as inventory
- Guarantee from acceptable corporates
- Equitable Mortgage on real estates in prime locations
- Negative Pledge
- Domiciliation of receivables from acceptable corporates.

Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the Company's undertaking on one or more of its assets and keyman insurance.

No loan allowance is recognised for the portion of the Group's financial assets which are fully collateralised by cash in the same currency in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is ₦48.3billion as at 31 December 2019 (2018: ₦8.08billion).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group takes physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable

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to settle indebtedness. Any surplus funds realised from such disposal are returned to the borrower or are otherwise dealt with in accordance with appropriate regulations. The assets in such cases are not carried on the Group's balance sheet.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group	Gross exposure ₦'million	Impairment allowance ₦'million	Carrying amount ₦'million	Fair value of collateral held ₦'million
December 2019				
Credit-Impaired assets				
Retail portfolio				
- Overdrafts	3,967	3,588	380	14,724
- Credit cards	212	43	170	30
- Term loans	6,521	1,794	4,727	5,006
- Mortgages	675	241	434	1,061
Corporate portfolio				
- Overdrafts	38,462	16,480	21,982	19,792
- Term loans	117,107	35,734	81,373	80,938
- Project finance	29,919	5,517	24,402	17,334
- Advances under finance lease	-	-	-	-
Total credit impaired assets	**196,863**	**63,396**	**133,467**	**138,885**
December 2018				
Credit-Impaired assets				
Retail portfolio				
- Overdrafts	10,690	7,837	2,860	26,336
- Credit cards	272	82	191	-
- Term loans	42,555	23,833	18,716	6,515
- Mortgages	1,840	902	937	80
Corporate portfolio				
- Overdrafts	120,932	74,966	45,967	20,245
- Term loans	342,392	264,081	78,311	50,551
- Project finance	15,766	2,659	13,106	26,974
- Advances under finance lease	559	320	239	-
Total credit impaired assets	535,007	374,680	160,328	130,702

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3.2.4 Exposure Management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for 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 work-out

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

3.2.6 Credit recovery

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

3.2.7 Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was ₦268.4bn (2018: ₦97.97bn). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.2.8 Governance structure around the ECL model

The governance around ECL model centers on oversight functions of primary stakeholders. Oversight function is provided over the following:

i. Obligor ratings
ii. Loss Given Default
iii. Governance also covers derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilised in deriving these estimates are sourced from credible sources. However, a team of IT experts still carry out periodic checks for system vulnerability, performance and deficiency.

Overall, review of completeness and accuracy is jointly carried out by credit risk team, internal control on regular basis and by internal audit periodically.

3.2.9 Grouping of instruments for losses measured on collective basis

To estimate credit losses for retail portfolio, the Group adopts a model which groups loans with similar or homogeneous characteristics together and this mainly based on the product types. Products are segmented in to four broad categories namely Credit Cards, Mortgages, Term loans and Overdrafts.

Models for Probability of default and loss given default are built in line with the segmentation and the output provide PD and LGD for each of the product category while EAD is applied at individual level.

PD for each product category is calculated as the ratio of the loans which have defaulted to the total count of the loans in the product group while LGD is estimated based on account balances, recoveries and collateral cover.
The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.2.10 Credit risk measurement

In measuring credit risk of financial assets(loans and advances to customers and to banks, Investment securities and loan commitments) at a counterparty level, the Group reflects the following components:
- The character and capacity to pay of the client or counterparty to meet its contractual obligations;
- Current exposures to the counterparty and its likely future development;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out.

Obligor risk rating

The Group has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default.

The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.

The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers regarding default events.

Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Scale rating			Grade
Highest quality, with minimal credit risk	Aaa	Aaa	1	Investment Grade
High quality, subject to very low credit risk	Aa1	Aa	2	
	Aa2		3	
	Aa3		4	
Considered upper-medium and may possess certain speculative characteristics	A1	A	5	
	A2		6	
	A3		7	
Considered medium-grade and may possess certain speculative characteristics	Baa1	Baa	8	
	Baa2		9	
	Baa3		10	
Considered to have speculative elements and are subject to substantial credit risk	Ba1	Ba	11	Non Investment Grade
	Ba2		12	
	Ba3		13	
Considered speculative and are subject to high credit risk	B1	B	14	
	B2		15	
	B3		16	
Considered to be of poor standing and are subject to very high credit risk	Caa1	Caa	17	
	Caa2		18	
	Caa3		19	
In or near default, with possibility of recovery	Ca	Ca	20	
In default with little chance of recovery	C	C	21	

3.2.11 Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on intial recognition is classified in 'Stage 1' and has the credit risk continously monitored by the Group.

- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to Note 3.2.11(a) for a description of how the Group determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to Note 3.2.11(b) for a description of credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within th next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to Note 3.2.11(c) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

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- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.2.11(d) includes an explanation of how the Group has incorporated this in its ECL models.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on inital recognition. Their ECL is always measured on a lifetime basis (Stage 3) The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

However, the simplified approach has been adopted for trade receivables and other assets.

a Assessment of significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Corporate portfolio, Investment Securities and Placements with financial institutions

Quantitative criteria:

This is based on the backstop policy disclosed in the next section. Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold as specified per table below:

Criteria	Number of notches/rating scale considered significant
Rating Notches Downgrade	>= 4
Poor Credit Rating Threshold	>=17
Default	>=20

Migrations to rating scale 17 and above is considered stage 2 while rating scale 20 and above is considered stage 3. Please refer to Note 3.2.10 on 21 rating scale adopted by the Group.

Qualitative criteria:

If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

i Significant increase in credit spread.

ii Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.

iii Actual or expected forberance or restructuring.

iv Actual or expected significant adverse change in operating results of the borrower.

v Significant change in collateral value (secured facilities only) which is expected to increase risk of dafault.

vi Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

Retail portfolio

Quantitative criteria:

This is based on the backstop policy disclosed in the next section.

Qualitative criteria:

If the borrower meets one or more of the following criteria:

i. In short-term forbearance.

ii. Significant modification to contractual terms.

iii. Previous arrears within the last 3 months.

iv. Negative credit bureau reports.

The assessment of SICR incorporates forward-looking information (refer to Note 3.2.11(d) for further information) and is performed on a periodic basis at a counterparty level for all financial instruments held by the Group.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, however specialised facilities are considered to have experienced significant increase in credit risk if the borrower is more than 90 days past due on its contractual repayment. Specialised facilities include lending for Project/ Object finance and Commercial Real Estate.

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	Stage	Days in delinquency
Backstop criteria for non-specialised facilities	Stage 1	< 30days
	Stage 2	>= 30 and <90 days
	Stage 3	>= 90 days
Backstop criteria for specialised facilities	Stage 1	< 90days
	Stage 2	>= 90 and <180days
	Stage 3	>= 180days

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2019.

b Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the sole exception of specialised lending for project, object and commercial real estate where a borrower is required to be more than 180 days past due to be considered in default).

Qualitative criteria

The following qualitative criteria indicates that a borrower is in significant financial difficulty:

- Long-term forbearance
- Deceased borrower
- Insolvency or Bankruptcy
- Breach of financial covenant(s)
- Disappearance of an active market for a financial asset due to financial difficulties
- Concessions made by the lender in relation to the borrower's financial difficulty

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

The 180 days past due default definition used for specialised facilities has been aligned with the definition used for regulatory capital purposes. Therefore the Group considers 180 days past due to be a more appropriate default definition and has rebutted the 90 days past due presumption under IFRS 9 for the specialised facilities. This rebuttal will be monitored and reviewed by the Credit Risk department on an annual basis to ensure it remains appropriate

Cure criteria

- An exposure will move from Stage 2 to 1 where probationary period of 90 days is met subject to all payments being up-to-date with the customer demonstrating ability to maintain future repayments.

- An Exposure will move from Stage 3 to 2 where probationary period of 180 days is met and there is consistency in repayment of obligations as and when due.

c Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD

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varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12M PD associated with a given rating is calibrated to a 12M Point in Time PD (PiT PD) using regression analysis while the lifetime PD is developed by applying a cross section regression model which extends the 12-month PiT PD over a long-time horizon. The cross-sectional analysis incorporates time-variant factors, time-invariant factors and idiosyncratic factors.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by facility type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales which has embedded cost of recovery, recovery period and haircuts.
- For unsecured products, the group leverages on a statistical model which estimates recovery rate based on analysis of default data. The model takes in to consideration the credit worthiness and borrowers industry in arriving at the recovery rate.
- LGD's are typically set at product level for retail portfolio and counterparty level for the corporate portfolio, investment securities and placements with financial institutions.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by portfolio/ product type. Refer to Note 3.2.11(d) for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation such as rating migration for determination of PDs and change in collateral values etc. are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key macro-economic variables impacting credit risk and expected credit losses for its portfolio.

These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgement has also been applied in this process.

Forecasts of these macroeconomic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody's Analytics economic's team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Weights are assigned to the possible outcome of each scenario based on statistical regression analysis and expert judgement taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 3.2.10). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Generally, in economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, hence the actual outcomes may be significantly different to those projected. Therefore, the Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

e Simplified approach

In determining the ECL for other assets, the Group applies the simplified approach to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns, to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for forward looking estimates e.g. inflation, exchange rates etc.

3.2.12 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below.

Corporate Portfolio, Investment Securities and Placements with Financial Institutions

		2020	2021	2022	2023	2024
Gross Domestic Product (NGN'billions)	Base	74,248	76,716	79,194	81,490	84,010
	Upturn	75,608	80,028	83,338	86,146	88,991
	Downturn	70,294	71,067	73,737	76,647	79,730
Stock Index Price (NGN per share)	Base	28,277	31,094	32,891	34,548	36,596
	Upturn	32,248	34,916	36,478	37,884	39,794
	Downturn	21,769	24,886	27,793	30,719	33,248
Oil price (USD per barrel)	Base	64	66	66	67	69
	Upturn	80	81	81	80	81
	Downturn	39	45	49	54	58

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below.

		2019	2020	2021	2022	2023
Gross Domestic Product (NGN'billions)	Base	73,928	77,023	80,096	83,076	86,073
	Upturn	74,759	80,026	84,150	87,743	91,149
	Downturn	70,782	71,436	74,380	77,942	81,548
Stock Index Price (NGN per share)	Base	160	175	183	189	197
	Upturn	183	199	205	210	216
	Downside 3	128	139	154	168	179
Oil price (USD per barrel)	Base	73	68	67	68	69
	Upturn	92	88	86	85	85
	Downturn	51	47	51	56	58

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In current year, the Group adopted the Gaussian distribution method of probability distribution to determine the weights of each of its selected scenarios. Expert judgement was applied for other entities. The weightings assigned to each economic scenario are as follows:

December 2019	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

December 2018	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	40%	30%	30%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

3.2.13 Sensitivity analysis on ECL model

The most significant assumptions affecting the ECL allowance are as follows:

Corporate portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations.

(ii) Oil price, given its significant impact on Nigerian economy and industry players.

(iii) Stock Price Index, given its relevance for evaluating market performance of firms.

The sensitivity analysis has been determined by changing one variable or holding it constant on the x -axis, while changing another variable or holding it constant on the y-axis. Set out below are the changes to the ECL that would result if the economic variable assumptions used to measure ECL remain as expected, as well as if each of the key asumptions used change by plus or minus 10%.

Corporate portfolios

December 2019		Oil Price		
		₦'m	₦'m	₦'m
		(-10%)	No change	+10%
GDP	+10%	52,428	52,428	52,638
	No Change	52,706	52,706	52,706
	(-10%)	52,706	52,706	52,706

December 2018		Oil Price		
		₦'m	₦'m	₦'m
		(-10%)	No change	+10%
GDP	+10%	252,721	252,721	252,721
	No Change	252,721	252,176	252,721
	(-10%)	252,721	252,721	252,721

3.2.14 Measurement basis of financial assets and liabilities

GROUP	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Cash and balances with Central Banks	-	-	1,025,325	1,025,325
Loans and advances to banks	-	-	754,910	754,910
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	198,082	198,082
- Term loans	-	-	903,920	903,920
- Project finance	-	-	607,438	607,438
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	11,872	11,872
- Term loans	-	-	94,758	94,758
- Credit cards	-	-	1,730	1,730
- Mortgage	-	-	34,611	34,611
Financial assets at fair value through profit or loss	282,660	-	-	282,660
Investment securities:				
- Investments at FVOCI	-	554,666	-	554,666
- Investments at amortised cost	-	-	859,864	859,864
Asset pledged as collateral	-	444,393	20,529	464,923
Other assets	-	-	121,593	121,593
Total financial assets	282,660	999,059	4,634,631	5,916,349

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	860,486	860,486
Deposits from customers	-	4,019,836	4,019,836
Financial liabilities at fair value through profit or loss	6,046	-	6,046
Other liabilities	-	266,328	266,328
Liability on investment contracts	-	24,676	24,676
Borrowings	-	250,596	250,596
Total financial liabilities	6,046	5,421,922	5,427,968

3.2.14 Measurement basis of financial assets and liabilities continued

GROUP	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Cash and balances with Central Banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	853,946	853,946
- Project finance	-	-	471,078	471,078
- Advances under finance lease	-	-	417	417
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Financial assets at fair value through profit or loss	109,162	-	-	109,162
Investment securities:				
- Investments at FVOCI	-	874,119	-	874,119
- Investments at amortised cost	-	-	789,702	789,702
Asset pledged as collateral	-	215,753	93,298	309,051
Other assets	-	-	50,200	50,200
Total financial assets	109,162	1,089,871	4,120,447	5,319,480

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	749,315	749,315
Deposits from customers	-	3,486,691	3,486,691
Financial liabilities at fair value through profit or loss	15,791	-	15,791
Other liabilities	-	346,627	346,627
Liability on investment contracts	-	19,766	19,766
Borrowings	-	338,214	338,214
Total financial liabilities	15,791	4,940,613	4,956,404

3.2.14 Measurement basis of financial assets and liabilities continued

COMPANY

	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	5,706	5,706
Loans and advances to customers - Retail portfolio				
- Term loans	-	-	94	94
Financial assets at fair value through profit or loss	3,057	-	-	3,057
Investment securities:				
- Investment securities at FVOCI	-	11,393	-	11,393
Other assets	-		15,729	15,729
Total financial assets	3,057	11,393	21,529	35,979

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	9,321	9,321
Total financial liabilities	-	9,321	9,321

COMPANY

	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to customers - Retail portfolio				
- Term loans	-	-	110	110
Financial assets at fair value through profit or loss	3,427	-	-	3,427
Investment securities:				
- Investment securities at FVOCI	-	7,079	-	7,079
Other assets	-	-	87	87
Total financial assets	3,427	7,079	16,836	27,342

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	8,034	8,034
Total financial liabilities	-	8,034	8,034

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

(a) Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

GROUP					
	Balances with Central Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	899,396	-	-	-	899,396
Non-investment grade	-	-	-	-	-
Gross carrying amount	899,396	-	-	-	899,396
Loss allowance	-	-	-	-	-
Carrying amount	899,396	-	-	-	899,396

	Loans and advances to Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	160,751	-	-	-	160,751
Non-investment grade	594,888	-	-	-	594,888
Gross carrying amount	755,639	-	-	-	755,639
Loss allowance	(729)	-	-	-	(729)
Carrying amount	754,910	-	-	-	754,910

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	28,063	2,037	-	-	30,100
Non-investment grade	109,964	2,639	9	-	112,612
Default	-	-	11,367	-	11,367
Gross carrying amount	138,027	4,676	11,376	-	154,079
Loss allowance	(5,393)	(51)	(5,665)	-	(11,109)
Carrying amount	132,634	4,625	5,710	-	142,970

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

GROUP					
	Loans and Advances to Customers - Corporate Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	461,135	19,660	-	-	480,795
Non-investment grade	454,508	656,313	205	-	1,111,026
Default	-	-	185,421	-	185,421
Gross carrying amount	915,643	675,972	185,626	-	1,777,242
Loss allowance	(3,933)	(6,138)	(57,731)	-	(67,802)
Carrying amount	911,710	669,834	127,896	-	1,709,440

	Debt Investment Securities - at FVOCI				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	383,397	-	-	-	383,397
Non-investment grade	12,228	-	-	-	12,228
Carrying amount	395,625	-	-	-	395,625

	Investment Securities - at Amortised Cost				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	819,526	-	-	-	819,526
Non-investment grade	40,948	-	-	-	40,948
Default	-	-	-	-	-
Gross carrying amount	860,474	-	-	-	860,474
Loss allowance	(610)	-	-	-	(610)
Carrying amount	859,864	-	-	-	859,864

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

GROUP	Assets Pledged as Collateral				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	464,922	-	-	-	464,922
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	464,922	-	-	-	464,922
Loss allowance	-	-	-	-	-
Carrying amount	464,922	-	-	-	464,922

	31 Dec 2019 ₦'millions
Other assets	141,533
ECL	(19,940)
Carrying amount	121,593

The expected loss rate per age bracket in table below is for First Bank of Nigeria Limited (FBN) as at 31 December 2019. FBN contributes 90% of the total Other assets of the Group, therefore the table is a representative for the Group.

	0-30 days	31-60 days	61-180 days	181 -365 days	> 365 days
Expected loss rate	0.6%	1.1%	3.4%	6.8%	-

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

GROUP

	Balances with Central Banks				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	542,098	-	-	-	542,098
Non-investment grade	531	-	-	-	531
Gross carrying amount	542,629	-	-	-	542,629
Loss allowance	-	-	-	-	-
Carrying amount	542,629	-	-	-	542,629

	Loans and advances to Banks				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	463,241	-	-	-	463,241
Non-investment grade	366,181	34,998	-	-	401,180
Gross carrying amount	829,422	34,998	-	-	864,420
Loss allowance	(985)	-	-	-	(985)
Carrying amount	828,437	34,998	-	-	863,435

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	345	-	-	-	345
Non-investment grade	143,352	3,433	19	-	146,804
Default	-	-	55,339	-	55,339
Gross carrying amount	143,697	3,433	55,358	-	202,488
Loss allowance	(1,451)	(33)	(32,654)	-	(34,138)
Carrying amount	142,246	3,401	22,704	-	168,350

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

GROUP

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	407,977	30,329	-	-	438,307
Non-investment grade	450,199	498,642	20,262	-	969,103
Default	-	-	446,608	-	446,608
Gross carrying amount	858,176	528,972	466,870	-	1,854,017
Loss allowance	(4,157)	(5,151)	(342,581)	-	351,889
Carrying amount	854,019	523,820	124,289	-	1,502,128

	Debt Investment Securities - at FVOCI 31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	719,347	-	-	-	719,347
Non-investment grade	46,423	-	-	-	46,423
Carrying amount	765,770	-	-	-	765,770

	Investment Securities - at Amortised Cost 31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	738,120	-	-	-	738,120
Non-investment grade	52,410	-	-	-	52,410
Default	7	-	-	-	7
Gross carrying amount	790,537	-	-	-	790,537
Loss allowance	(835)	-	-	-	(835)
Carrying amount	789,702	-	-	-	789,702

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

GROUP					
	Assets Pledged as Collateral				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	309,051	-	-	-	309,051
Non-investment grade	-	-	-	-	-
Gross carrying amount	309,051	-	-	-	309,051
Loss allowance	-	-	-	-	-
Carrying amount	309,051	-	-	-	309,051

	31 Dec 2018 Total ₦'millions
Other assets	50,200

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

COMPANY

	Loans and advances to Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	5,706	-	-	-	5,706
Non-investment grade	-	-	-	-	-
Gross carrying amount	5,706	-	-	-	5,706
Loss allowance	-	-	-	-	-
Carrying amount	5,706	-	-	-	5,706

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	-	-	-	-	-
Non-investment grade	94	-	-	-	94
Gross carrying amount	94	-	-	-	94
Loss allowance	-	-	-	-	-
Carrying amount	94	-	-	-	94

	Debt Investment Securities - at FVOCI				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	11,393	-	-	-	11,393
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	11,393	-	-	-	11,393
Loss allowance	-	-	-	-	-
Carrying amount	11,393	-	-	-	11,393

	31 Dec 2019 ₦'millions
Other assets	15,729
ECL	-
Carrying amount	15,729

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements continued

COMPANY

	Loans and advances to Banks				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	16,639	-	-	-	16,639
Non-investment grade	-	-	-	-	-
Gross carrying amount	16,639	-	-	-	16,639
Loss allowance	-	-	-	-	-
Carrying amount	16,639	-	-	-	16,639

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	-	-	-	-	-
Non-investment grade	110	-	-	-	110
Gross carrying amount	110	-	-	-	110
Loss allowance	-	-	-	-	-
Carrying amount	110	-	-	-	110

	Debt Investment Securities - at FVOCI				
	31 Dec 2018				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	7,079	-	-	-	7,079
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	7,079	-	-	-	7,079
Loss allowance	-	-	-	-	-
Carrying amount	7,079	-	-	-	7,079

	31 Dec 2018 Total ₦'millions
Other assets	87

(b) Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment

	GROUP		COMPANY	
	Maximum exposure to credit risk		Maximum exposure to credit risk	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Financial assets at FVPTL				
- Debt securities	**208,907**	55,042	**-**	-
- Derivatives	**38,372**	17,786	**-**	-

3.2.16 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2019 and 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with Central Banks	866,904	-	-	32,492	-	-	899,396
Loans and advances to banks	464,349	-	-	48,610	40,456	201,495	754,910
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,619	2,595	610	4,048	-	-	11,872
- Term loans	23,299	34,081	22,603	14,752	23	-	94,758
- Credit cards	766	594	369	-	-	-	1,730
- Mortgage	3,668	612	221	15	30,029	65	34,611
Corporate portfolio:							
- Overdrafts	103,919	24,114	3,400	27,587	38,543	519	198,082
- Term loans	627,831	109,100	19,843	76,878	60,722	9,545	903,920
- Project finance	560,775	19,214	27,448	-	-	-	607,438
- Advances under finance lease	-	-	-	-	-	-	-
Financial assets at FVTPL	236,492	-	-	1,329	9,458	-	247,279
Investment securities							
- FVOCI Investments	391,962	1,512	1,416	736	-	-	395,626
- Amortised cost investments	135,918	149	-	65,130	31,464	627,204	859,864
Asset pledged as collateral	444,393	-	-	20,529	-	-	464,922
Other assets	100,156	8,097	988	12,117	235	-	121,593
31 December 2019	3,965,051	200,069	76,897	304,223	210,930	838,829	5,596,000
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	52,147	23,728	927	4,329	-	-	81,131
Letters of credit and other credit related obligations	748,706	57,278	35,247	18,630	1,243	-	861,103
31 December 2019	800,852	81,006	36,174	22,959	1,243	-	942,234

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FOR THE YEAR ENDED 31 DECEMBER 2019

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

GROUP

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with Central Banks	526,268	-	-	16,158	203	-	542,629
Loans and advances to banks	393,238	-	-	63,687	281,443	125,068	863,435
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,254	2,335	556	6,630	-	-	13,775
- Term loans	19,549	42,501	18,256	18,069	36	-	98,410
- Credit cards	770	774	372	-	-	-	1,916
- Mortgage	33,948	1,578	593	2,885	9,216	6,030	54,249
Corporate portfolio:							
- Overdrafts	111,902	20,976	6,576	16,202	21,016	13	176,685
- Term loans	637,295	124,312	15,089	52,578	24,117	554	853,946
- Project finance	425,725	7,159	38,194	-	-	-	471,078
- Advances under finance lease	69	348	-	-	-	-	417
Financial assets at FVTPL	60,996	-	-	11,778	54	-	72,828
Investment securities							
- FVOCI Investments	761,943	2,176	1,651	-	-	-	765,770
- Amortised cost investments	39,299	654	-	173,136	70,965	505,648	789,702
Asset pledged as collateral	294,908	-	-	14,143	-	-	309,051
Other assets	20,029	8,995	1,291	5,265	14,579	41	50,200
31 December 2018	3,330,192	211,808	82,579	380,531	421,628	637,354	5,064,093
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	21,341	19,044	1,289	1,228	-	-	42,902
Letters of credit and other credit related obligations	705,983	52,613	40,271	14,461	26,677	2,184	842,189
31 December 2018	727,323	71,657	41,560	15,690	26,677	2,184	885,091

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

COMPANY	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	5,706	-	-	-	-	-	5,706
Loans and advances to customers							
- Term loans	94	-	-	-	-	-	94
Financial assets at FVTPL	-	-	-	-	-	-	-
Investment securities							
- FVOCI Investments	11,393	-	-	-	-	-	11,393
Other assets	15,729	-	-	-	-	-	15,729
31 December 2019	**32,922**	**-**	**-**	**-**	**-**	**-**	**32,922**

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	16,639	-	-	-	-	-	16,639
Loans and advances to customers							
- Term loans	110	-	-	-	-	-	110
Investment securities							
- FVOCI Investments	7,079	-	-	-	-	-	7,079
Other assets	87	-	-	-	-	-	87
31 December 2018	23,915	-	-	-	-	-	23,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.2.16 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors

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

GROUP	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	627	5,999	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	135	2,945	2,143	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	1	-	-	-
Finance and insurance	899,396	754,910	88,579	39,213	729,916	20,529	36,266
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	1,516	-	-	-
General commerce	-	-	-	-	-	-	20,300
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	157,938	345,952	127,805	444,393	65,027
Total at 31 December 2019	899,396	754,910	247,279	395,626	859,864	464,922	121,593

	Loans and advances to customers - Retail Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Agriculture	106	246	-	-	352
Oil and gas	195	569	-	-	764
Consumer credit	3,500	83,757	1,723	18	88,998
Manufacturing	197	418	-	-	615
Real estate	14	578	-	34,597	35,190
Construction	78	-	-	-	78
Finance and insurance	61	91	-	-	152
Transportation	3	154	-	-	157
Communication	7	100	-	-	107
General commerce	1,767	3,161	-	-	4,928
Utilities	3	-	-	-	3
Retail services	5,810	5,625	7	-	11,442
Public sector	128	59	-	-	186
Total at 31 December 2019	11,872	94,758	1,730	34,611	142,972

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors continued

	Loans and advances to customers - Corporate Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	9,915	40,806	4,000	-	54,720
Oil and gas	32,270	176,549	384,496	-	593,315
Consumer credit	1,201	2,453	-	-	3,654
Manufacturing	43,200	183,555	63,026	-	289,781
Real estate	370	28,831	25,128	-	54,329
Construction	19,461	54,822	22,017	-	96,299
Finance and insurance	4,085	7,796	-	-	11,881
Transportation	473	13,055	4,573	-	18,102
Communication	1,127	109,526	139	-	110,792
General commerce	71,062	87,529	1,443	-	160,034
Utilities	3,206	43,803	81,558	-	128,567
Retail services	11,714	17,495	6,684	-	35,893
Public sector	-	137,699	14,376	-	152,075
Total at 31 December 2019	198,082	903,920	607,438	-	1,709,441

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3.2.16 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors continued

GROUP	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
Oil and gas	-	-	2,957	9,092	13,447	-	-
Manufacturing	-	-	121	3,064	-	-	2,017
Finance and insurance	542,629	863,435	61,818	50,429	206,675	14,143	41,779
General commerce	-	-	-	-	-	-	5,500
Utilities	-	-	-	-	-	-	63
Public sector	-	-	7,933	703,185	569,580	294,908	841
Total at 31 December 2018	542,629	863,435	72,829	765,770	789,702	309,051	50,200

	Loans and advances to customers - Retail Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Agriculture	93	299	-	-	392
Oil and gas	250	782	-	205	1,237
Consumer credit	3,351	83,623	1,914	364	89,252
Manufacturing	783	584	-	267	1,634
Real estate	24	41	-	25,767	25,832
Construction	371	87	-	-	458
Finance and insurance	250	1,623	-	184	2,057
Transportation	35	206	-	175	416
Communication	92	105	-	452	648
General commerce	3,559	6,770	-	651	10,980
Utilities	343	82	-	-	425
Retail services	4,532	2,710	2	26,185	33,428
Public sector	93	1,499	-	-	1,592
Total at 31 December 2018	13,776	98,410	1,916	54,249	168,350

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors continued

	Loans and advances to customers - Corporate Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Agriculture	8,117	37,361	-	-	45,478
Oil and gas	58,815	202,664	313,870	361	575,710
Consumer credit	-	305	-	-	305
Manufacturing	36,309	226,567	-	-	262,876
Real estate	13,168	13,319	35,612	-	62,099
Construction	18,293	54,966	17,930	5	91,194
Finance and insurance	1,202	15,745	-	-	16,947
Transportation	524	7,795	4,273	-	12,592
Communication	13,108	22,955	-	-	36,063
General commerce	20,108	45,020	-	-	65,128
Utilities	3,404	13,492	99,392	-	116,288
Retail services	3,637	32,615	-	51	36,303
Public sector	-	181,143	-	-	181,143
Total at 31 December 2018	176,685	853,946	471,078	417	1,502,126

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors continued

COMPANY	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Other assets ₦'million	Loans to customers Retail portfolio ₦'million
Finance and insurance	5,706	-	-	-	15,729	-
Retail services	-	-	-	-	-	94
Public sector	-	-	11,393	-	-	-
Total at 31 December 2019	5,706	-	11,393	-	15,729	94
Finance and insurance	16,639	-	-	-	87	-
Retail services	-	-	-	-	-	110
Public sector	-	-	7,079	-	-	-
Total at 31 December 2018	16,639	-	7,079	-	87	110

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

GROUP	Loan commitments 31 Dec 2019 ₦'million	Letter of credit and other related obligations 31 Dec 2019 ₦'million	Loan commitments 31 Dec 2018 ₦'million	Letter of credit and other related obligations 31 Dec 2018 ₦'million
Agriculture	835	32,109	758	17,318
Oil and gas	40,267	95,291	29,520	75,301
Consumer credit	550	9,342	2,768	-
Manufacturing	15,651	245,844	3,396	175,158
Real estate	7	167	17	-
Construction	45	54,036	186	58,193
Finance and insurance	505	351,331	250	359,394
Transportation	32	255	-	1,500
Communication	2,217	3,098	1,672	3,862
General commerce	15,836	42,102	2,646	92,014
Utilities	69	16,301	-	17,750
Retail services	4,204	10,231	1,689	26,081
Public sector	912	994	-	15,619
Total	81,131	861,103	42,902	842,189

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3.2.17 Loans and advances to customers

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

GROUP	Loans and advances to customers - Retail				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
December 2019					
Retail					
Stage 1 loans	10,448	93,897	1,553	32,130	138,028
Stage 2 loans	1,486	1,083	14	2,094	4,676
Stage 3 loans	3,967	6,521	212	675	11,376
Gross	15,901	101,501	1,779	34,899	154,080
Less: allowance for impairment (Note 23)	(4,029)	(6,743)	(49)	(288)	(11,109)
Net	11,872	94,758	1,730	34,611	142,971
Lifetime ECL (Note 23)	3,615	1,816	43	244	5,718
12-months' ECL (Note 23)	414	4,927	6	44	5,391
Total	4,029	6,743	49	288	11,109

	Loans and advances to customers - Corporate				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
December 2019					
Corporate					
Stage 1 loans	154,344	573,417	187,879	-	915,640
Stage 2 loans	22,504	255,429	398,179	-	676,113
Stage 3 loans	38,462	117,107	29,919	-	185,488
Gross	215,310	945,954	615,977	-	1,777,241
Less: allowance for impairment (Note 23)	(17,228)	(42,034)	(8,540)	-	(67,802)
Net	198,082	903,920	607,437	-	1,709,439
Lifetime ECL (Note 23)	16,603	39,673	7,593	-	63,869
12-months' ECL (Note 23)	625	2,361	947	-	3,933
Total	17,228	42,034	8,540	-	67,802

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3.2.17 Loans and advances to customers continued

GROUP

	Loans and advances to customers - Retail				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
December 2018					
Retail					
Stage 1 loans	9,479	79,510	1,723	53,267	143,979
Stage 2 loans	1,685	1,341	7	118	3,151
Stage 3 loans	10,690	42,555	272	1,840	55,357
Gross	21,855	123,406	2,003	55,224	202,488
Less: allowance for impairment (Note 23)	(8,080)	(24,996)	(87)	(975)	(34,138)
Net	13,775	98,410	1,916	54,249	168,350
Lifetime ECL (Note 23)	7,842	23,859	82	905	32,688
12-months' ECL (Note 23)	238	1,137	5	70	1,450
Total	8,080	24,996	87	975	34,138

	Loans and advances to customers - Corporate				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
December 2018					
Corporate					
Stage 1 loans	113,386	591,491	153,130	178	858,185
Stage 2 loans	17,651	203,682	307,629	-	528,962
Stage 3 loans	120,932	329,613	15,766	559	488,870
Gross	251,969	1,124,786	476,524	737	1,854,017
Less: allowance for impairment (Note 23)	(75,284)	(270,839)	(5,447)	(320)	(351,890)
Net	176,685	853,947	471,078	417	1,502,127
Lifetime ECL (Note 23)	75,048	267,416	4,949	320	347,733
12-months' ECL (Note 23)	236	3,423	498	-	4,157
Total	75,284	270,839	5,447	320	351,890

3.2.17 Loans and advances to customers continued

COMPANY	Term loans ₦'million	Total ₦'million
Retail		
December 2019		
Stage 1 loans	94	94
Gross	94	94
Less: allowance for impairment	-	-
Net	94	94
Retail		
December 2018		
Stage 1 loans	110	110
Gross	110	110
Less: allowance for impairment	-	-
Net	110	110

GROUP

December 2019

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.10 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Grades:					
A	53	52	-	-	105
Baa	30	426	-	27,877	28,332
Ba	5,243	59,573	1,462	4,075	70,353
B	5,124	33,846	91	178	39,239
	10,448	93,897	1,553	32,130	138,028

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3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Past due up to 30 days	35	116	-	29	180
Past due by 30 - 60 days	1,435	708	12	503	2,657
Past due 60-90 days	15	259	2	1,405	1,681
Above 90 days	1	-	-	157	158
Gross amount	1,486	1,083	14	2,094	4,676

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Gross amount	3,967	6,521	212	675	11,376
Life time ECL- credit impaired	(3,587)	(1,794)	(43)	(241)	(5,665)
Net amount	380	4,727	170	434	5,711

December 2019

Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.10 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Grades:				
Aaa	6,062	32,328	-	38,390
Aa	7,871	207,935	70,780	286,586
A	466	18,504	-	18,970
Baa	13,034	92,226	14,432	119,692
Ba	95,438	121,663	23,874	240,975
B	31,403	100,755	78,793	210,952
Caa	75	-	-	75
	154,344	573,417	187,879	915,640

3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Past due up to 30 days	22,384	225,982	336,985	585,350
Past due by 30 - 60 days	25	21,263	10,815	32,103
Past due 60-90 days	-	5,599	-	5,599
Above 90 days	95	2,585	50,380	53,060
Gross amount	22,504	255,429	398,179	676,113

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Gross amount	38,462	117,107	29,919	185,488
Life time ECL- credit impaired	(16,480)	(35,734)	(5,517)	(57,732)
Net amount	21,982	81,373	24,402	127,756

GROUP

December 2018

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.10 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Grades:					
Ba	4,686	63,547	1,723	7,150	77,106
B	3,469	5,212	-	46,108	54,789
Caa	1,063	8,627	-	9	9,699
Ca	262	2,124	-	-	2,385
	9,479	79,510	1,723	53,267	143,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Past due up to 30 days	1,425	247	-	2	1,674
Past due by 30 - 60 days	170	749	4	91	1,014
Past due 60-90 days	90	346	3	24	463
Gross amount	1,685	1,341	7	118	3,151

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Gross amount	10,690	42,555	272	1,840	55,357
Life time ECL- credit impaired	(7,837)	(23,833)	(82)	(902)	(32,654)
Net amount	2,854	18,722	191	937	22,703

GROUP

December 2018

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.10 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Grades:					
Aaa	5	11,606	-	-	11,611
Aa	10,988	254,371	5,050	-	270,409
A	2,110	62,196	-	-	64,306
Baa	8,108	53,829	-	-	61,937
Ba	57,468	41,378	131,880	178	230,904
B	34,707	168,112	16,200	-	219,019
	113,386	591,491	153,130	178	858,185

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FOR THE YEAR ENDED 31 DECEMBER 2019

3.2.17 Loans and advances to customers continued

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Past due up to 30 days	5,727	99,831	99,374	-	204,931
Past due by 30 - 60 days	11,907	25,990	9,095	-	46,992
Past due 60-90 days	14	3,470	905	-	4,390
Above 90 days	3	74,392	198,255	-	272,649
Gross amount	17,651	203,682	307,629	-	528,962

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
Gross amount	120,932	329,612	15,766	559	466,869
Life time ECL- credit impaired	(74,966)	(264,636)	(2,659)	(320)	(342,581)
Net amount	45,967	64,976	13,106	239	124,288

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3.2.18 Collateralised assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2019 and 31 December 2018 are as shown below:

GROUP	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	754,910	481,411
Financial assets at fair value through profit or loss	-	-	247,279	-
Total financial assets	-	-	1,002,189	481,411
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	863,435	316,931
Financial assets at fair value through profit or loss	-	-	72,828	11,492
Total financial assets	-	-	936,263	328,423

COMPANY	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	5,706	-
Financial assets at fair value through profit or loss	-	-	3,057	-
Total financial assets	-	-	8,763	-
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	-
Financial assets at fair value through profit or loss	-	-	3,427	-
Total financial assets	-	-	20,066	-

The underlisted financial assets are not collaterised:
Cash and balances with Central Banks
Investment securities:
- Available-for-sale investments/FVOCI Investments
- Amortised cost investments
Asset pledged as collateral
Other assets

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

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. See Note 32b for maturity analysis of leases.

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GROUP

(a) TABLE A - LIQUIDITY ANALYSIS ON A CONTRACTUAL BASIS

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	3,016,554	442,908	217,822	191,402	164,839	19	4,033,544
Financial liabilities at fair value through profit or loss	6,046	-	-	-	-	-	6,046
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,653
Other liabilities	186,553	32,427	12,318	6,011	24,851	5,712	267,872
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	3,855,353	669,044	293,445	300,043	355,369	13,567	5,486,821
Loan commitments	37,164	35,959	2,545	4,547	915	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	505,350	96,892	4,400	942,234
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	2,487,177	426,509	273,375	191,148	113,499	8,400	3,500,108
Financial liabilities at fair value through profit or loss	902	1,497	401	10,916	2,075	-	15,791
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	3,366,143	538,851	309,332	299,606	491,905	20,347	5,026,185
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	6,461	29,324	264,866	135,886	168,231	237,423	842,190
Total commitments	24,809	30,297	267,564	154,087	170,817	237,518	885,092
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877

COMPANY

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2019							
Financial liabilities							
Other liabilities	8,479	841	-	-	-	-	9,321
Total financial liabilities	8,479	841	-	-	-	-	9,321
Assets held for managing liquidity risk	6,038	3,122	3,064	4,433	765	1,063	18,485
31 December 2018							
Financial liabilities							
Other liabilities	7,055	980	-	-	-	-	8,035
Total financial liabilities	7,055	980	-	-	-	-	8,035
Assets held for managing liquidity risk	17,515	1,136	932	3,902	868	673	25,025

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(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

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	326,749	507,489	337,255	348,004	424,910	2,088,791	4,033,197
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,652
Other liabilities	187,064	32,427	12,318	6,011	24,851	5,712	268,383
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	1,160,012	733,624	412,878	456,645	615,441	2,102,339	5,480,939
Loan commitments	37,164	35,959	2,545	5,459	3	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	506,262	95,980	4,400	942,233
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	180,159	480,115	402,203	346,875	465,479	1,625,144	3,499,975
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	1,058,224	590,960	437,759	444,417	841,810	1,637,091	5,010,261
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	17,222	29,324	264,866	134,479	168,231	234,834	848,956
Total commitments	35,570	30,297	267,564	152,680	170,817	234,929	891,857
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877

3.3.4 Assets held for managing liquidity risk

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

- Cash and balances with the Central Banks comprising reverse repos and Overnight deposits
- Short-term and overnight placements in the interbank market.
- Government bonds and T-bills that are readily accepted in repurchase agreements with the Central 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 2019							
Derivative liabilities							
FX futures	30	483	180	56	-	-	749
Cross-currency swap	-	-	6	-	-	-	6
Put options	966	534	-	-	-	-	1,501
	996	1,018	186	56	-	-	2,256
Derivative assets							
FX futures	167	834	259	90	-	-	1,350
Put options	1,098	627	-	240	-	-	1,965
Forward contract	1,302	2,458	1,522	-	-	-	5,282
	2,567	3,919	1,781	330	-	-	8,597
	3,563	4,937	1,967	386	-	-	10,853
At 31 December 2018							
Derivative liabilities							
FX futures	10	12	7	24	-	-	53
Put options	1,167	905	3,614	6,733	3,213	-	15,632
	1,177	917	3,621	6,757	3,213	-	15,685
Derivative assets							
FX futures	10	12	6	23	-	-	51
Put options	1,254	1,132	3,980	7,331	3,434	-	17,131
	1,264	1,144	3,986	7,354	3,434	-	17,182
	2,441	2,061	7,607	14,111	6,647	-	32,867

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(b) Derivatives settled on a gross basis.

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

GROUP

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
At 31 December 2019 (₦'million)							
Assets held-for-trading							
FX Swap - Payable	(530)	(18)	-	(99,600)	-	-	(100,148)
FX Swap - Receivable	533	6,372	-	121,535	-	-	128,439
Forward contract - Payment	(49,600)	(33,134)	(28,554)	(3,584)	-	-	(114,871)
Forward contract - Receipt	52,302	36,616	32,544	4,162	-	-	125,624
	2,705	9,836	3,990	22,513	-	-	39,043
Liabilities held-for-trading							
FX Swap - Payable	(110)	(406)	-	-	-	-	(516)
FX Swap - Receivable	110	403	-	-	-	-	513
Forward contract - Payment	(31,996)	(13,546)	(15,065)	(1,172)	-	-	(61,780)
Forward contract - Receipt	31,110	12,464	13,301	1,011	-	-	57,885
	(887)	(1,086)	(1,764)	(161)	-	-	(3,899)
At 31 December 2018 (₦'million)							
Assets held-for-trading							
FX Swap - Payable	-	(11,281)	(7,836)	-	-	-	(19,117)
FX Swap - Receivable	-	11,525	7,900	-	-	-	19,425
Forward contract - Payment	(118,478)	(63,387)	(8,727)	-	-	-	(190,592)
Forward contract - Receipt	51,436	38,127	3,912	213	-	-	93,688
	(67,042)	(25,016)	(4,751)	213	-	-	(96,596)
Liabilities held-for-trading							
Forward contract - Payment	(31,035)	(28,830)	(3,664)	(213)	-	-	(63,742)
Forward contract - Receipt	5,113	-	-	-	-	-	5,113
	(25,922)	(28,830)	(3,664)	(213)	-	-	(58,629)

3.4 Market risk

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

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio, and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and or income statement. Through the financial year, the Group was exposed to market risk in its trading, and non-trading activities mainly as a result of:

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

3.4.1 Management of market risk

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

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

3.4.2 Market risk measurement techniques

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

(a) Value at risk (VAR)

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the Bank) is subject to the VaR methodology. The Group measures interest rate risk and foreign exchange risk using sensitivity analysis, see Note 3.4.5 and 3.4.3 respectively.

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

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

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

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

The Fixed Income portfolio (Interest Rate Risk) trading VaR is ₦1.1 billion as at 31 December 2019 and reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was ₦3.2 million as at 31 December 2019, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

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3.4.2 Market risk measurement techniques continued

VAR summary			
	12 months to 31 December 2019		
	Average	High	Low
Foreign exchange risk	4	87	-
Interest rate risk	117	1,211	17
Total VAR	121	1,298	17

VAR summary			
	12 months to 31 December 2018		
	Average	High	Low
Foreign exchange risk	40	132	-
Interest rate risk	1,133	4,948	401
Total VAR	1,173	5,080	401

(b) Stress tests

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

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

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

Non-trading portfolio

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

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

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

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

See Note 3.4.5 for interest rate sensitivity disclosures.

Hedged non-trading market risk exposures

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

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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 2019 and 31 December 2018. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2019						
Financial assets						
Cash and balances with Central Banks	927,665	47,678	4,438	15,362	30,182	1,025,325
Loans and advances to banks	419,582	163,531	144,667	18,990	8,140	754,910
Loans and advances to customers:						
Retail portfolio						
- Overdrafts	5,748	4,708	61	55	1,301	11,872
- Term loans	79,950	8,687	23	-	6,097	94,758
- Credit cards	1,446	283	-	-	-	1,730
- Mortgage	4,501	65	30,029	-	15	34,611
Loans and advances to customers:						
Corporate portfolio						
- Overdrafts	110,103	81,698	2	-	6,279	198,082
- Term loans	502,828	353,660	19,152	10,668	17,611	903,920
- Project finance	105,762	501,675	-	-	-	607,438
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI investments	475,197	79,469	-	-	-	554,666
- Amortised cost investments	114,669	683,650	-	7	61,538	859,864
Asset pledged as collateral	444,393	-	-	-	20,529	464,922
Financial assets at fair value through profit or loss	236,692	45,730	124	40	73	282,659
Other assets	103,524	17,041	241	55	732	121,593
	3,532,060	1,987,876	198,738	45,177	152,498	5,916,349
Financial liabilities						
Customer deposits	2,771,289	839,074	294,984	29,434	85,054	4,019,836
Deposits from banks	199,631	622,915	18,252	5,887	13,801	860,486
Financial liabilities at FVTPL	-	6,039	7	-	-	6,046
Borrowings	83,001	166,716	81	798	-	250,596
Other liabilities	108,440	134,317	4,373	14,345	4,853	266,328
Investment contracts	24,676	-	-	-	-	24,676
	3,187,038	1,769,060	317,698	50,464	103,708	5,427,968

3.4.3 Foreign exchange risk continued

GROUP

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2018						
Financial assets						
Cash and balances with Central Banks	588,135	26,934	2,633	14,377	21,256	653,335
Loans and advances to banks	306,586	313,197	206,384	25,743	11,525	863,435
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,394	4,407	-	1,588	2,387	13,775
- Term loans	79,751	11,833	35	12	6,779	98,410
- Credit cards	1,455	461	-	-	-	1,916
- Mortgage	8,046	45,840	-	-	363	54,249
Loans and advances to customers:						
Corporate portfolio						
- Overdrafts	96,111	57,516	-	21,043	2,015	176,685
- Term loans	419,281	392,144	15,566	22,173	4,781	853,946
- Project finance	86,040	385,038	-	-	-	471,078
- Advances under finance lease	417	-	-	-	-	417
Investment securities						
- FVOCI investments	792,452	81,667	-	-	-	874,119
- Amortised cost investments	33,335	687,566	-	7	68,795	789,702
Asset pledged as collateral	294,120	788	-	-	14,143	309,051
Financial assets at fair value through profit or loss	86,930	22,232	-	-	-	109,162
Other assets	26,449	7,623	14,592	54	1,482	50,200
	2,824,501	2,037,246	239,211	84,997	133,525	5,319,480
Financial liabilities						
Customer deposits	2,437,277	633,675	318,406	33,361	63,973	3,486,691
Deposits from banks	36,855	673,438	22,930	8,000	8,092	749,315
Financial liabilities at FVTPL		15,510	-	281	-	15,791
Borrowings	61,992	272,110	517	108	3,487	338,214
Other liabilities	119,624	194,807	3,107	18,847	10,242	346,627
Investment contracts	19,766	-	-	-	-	19,766
	2,675,514	1,789,540	344,960	60,597	85,794	4,956,405

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3.4.3 Foreign exchange risk continued

COMPANY

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2019						
Financial assets						
Loans and advances to banks	5,607	99	-	-	-	5,706
Loans and advances to customers:						
Retail portfolio						
- Term loans	94	-	-	-	-	94
Investment securities						
- FVOCI Investments	11,393	-	-	-	-	11,393
Financial assets at fair value through profit or loss	3,057	-	-	-	-	3,057
Other assets	15,729	-	-	-	-	15,729
	35,879	99	-	-	-	35,978
Financial liabilities						
Other liabilities	9,321					9,321
	9,321	-	-	-	-	9,321
31 December 2018						
Financial assets						
Loans and advances to banks	16,312	327	-	-	-	16,639
Loans and advances to customers:						
Retail portfolio						
- Term loans	110	-	-	-	-	110
Investment securities						
- FVOCI Investments	7,079	-	-	-	-	7,079
Financial assets at fair value through profit or loss	3,427	-	-	-	-	3,427
Other assets	87	-	-	-	-	87
	27,016	327	-	-	-	27,343
Financial liabilities	8,034					8,034
Other liabilities	8,034	-	-	-	-	8,034

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3.4.3 Foreign exchange risk continued

The Company and Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalue amounts of assets of assets and liabilities denominated in US Dollars.

The Group is exposed to the US dollar, EURO and GBP currencies. The Group's exposure to other foreign exchange movements is not material.

The following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar, EURO and GBP. Management believe that a 10% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar, EURO and GBP denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 10% against the US dollar, EURO and GBP. For a 10% strengthening of Naira against the US dollar, EURO and GBP, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2019	31 Dec 2018
Naira strengthens by 10% against the US dollar (2018:10%)		
Profit/(loss)	**(21,882)**	(24,771)
Naira weakens by 10% against the US dollar (2018:10%)		
Profit/(loss)	**21,882**	24,771
Naira strengthens by 10% against the EURO (2018:10%)		
Profit/(loss)	**529**	(2,440)
Naira weakens by 10% against the EURO (2018:10%)		
Profit/(loss)	**(529)**	2,440
Naira strengthens by 10% against the GBP (2018:10%)		
Profit/(loss)	**11,896**	10,575
Naira weakens by 10% against the GBP (2018:10%)		
Profit/(loss)	**(11,896)**	(10,575)

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	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
31 December 2019				
Financial assets				
Cash and balances with Central Banks	1,025,325	-	-	1,025,325
Loans and advances to banks	754,910	484,296	121,406	149,208
Loans and advances to customers: Retail portfolio				
- Overdrafts	11,872	11,872	-	-
- Term loans	94,758	84,217	10,541	-
- Credit cards	1,730	1,730	-	-
- Mortgage	34,611	34,611	-	-
Loans and advances to customers: Corporate portfolio				
- Overdrafts	198,082	198,082	-	-
- Term loans	903,920	857,984	39,764	6,172
- Project finance	607,438	607,438	-	-
- Advances under finance lease	-	-	-	-
Financial assets at fair value through profit or loss	282,659	-	208,591	74,068
Investment securities:				
- FVOCI Investments	554,666	-	395,625	159,041
- Amortised cost investments	859,864	-	859,864	-
Assets pledged as collateral	464,922	-	464,922	-
Other assets	121,593	-	-	121,593
	5,916,350	2,280,230	2,100,713	1,535,407
Financial liabilities				
Deposits from customers	4,019,836	1,775,779	1,391,531	852,526
Deposits from banks	860,486	542,766	316,513	1,207
Financial liabilities at fair value through profit or loss	6,046	-	-	6,046
Other liabilities	266,328	-	-	266,328
Liability on investment contracts	24,676	-	-	24,676
Borrowings	250,596	72,258	178,338	-
	5,427,968	2,390,803	1,886,382	1,150,783
Interest rate mismatch		(110,573)	214,331	384,624

3.4.4 Interest rate risk continued

GROUP	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
31 December 2018				
Financial assets				
Cash and balances with Central Banks	653,335	-	-	653,335
Loans and advances to banks	863,435	450,355	231,827	181,253
Loans and advances to customers: Retail portfolio				
- Overdrafts	13,775	13,775	-	-
- Term loans	98,410	90,670	7,740	-
- Credit cards	1,916	1,916	-	-
- Mortgage	54,249	54,228	21	-
Loans and advances to customers: Corporate portfolio				
- Overdrafts	176,685	176,685	-	-
- Term loans	853,946	847,847	4,836	1,263
- Project finance	471,078	471,078	-	-
- Advances under finance lease	417	417	-	-
Financial assets at fair value through profit or loss	109,162	-	55,041	54,121
Investment securities:				
- FVOCI Investments	874,119	18,836	747,333	107,950
- Amortised cost investments	789,702	1,870	787,832	-
Assets pledged as collateral	309,051	-	309,051	-
Other assets	50,200	-	-	50,200
	5,319,480	2,127,676	2,143,681	1,048,123
Financial liabilities				
Deposits from customers	3,486,691	1,566,210	1,124,949	795,532
Deposits from banks	749,315	634,602	114,128	585
Financial liabilities at fair value through profit or loss	15,791	-	-	15,791
Other liabilities	346,627	-	-	346,627
Liability on investment contracts	19,766	-	-	19,766
Borrowings	338,214	72,948	265,266	-
	4,956,404	2,273,760	1,504,343	1,178,301
Interest rate mismatch		(146,084)	639,338	(130,178)

3.4.4 Interest rate risk continued

COMPANY	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non interest-bearing ₦'million
31 December 2019				
Financial assets				
Loans and advances to banks	5,706	-	5,706	-
Loans and advances to customers: Retail portfolio				
- Term loans	94	-	94	-
Financial assets at fair value through profit or loss	3,057	-	-	3,057
Investment securities:				
- FVOCI Investments	11,393	-	11,393	-
Other assets	87	-	-	87
	20,337	-	17,193	3,144
Financial liabilities				
Other liabilities	9,321	-	-	9,321
	9,321	-	-	9,321
Interest rate mismatch		-	17,193	(6,177)

COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	16,639	-	16,639	-
Loans and advances to customers: Retail portfolio				
- Term loans	110	-	110	-
Financial assets at fair value through profit or loss	3,427	-	-	3,427
Investment securities:				
- FVOCI Investments	7,079	-	7,079	-
Other assets	87	-	-	87
	27,342	-	23,828	3,514
Financial liabilities				
Other liabilities	8,034	-	-	8,034
	8,034	-	-	8,034
Interest rate mismatch		-	23,828	(4,520)

3.4.5 Interest rate sensitivity showing fair value and cash flow interest rate risk

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

	GROUP		COMPANY	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss				
Treasury bills	**131,426**	22,424	**-**	-
Bonds	**77,482**	32,618	**-**	-
Total	**208,908**	55,042	**-**	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	**(4,178)**	(1,101)	**-**	-
Favourable change @ 2% increase in interest rates	**4,178**	1,101	**-**	-
Investment securities - FVOCI				
Treasury bills	**280,778**	604,247	**10,336**	6,080
Bonds	**114,847**	161,523	**810**	999
Total	**395,625**	765,770	**11,146**	7,079
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	**(7,913)**	(15,315)	**(223)**	(142)
Favourable change @ 2% increase in interest rates	**7,913**	15,315	**223**	142

3.5 Management of insurance risk

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

3.5.1 Underwriting risk

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

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

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

- All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
- The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

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

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

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

3.5.2 Frequency and severity of claims

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

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

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 ₦20 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 2019			31 December 2018		
	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million
Individual traditional	28,803	-	28,803	13,799	-	13,799
Investment linked contracts	24,676	-	24,676	19,766	-	19,766
Group credit life	1,185	-	1,185	585	-	585
Group Life – UPR incl AURR	612	(7)	605	455	(63)	392
General business – UPR incl AURR	1,647	-	1,647	1,153	-	1,153
Group Life - IBNR	2,857	(696)	2,161	1,139	(150)	989
Annuity	25,227	-	25,227	14,194		14,194
Additional reserves	174	-	174	212	-	212
Claims reserve - Life business	554	(29)	525	319	(30)	289
Non-life business - IBNR	808	(406)	402	591	(256)	335
Claims reserve - Non-life business	1,881	(980)	901	1,745	(1,283)	462
Total	88,424	(2,118)	86,306	53,958	(1,782)	52,176

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

	31 December 2019			31 December 2018		
	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million	Gross liability ₦'million	Reinsurance ₦'million	Net Liability ₦'million
Group Life	3,344	(887)	2,457	952	(243)	709
Group Credit Life	264	-	264	180	-	180
Annuity	2,968	-	2,968	1,691		1,691
Individual Life	3,325	-	3,325	2,019	-	2,019
Term life	22	-	22	-		-
Non-life business	2,300	(1,230)	1,070	1,734	(1,539)	195
Total	12,223	(2,117)	10,106	6,576	(1,782)	4,794

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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 liabilities have been made on the following principles:

Type of business	Valuation method
Individual risk business	Gross premium valuation approach
Individual deposit based business (Flexi save)	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Life and Group School Fees	UPR + IBNR
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 Flexisave Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. Flexisave is an embedded product having components of insurance and financial risk. The product has not 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

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IBNR where necessary, and unexpired future operating expenses.

Non-life business

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

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

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

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4.

Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

Net valuation interest rate of 11.9% & 11.42% pa were adopted for annuity and other long term businesses, which has been applied as a single long term rate of return. As at 31 December 2019, FGN bond yields of duration between 5 and 20 years were round 15%. The 20 year FGN bond yield was 15.1%. By comparison long term bonds were yielding 14% at December 2018.

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 12.15% and 11.9%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	Annuity
Average yield on a long-term FGN bond	12.40%	12.40%
Less Prudent Margin	-0.25%	-0.25%
Less Reinvestment Risk Margin	0.00%	-0.25%
Gross Valuation Interest Rate	12.15%	11.90%
Less 6% tax	-0.73%	0.00%
Net Valuation Interest Rate	11.42%	11.90%
Rates Adopted	11.42%	11.90%

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

Type of business	Current valuation	Previous valuation
Risk products	11.42%	14.21%
Risk reserves for deposit-based policies	11.42%	14.21%
Pension annuity	11.90%	14.87%

Expenses

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

Future maintenance expenses

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

(1) Per policy maintenance charges

(2) Allocated operating expenses

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

(1) Individual life: ₦4,700 per policy

(2) Credit life: ₦1,050 per policy

(3) Family shield: ₦1,570 per policy

(4) Group life: 45% of premium

The Group adopted a valuation expense assumption of ₦4,700 per policy on risk policies excluding family shield and ₦1,050 per policy for credit life while expense per policy for family shield is set at ₦1,570. 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
	₦'per policy	₦'per policy
Individual life	₦4,700	₦5,000
Credit life	₦1,050	₦1,540
Family shield	₦1,570	₦620

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2019 was 11.98%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

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Mortality

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

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

Annuity valuation and Future mortality improvements

For annuity, we have adopted the UK Pensioner table PA (90) with age rating of -1.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and Flexisave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the Flexisave surrender values are apportioned on the basis of sum insured.

Lapses

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and cashflow	Lapse rate p.a	Surrender rate p.a
Year 1	25.0%	0.0%
Year 2	0.0%	10.0%
Year 3	0.0%	2.5%
Year 4	0.0%	2.5%
Year 5+	0.0%	2.5%

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

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

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

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

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 have made full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% pa for the Cashflow plan.

Group and credit life businesses

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

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

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.

(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.

(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission. Commission is currently payable at 15% of premium.

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

No additional contingency reserves was made in addition to those provided for long-term business to be held. Other liabilities such as expense and data contingencies reserves 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	2019	2018
Expense overrun	0%	0%
Worsening of mortality experience	0%	0%

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Reinsurance agreements

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

Changes in assumptions

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

3.5.5 Insurance and market risk sensitivities

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

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

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

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

2019	Base	VIR		Expenses		Expense inflation	
₦'million		1%	-1%	10%	-10%	2%	-2%
Individual risk reserves	28,803	24,658	33,564	29,460	28,158	29,322	28,374
PRA regulated annuities	25,227	23,834	26,789	25,272	25,183	25,343	25,144
Investment linked contracts	24,676	24,676	24,676	24,676	24,676	24,676	24,676
General business - UPR incl AURR	2,455	2,455	2,455	2,455	2,455	2,455	2,455
Group credit life	1,185	1,185	1,185	1,185	1,185	1,185	1,185
Group life - UPR incl AURR	2,515	2,515	2,515	2,515	2,515	2,515	2,515
Group life - IBNR	3,643	3,643	3,643	3,643	3,643	3,643	3,643
Additional reserves	174	174	174	174	174	174	174
Reinsurance	(703)	(703)	(703)	(703)	(703)	(703)	(703)
Net liability	87,975	82,437	94,297	88,677	87,285	88,609	87,462
% change in net liability		-6.3%	7.2%	0.8%	-0.8%	0.7%	-0.6%
Assets	110,047	110,047	110,047	110,047	110,047	110,047	110,047
Surplus	22,073	27,610	15,750	21,371	22,762	21,438	22,586

2019	Base	Mortality	
₦'million		5%	-5%
Individual risk reserves	28,803	28,952	28,655
PRA regulated annuities	25,227	25,367	25,092
Investment linked contracts	24,676	24,676	24,676
General business - UPR incl AURR	2,455	2,455	2,455
Group Credit Life	1,185	1,185	1,185
Group life - UPR incl AURR	2,515	2,515	2,515
Group Life - IBNR	3,643	3,643	3,643
Additional reserves	174	174	174
Reinsurance	(703)	(703)	(703)
Net liability	87,975	88,264	87,692
% change in net liability		0.3%	-0.3%
Assets	110,047	110,047	110,047
Surplus	22,073	21,783	22,356

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2018	Base	VIR		Expenses		Expense inflation	
₦'million		1%	-1%	10%	-10%	2%	-2%
Individual risk reserves	13,799	11,417	16,699	14,194	13,420	14,074	13,578
PRA regulated annuities	14,194	13,558	14,896	14,212	14,176	14,232	14,165
Investment linked contracts	19,766	19,766	19,766	19,766	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744	1,744	1,744	1,744	1,744
Group credit life	585	585	585	585	585	585	585
Group Life - UPR incl AURR	455	455	455	455	455	455	455
Group Life - IBNR	1,138	1,138	1,138	1,138	1,138	1,138	1,138
Additional reserves	212	212	212	212	212	212	212
Reinsurance	(213)	(213)	(213)	(213)	(213)	(213)	(213)
Net liability	51,682	48,664	55,284	52,095	51,285	51,994	51,432
% change in net liability		-5.8%	7.0%	0.8%	-0.8%	0.6%	-0.5%
Assets	66,635	66,635	66,635	66,635	66,635	66,635	66,635
Surplus	14,953	17,971	11,351	14,540	15,350	14,640	15,203

2018	Base	Mortality	
₦'million		5%	-5%
Individual risk reserves	13,799	13,903	13,695
PRA regulated annuities	14,194	14,248	14,141
Investment linked contracts	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744
Group credit life	585	585	585
Group life - UPR incl AURR	455	455	455
Group life - IBNR	1,138	1,138	1,138
Additional reserves	212	212	212
Reinsurance	(213)	(213)	(213)
Net liability	51,681	51,840	51,526
% change in net Liability		0.3%	-0.3%
Assets	66,635	66,635	66,635
Surplus	14,953	14,794	15,109

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 Asset cover

The asset cover level at the valuation date was 315% (2018: 252%). That is, assets representing life and non-life fund on the Group's balance sheet (₦105bn) were 138% of the valuation of the actuarially calculated net liabilities (₦76.04bn).

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

	2019 ₦'million	2018 ₦'million
Government bonds	**84,193**	43,096
Treasury bills	**17,954**	19,798
Cash and bank balances	**3,495**	798
Reinsurance assets	**3,081**	2,703
Trade receivables	**61**	18.82
Due from policyholders	**12**	16.27
Investment in quoted equity	**-**	-
Total	**108,796**	66,430

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 ₦14.3billion (2018: ₦10.06billion), while life and non-life shows a surplus of ₦1.66billion (2018: ₦2.75billion).

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 2019, the market value of quoted securities held by the Group is ₦1.06billion (2018: ₦1.22billion). If the all share index of the NSE moves by 4,827 basis points from the 26,603 position at 31 December 2019, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦509million.

The Group holds a number of investments in unquoted securities with a market value of ₦193.37billion (2018: ₦143.19billion) of which investments in Airtel Nigeria Ltd and African Finance Corporation (AFC) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments, see sensitivity analysis in Note 3.7.

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

3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

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

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	98,415	110,177	-	208,592
Equity	234	315	35,147	35,696
Derivatives	240	38,132	-	38,372
FVOCI investments				
Investment securities - debt	164,561	227,540	-	392,101
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	63,207	95,013	158,220
Investment securities - listed equity	821	-	-	821
Assets pledged as collateral	269,542	174,851	-	444,393
Financial liabilities at fair value through profit or loss				
Derivatives	-	5,805	-	5,805
31 December 2018				
Financial assets at fair value through profit or loss				
Debt Securities	55,042	-	-	55,042
Equity	270	304	35,759	36,333
Derivatives	-	17,786	-	17,786
FVOCI investments				
Investment securities - debt	719,934	16,658	28,848	765,440
Investment securities - unlisted debt	-	-	329	329
Investment securities - unlisted equity	-	579	106,552	107,131
Investment securities - listed equity	1,218	-	-	1,218
Assets pledged as collateral	215,914	-	-	215,914
Financial liabilities at fair value through profit or loss				
Derivatives	-	15,791	-	15,791

3.7 Fair value of financial assets and liabilities continued

3.7.1 Financial instruments measured at fair value continued

COMPANY	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	**-**	**-**	**3,057**	**3,057**
FVOCI investments				
Investment securities - debt	**11,146**	**-**	**-**	**11,146**
31 December 2018				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,427	3,427
FVOCI investments				
Investment securities - debt	7,078	-	-	7,078

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

a) Quoted market prices or dealer quotes for similar instruments;

b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

c) Other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in level 2 except for certain unquoted equities and equity derivatives explained below.

(c) Financial instruments in level 3

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes debt and 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.

3.7 Fair value of financial assets and liabilities continued

3.7.1 Financial instruments measured at fair value continued

The following table presents changes in level 3 instruments

GROUP	
At 1 January 2018	97,302
Acquisitions	58,648
Matured/redeemed	(879)
Total gains recognised through profit/loss	988
Total gains recognised through OCI	12,577
Transfer into level 3 due to change in observability of market data	2,852
At 31 December 2018	171,488
Acquisitions	6,417
Matured/redeemed	(29,108)
Total losses recognised through profit/loss	(348)
Total gains recognised through OCI	38,718
Transfer into level 2 due to change in observability of market data	(53,970)
At 31 December 2019	133,196

During the year ended 31 December 2019, there was transfer between level 3 and 2 fair value measurements based on availability of observable inputs.

COMPANY	
At 1 January 2018	2,852
Total gains recognised through profit/loss	575
At 31 December 2018	3,427
Total losses recognised through profit/loss	(370)
At 31 December 2019	**3,057**

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

3.7 Fair value of financial assets and liabilities continued

3.7.1 Financial instruments measured at fair value continued

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

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples and /or EBITDA of the comparative companies as at 31 December 2019 is as shown in the below table:

Description	Valuation technique	Assumption	Fair Values
AIRTEL NIGERIA	EV/EBITDA	Base	79,328
		Sensitivity of +2.5%	81,733
		Sensitivity of -2.5%	76,924
NIBSS PLC	P/E multiples	Base	3,512
		Sensitivity of +2.5%	3,600
		Sensitivity of -2.5%	3,425
AFREXIM BANK LTD	P/B multiples	Base	736
		Sensitivity of +2.5%	755
		Sensitivity of -2.5%	718
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	NET ASSET VALUATION	Base	3,057
		Sensitivity of +2.5%	3,133
		Sensitivity of -2.5%	2,979
TIDE AFRICAN FUND	TRANSACTION PRICE	Base	657
		Sensitivity of +2.5%	673
		Sensitivity of -2.5%	640
ANCHORAGE LEISURES (RADISSON BLU)	LATEST TRANSACTION PRICE	Base	312
		Sensitivity of +2.5%	320
		Sensitivity of -2.5%	304
RESOURCERY PLC (Ordinary shares)	MARKET APPROACH	Base	189
		Sensitivity of +2.5%	194
		Sensitivity of -2.5%	184
VT LEASING LIMITED (Ordinary shares and Convertible notes)	EV/EBITDA, DCF	Base	330
		Sensitivity of +2.5%	338
		Sensitivity of -2.5%	322
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Base	1,805
		Sensitivity of +2.5%	1,850
		Sensitivity of -2.5%	1,759
ECHO VC PAN AFRICA	NET ASSET VALUATION	Base	1,247
		Sensitivity of +2.5%	1,278
		Sensitivity of -2.5%	1,215
LEKKY BUDGET HOTEL	MARKET APPROACH	Base	249
		Sensitivity of +2.5%	255
		Sensitivity of -2.5%	243
JDI INVESTMENTS LIMITED	NET ASSET VALUATION	Base	209
		Sensitivity of +2.5%	214
		Sensitivity of -2.5%	204

3.7 Fair value of financial assets and liabilities continued

3.7.1 Financial instruments measured at fair value continued

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

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

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

A sensitivity of +/-2.5% results in a fair value of gain/(loss) of ₦3.9bn and (₦3.9bn) respectively which will impact on other comprehensive income.

3.7.2 Group's valuation process

The asset and liability management (ALM) unit in each entity of the Group 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 entity's 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) 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)

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

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Loans and advances to customers: Retail portfolio				
- Overdrafts	-	-	11,871	11,871
- Term loans	-	-	94,757	94,757
- Credit cards	-	-	1,731	1,731
- Mortgage	-	-	34,612	34,612
Loans and advances to customers: Corporate portfolio				
- Overdrafts	-	-	198,088	198,088
- Term loans	-	-	903,914	903,914
- Project finance	-	-	607,439	607,439
Amortised cost investments	823,311	3,269	33,284	859,864
Asset pledged as collateral	20,529	-	-	20,529
Financial liabilities				
Borrowing	-	-	250,596	250,596

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3.7.3 Financial instruments not measured at fair value continued

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2018				
Financial assets				
Loans and advances to customers: Retail portfolio				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Loans and advances to customers: Corporate portfolio				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	853,946	853,946
- Project finance	-	-	471,077	471,077
- Advances under finance lease	-	-	417	417
Amortised cost investments	779,638	654	6,108	786,400
Asset pledged as collateral	67,790	-	-	67,790
31 December 2018				
Financial liabilities				
Borrowing	165,906	-	172,308	338,214

COMPANY				
31 December 2019				
Financial assets				
Loans and advances to customers: Retail portfolio				
- Term loans	**-**	**-**	**94**	**94**
31 December 2018				
Financial assets				
Loans and advances to customers: Retail portfolio				
- Term loans	-	-	110	110

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3.7.3 Financial instruments not measured at fair value continued

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

GROUP	At 31st December 2019		At 31st December 2018	
	Carrying value ₦'million	Fair value ₦'million	Carrying value ₦'million	Fair value ₦'million
Financial assets				
Loans and advances to customers				
Fixed rate loans	**50,486**	**50,486**	42,530	42,530
Variable rate loans	**1,801,925**	**1,801,925**	1,701,644	1,701,644
Investment securities (Amortised cost)	**859,863**	**846,654**	789,750	786,399
Asset pledged as collateral	**20,529**	**20,529**	114,399	88,890
Loan commitments	**81,131**	**81,131**	42,902	42,902
Financial liability				
Borrowings	**250,596**	**250,596**	338,214	332,698

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 3 of the fair value heirarchy.

4. Capital management

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

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of subsidiaries
First Bank of Nigeria Limited	Central Bank of Nigeria	₦100billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	₦15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: ₦150million; Trustee: ₦300million; Broker-Dealer: ₦300million; Underwriter: ₦200million; and Fund Manager: ₦150million
FBN Insurance Limited	National Insurance Commission	Life Business: ₦2billion; General Business: ₦3billion
FBN Insurance Brokers Limited	National Insurance Commission	₦5million Capital

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

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

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

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

i. FBN Holdings Plc

The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraphs 7.1 and 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2019 and 2018 are as follows:

			FBN Holdings Plc.'s share of paid up capital	
Subsidiary	**Paid up capital**	**Proportion of shares held (%)**	**31 December 2019 ₦'million**	**31 December 2018 ₦'million**
First Bank of Nigeria Limited	205,557	100	**205,557**	205,557
FBNQuest Merchant Bank Limited	8,206	100	**8,206**	8,206
FBNQuest Capital Limited	4,300	100	**4,300**	4,300
FBNQuest Trustees Limited	3,152	100	**3,152**	-
FBN Insurance Limited	7,267	65	**4,724**	4,724
FBN Insurance Brokers Limited	25	100	**25**	25
Rainbow Town Development Limited	9,091	55	**5,000**	5,000
Aggregated Capital of Subcos	237,598		**230,964**	227,812
FBN Holdings Plc.'s Paid-up Capital			**251,340**	251,340
Excess of FBN Holdings' capital over aggregated capital of subcos			**20,376**	23,528

4. Capital management continued

ii. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited

The Banks' capital is divided into two tiers:

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

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

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

The table below summarises the Basel II capital adequacy ratio for 2019 and 2018. 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.

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted impact	Full impact	Adjusted impact
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Tier 1 capital					
Share capital	4,302	4,302	16,316	16,316	16,316
Share premium	3,905	3,905	189,241	189,241	189,241
Statutory reserve	7,879	7,483	92,915	92,915	86,327
Non-controlling interest			-	-	-
SMEEIS reserves	-	-	6,076	6,076	6,076
Retained earnings	11,261	9,516	78,679	78,679	33,986
IFRS 9 transitional adjustment	-	-	59,733	-	89,599
RRR applied for IFRS 9 Impact	-	-	-	(40,830)	-
Less: Goodwill/deferred Tax	(10,439)	(10,797)	(13,222)	(13,222)	(9,270)
Less: Investment in subsidiaries	(1,313)	(1,382)	(53,319)	(53,319)	(53,227)
Total qualifying for tier 1 capital	15,594	13,027	376,419	275,857	359,048
Tier 2 capital					
Fair value reserve	(316)	(2,086)	143,768	143,768	77,978
Other borrowings	-	-	70,934	70,934	64,582
Total tier 2 capital	(316)	(2,086)	214,702	214,702	142,560
Tier 2 Capital Restriction	(316)	(2,086)	143,246	109,725	137,425
Less: Investment in subsidiaries	-	-	(53,319)	(53,319)	(53,227)
Total qualifying for tier 2 capital	(316)	(2,086)	89,927	56,407	84,198
Total regulatory capital	15,278	10,940	466,346	332,263	443,246
Risk-weighted assets					
Credit risk	68,329	69,603	2,237,521	2,196,691	1,868,330
Operational risk	19,959	17,563	620,501	620,501	655,770
Market risk	1,111	2,648	160,929	160,929	43,938
Total risk-weighted assets	89,400	89,814	3,018,951	2,978,121	2,568,038
Risk-weighted Capital Adequacy Ratio (CAR)	17.09%	12.18%	15.45%	11.16%	17.26%
Tier 1 CAR	17.44%	14.50%	12.47%	9.26%	13.98%

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4. Capital management continued

ii. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited continued

The Central Bank of Nigeria, in its circular on transitional arrangements on treatment of IFRS 9 expected credit loss for regulatory purposes by banks in Nigeria dated 18 October 2018, has recommended transitional arrangements to cushion the impact of IFRS 9 implementation on tier 1 regulatory capital. The regulator advised that the balance in regulatory risk reserve should be applied to retained earnings to reduce the additional ECL provisions on opening retained earnings. Where the additional ECL provision is higher than the regulatory risk reserve transfer, the excess shall be amortised in line with the transitional arrangements. The regulatory arrangement for amortisation of the impact is as shown below:

Period	Provisions to be written back
Year 0 (1 January 2018)	4/5 of Adjusted Day One Impact
Year 1 (31 December 2018)	3/5 of Adjusted Day One Impact
Year 2 (31 December 2019)	2/5 of Adjusted Day One Impact
Year 3 (31 December 2020)	1/5 of Adjusted Day One Impact
Year 4 (31 December 2021)	Nil

iii. Other Regulated Subsidiaries

		31 December 2019		31 December 2018	
	Regulatory capital ₦'million	Shareholders fund ₦'million	Excess/ (Shortfall) ₦'million	Shareholders fund ₦'million	Excess/ (Shortfall) ₦'million
FBNQuest Capital Limited	800	14,264	13,464	16,216	15,116
FBNQuest Trustees Limited	300	3,669	3,369	-	-
FBN Insurance Limited:					
Life business	2,000	17,838	15,838	11,957	9,957
General business	3,000	5,306	2,306	5,163	2,163
FBN Insurance Brokers Limited	5	213	208	247	242

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 of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Determination of definition of default
- Estimation of loss given default.

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 Note 3.2.11.

b Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly arm'slength transaction between market participants in the principal market under current market conditions (i.e., the exit price). Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3). Fair value is based on unadjusted quoted prices in an active market for the same instrument, where available (Level 1). If active market prices or quotes are not available for an instrument, fair value is then based on valuation models in which the significant inputs are observable (Level 2) or in which one or more of the significant inputs are non-observable (Level 3). Estimating fair value requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available. For instruments valued using internally developed models that use significant non-observable market inputs and are therefore classified within Level 3 of the hierarchy, the judgment used to estimate fair value is more significant than when estimating the fair value of instruments classified within Levels 1 and 2. To ensure that valuations are appropriate, a number of policies and controls are in place. Valuation inputs are verified to external sources such as exchange quotes, broker quotes or other management-approved independent pricing sources.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 for additional sensitivity information for financial instruments.

c Retirement benefit obligation

The Group recognises its obligations to its employees on the gratuity scheme at the period end, less the fair value of the plan assets after performing actuarial valuation of the obligation. The scheme's obligations are calculated using the projected unit credit method. Plan assets are stated at fair value as at the period end. Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

The measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See Note 41, "Retirement benefits obligation" for a description of the defined benefit pension

5 Significant accounting judgements, estimates and assumptions continued

plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

d Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See note 33 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2018: Nil).

e Determining the lease term: Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Group.

f Valuation of Insurance Contract Liabilities

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

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

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

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group and Company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by ₦289.3million or decrease by ₦282.5million (2018: ₦50.8million and ₦49.2million 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 12.4%. If the average future investment returns differed by -/+ 1% from management's estimates, the contract liability would increase by ₦6.3million or decrease by ₦5.5million (2018: ₦53.5million and ₦46.9million 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,

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international and representative offices offering commercial banking services.

6 Segment information continued

Merchant Banking and Asset Management Business Group (MBAM)

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

Insurance Business Group

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

Others

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

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

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

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

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

Segment result of operations

Total revenue in the segment represents: Interest income, insurance premium revenue, fee and commission income, foreign exchange income, net gains/losses on sale of investment securities, net gains/losses from financial instruments at fair value through profit/loss, dividend income, other operating income and share of profit/loss of associates.

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2019 is as follows:

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Insurance Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2019					
Total segment revenue	553,554	35,907	37,775	18,396	645,632
Inter-segment revenue	(263)	(464)	(833)	(17,064)	(18,624)
Revenue from external customers	553,291	35,443	36,942	1,332	627,008
Interest income	408,527	21,680	10,661	1,689	442,556
Interest expense	(136,838)	(15,489)	-	(14)	(152,342)
Profit/(loss) before tax	71,188	7,487	8,227	(3,307)	83,595
Income tax expense	(8,088)	(1,080)	(604)	(12)	(9,783)
Profit/(loss) for the year from continuing operations	63,100	6,406	7,624	(3,319)	73,812
Impairment charge on credit losses	(50,821)	(272)	(40)	-	(51,133)
Loss for the year from discontinued operations	-	-	-	(147)	(147)
Depreciation	(15,365)	(743)	(401)	(319)	(16,828)
At 31 December 2019					
Total assets	5,807,301	227,577	114,083	54,565	6,203,526
Other measures of assets:					
Loans and advances to customers	1,805,404	46,479	434	94	1,852,411
Expenditure on non-current assets	107,854	1,751	2,494	840	112,939
Investment securities	1,323,045	52,631	27,462	11,393	1,414,530
Total liabilities	5,241,950	191,809	97,037	11,605	5,542,401

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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 2018					
Total segment revenue	516,228	45,259	25,157	13,651	600,295
Inter-segment revenue	(258)	(109)	(765)	(11,757)	(12,889)
Revenue from external customers	515,971	45,150	24,392	1,894	587,406
Interest income	403,532	22,436	8,312	1,283	435,563
Interest expense	(134,488)	(15,754)	-	-	(150,242)
Profit/(loss) before tax	43,040	17,197	6,140	(2,524)	63,853
Income tax expense	201	(4,819)	(828)	(98)	(5,544)
Profit/(loss) for the year from continuing operations	43,242	12,378	5,312	(2,622)	58,309
Impairment charge on credit losses	(88,425)	1,099	(138)	-	(87,465)
Loss for the year from discontinued operations	-	-	-	(77)	(77)
Depreciation	(10,880)	(674)	(332)	(397)	(12,282)
At 31 December 2018					
Total assets	5,242,964	198,145	76,425	51,375	5,568,909
Other measures of assets:					
Loans and advances to customers	1,634,521	35,557	287	110	1,670,476
Expenditure on non-current assets	86,311	1,951	2,520	733	91,515
Investment securities	1,571,723	63,591	21,428	7,078	1,663,821
Total liabilities	4,807,361	159,035	63,160	10,411	5,039,966

Geographical information

	31 Dec 2019 ₦'million	31 Dec 2018 ₦'million
Revenues		
Nigeria	**542,919**	499,152
Outside Nigeria	**84,089**	88,254
Total	**627,008**	587,406
Non-current asset		
Nigeria	**93,261**	82,627
Outside Nigeria	**19,678**	8,888
Total	**112,939**	91,515

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7 Interest income

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Investment securities at FVOCI	129,635	121,948	1,496	909
Investment securities at amortised cost	44,104	28,884	-	-
Loans and advances to banks	23,121	21,153	669	1,236
Loans and advances to customers	245,696	263,578	8	18
	442,556	435,563	2,173	2,163

Interest income on loans and advances to customers includes interest income of ₦11.9billion on stage 3 loans, for which effective interest rate is applied to the net carrying amount of the asset after deduction of the loss allowance.

8 Interest expense

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Deposit from customers	111,217	109,112	-	-
Deposit from banks	24,855	12,631	-	-
Borrowings	15,552	28,499	-	-
Lease liability	718	-	14	-
	152,342	150,242	14	-

9 Impairment charge for losses

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Loans and advances to banks (See Note 22)		
12- month ECL	(256)	425
	(256)	425
Investment securities		
Stage 1 - 12- month ECL	(1,046)	(16)
	(1,046)	(16)
Loans and advances to customers (See Note 23)		
Stage 1 - 12- month ECL	3,729	828
Stage 2 - Lifetime ECL	884	(10,901)
Stage 3 - Lifetime ECL	54,169	96,497
	58,782	86,424
Net recoveries on loans previously written-off	(7,493)	(9,137)
Write-off of loans	(1,851)	-
Other assets (See Note 27)		
Other assets ECL	1,261	7,524
	1,261	7,524
Off balance sheet		
Increase in impairment	1,736	2,245
Net impairment charge	51,133	87,465

10 Insurance premium revenue

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Gross premium written	44,403	29,957
Unearned premium	(843)	(228)
	43,560	29,729
Change in insurance contract liabilities	(26,460)	(11,694)
	17,100	18,035

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11 Fee and commission income

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Credit related fees	**4,898**	2,393
Letters of credit commissions and fees	**6,382**	4,284
Electronic banking fees	**48,033**	34,029
Money transfer commission	**1,951**	2,370
Commission on bonds and guarantees	**620**	880
Funds transfer and intermediation fees	**7,799**	6,974
Account maintenance	**13,268**	12,329
Brokerage and intermediations	**3,190**	11,901
Custodian fees	**5,980**	6,410
Financial advisory fees	**2,571**	3,210
Fund management fees	**3,423**	2,955
Trust fee income	**1,180**	1,119
Other fees and commissions	**5,035**	3,870
	104,330	92,724
Timing of revenue recognition		
At a point in time	**80,589**	79,513
Over time	**23,741**	13,211

11b Fee and commission expense

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
	20,483	17,330

Fee and commission expense primarily relates to charges raised by switching platforms on holders of FirstBank Limited ATM cards who make use of the other banks' machines while transacting business and SMS alert related expenses.

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12 Foreign exchange income

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Revaluation (loss)/gain on foreign currency balances (unrealised)	(1,186)	19,397	6	52
Foreign exchange trading income (realised)	10,726	13,521	-	-
	9,540	32,918	6	52

13 Net gains/(losses) on sale of investment securities

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Gain/(loss) on sale of investment securities	17,167	5,733	8	(21)
	17,167	5,733	8	(21)

This relates to gain/loss on sale of financial assets at fair value through other comprehensive income.

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

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Fair value gain/(loss) on derivatives	10,475	(6,482)	-	-
Trading income on debt securities	7,532	3,432	-	-
Fair value gain/(loss) on equities	110	1,400	(371)	575
Fair value gain/(loss) on debt securities	10,820	(1,485)	-	-
	28,937	(3,135)	(371)	575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 Dividend income

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
First Bank of Nigeria Limited	-	-	12,500	-
FBNQuest Capital Limited	-	-	1,200	8,380
FBNQuest Merchant Bank Limited	-	-	-	707
FBNQuest Trustees Limited	-	-	288	-
FBN Insurance Limited	-	-	2,602	1,908
FBN Insurance Brokers Limited	-	-	160	100
Entities outside the Group*	4,370	2,312	-	-
Withholding tax on dividend	-	-	(170)	(255)
	4,370	2,312	16,580	10,840

*This represents dividend income earned from equity investments held by subsidiaries of FBN Holdings Plc.

16 Other operating income

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
WHT recovered	-	619	-	-
Gain on sale of properties	273	-	-	-
Net gain from fair value adjustment on investment properties (See Note 28)	-	20	-	-
Profit on sale of property and equipment	75	23	-	1
Other income	2,573	2,571	-	39
	2,921	3,233	-	40

Other income for the Group largely comprises of income made from private banking services and VAT recovered.

17 Personnel expenses

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Wages and salaries	**84,035**	81,875	**1,171**	888
Pension costs:				
- Defined contribution plans	**3,344**	4,545	**30**	16
- Defined benefit cost (See Note 41)	**66**	155	**-**	-
Other staff benefits	**11,935**	6,820	**-**	-
	99,380	93,395	**1,201**	904

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the present value 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 2019	31 December 2018	31 December 2019	31 December 2018
Executive Directors	**11**	11	**1**	1
Management	**486**	474	**6**	6
Non-management	**8,519**	8,674	**30**	29
	9,016	9,159	**37**	36
The number of employees of the Group, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:				
Below ₦2,000,000	**454**	379	**3**	2
₦2,000,001 - ₦2,800,000	**1,631**	1,072	**-**	-
₦2,800,001 - ₦3,500,000	**367**	609	**1**	2
₦3,500,001 - ₦4,000,000	**155**	60	**1**	-
₦4,000,001 - ₦5,500,000	**826**	895	**5**	3
₦5,500,001 - ₦6,500,000	**1,846**	2,033	**2**	4
₦6,500,001 - ₦7,800,000	**1,427**	930	**1**	3
₦7,800,001 - ₦9,000,000	**800**	828	**2**	-
₦9,000,001 and above	**1,509**	2,352	**21**	21
	9,015	9,158	**36**	35

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18 Other operating expenses

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Auditors' remuneration*	1,009	910	25	25
Directors' emoluments	3,769	4,077	977	1,017
Regulatory cost	38,532	35,103	-	-
Maintenance	28,155	23,134	140	143
Insurance premium	1,293	1,688	62	59
Rent and rates	1,840	5,260	-	81
Advert and corporate promotions	18,300	7,770	234	181
Legal and other professional fees	9,525	8,921	528	541
Donations and subscriptions	786	831	9	12
Stationery and printing	1,509	1,590	41	40
Communication, light and power	6,806	7,576	11	12
Cash handling charges	3,516	2,247	-	-
Operational and other losses	20,378	6,910	-	-
Passages and travels	6,900	7,559	377	463
Outsourced cost	19,535	18,871	22	25
Statutory fees	1,027	510	36	39
Underwriting expenses	6,667	4,433	-	-
WHT on retained dividend	170	255	-	-
Fines and penalties	64	33	-	4
Other operating expenses	12,370	12,614	526	266
	182,151	150,292	2,988	2,908

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

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19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
a Income tax expense				
Corporate tax	8,903	10,644	12	101
Education tax	150	442	-	-
Technology tax	795	774	-	-
Police trust fund levy	2	-	-	-
Over provision in prior years	(599)	(79)	-	(3)
Current income tax - current period	9,251	11,781	12	98
Origination and reversal of temporary deferred tax differences	532	(6,237)	-	-
Income tax expense	9,783	5,544	12	98

GROUP	2019		2018	
Profit before income tax	83,595		63,853	
Tax calculated using the domestic corporation tax rate of 30% (2018: 30%)	25,078	30%	19,587	30%
Effect of tax rates in foreign jurisdictions	(302)	0%	(3,251)	-5%
Non-deductible expenses	31,065	37%	21,789	33%
Effect of education tax levy	147	0%	367	1%
Effect of Information technology	823	1%	864	1%
Effect of capital gains tax	(18)	0%	-	0%
Effect of minimum tax	2,406	3%	3,315	5%
Effect of excess dividend tax	28	0%	1,266	2%
Effect of change in tax rate	(157)	0%	-	0%
Effect of exchange rate	(341)	0%	-	0%
Tax exempt income	(53,162)	-64%	(44,756)	-69%
Origination and reversal of temporary deferred tax differences	(2)	0%	(6,237)	-10%
Tax incentives	(134)	0%	2,527	4%
Tax loss effect	4,823	6%	10,152	16%
Over provision in prior years	(474)	-1%	(79)	0%
Police Trust Fund Levy	2	0%	-	0%
Total income tax expense in income statement	9,783	12%	5,544	8%
Income tax expense	9,783	12%	5,544	8%

19 Taxation – Income tax expense and liability continued

COMPANY	2019		2018	
Profit before income tax	13,874		9,440	
Tax calculated using the domestic corporation tax rate of 30% (2018: 30%)	4,162	30%	2,832	30%
Non-deductible expenses	412	3%	152	2%
Effect of Information technology	-	0%	-	0%
Effect of minimum tax	12	0%	102	1%
Tax exempt income	(5,427)	-39%	(3,532)	-37%
Over provision in prior years	-	0%	(3)	0%
Tax loss effect	853	6%	547	6%
Total income tax expense in income statement	12	0%	98	1%
Income tax expense	12	0%	98	1%

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
b Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of the period	15,656	10,194	102	104
Tax paid	(10,443)	(6,026)	(36)	(63)
Withholding tax credit utilised	(893)	(303)	(66)	(37)
Prior period under provision	(18)	-	-	-
Income tax charge	9,251	11,781	12	98
Effect of changes in exchange rate	225	10	-	-
At 31 December	13,778	15,656	12	102
Current	13,778	15,656	12	102

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20 Cash and balances with Central Banks

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Cash	**125,929**	110,706
Balances with Central Banks excluding mandatory reserve deposits	**55,960**	17,738
	181,889	128,444
Mandatory reserve deposits with Central Banks	**843,436**	524,891
	1,025,325	653,335

Restricted deposits with Central Banks are not available for use in Group's day-to-day operations. First Bank Nigeria Limited and FBNQuest Merchant Bank Limited had restricted balances of ₦828.69billion and ₦8.00billion respectively with Central Bank of Nigeria (CBN) as at 31 December 2019 (December 2018: ₦515.49billion and ₦3.88billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. FBNBank Ghana and FBNBank Guinea also have restricted balances of ₦2.84billion and ₦2.64billion (December 2018: ₦2.45billion and ₦1.75billion) 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 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Cash (See Note 20)	**125,929**	110,706	**-**	-
Balances with Central Bank other than mandatory reserve deposits (See Note 20)	**55,960**	17,738	**-**	-
Loans and advances to banks excluding long-term placements (See Note 22)	**625,680**	753,471	**5,706**	16,639
Treasury bills included in financial assets at FVTPL (See Note 24)	**8,641**	13,025	**-**	-
Treasury bills and eligible bills excluding pledged treasury bills (See Note 25.1 and 25.2)	**488,788**	524,950	**-**	-
	1,304,998	1,419,889	**5,706**	16,639

22 Loans and advances to banks

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Current balances with banks within Nigeria	**356,031**	357,628	**3,794**	82
Current balances with banks outside Nigeria	**242,382**	266,920	**-**	-
Placements with banks and discount houses (short-term)	**27,267**	128,922	**1,912**	16,557
	625,680	753,470	**5,706**	16,639
Long-term placement/Cash collateral balance	**129,959**	110,950	**-**	-
Stage 1: 12 month ECL on placements	**(729)**	(985)		
Carrying amount	**754,910**	863,435	**5,706**	16,639

Included in loans to banks are long-term placement/cash collateral balance of ₦129.95billion balance for Group (31 December 2018: ₦110.95billion) which does not qualify as cash and cash equivalent. Also included in the Group's Loans and advances to banks is the sum of ₦67.33billion (2018: ₦58.25billion) in respect of trade finance and other short-term financing advanced to banks on the back of their letters of credit/trade related transactions. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of period	**(985)**	-	**-**	-
Transition adjustment	**-**	(560)	**-**	-
Impairment writeback/(charge)	**256**	(425)	**-**	-
At end of period	**(729)**	(985)	**-**	-

23 Loans and advances to customers

GROUP	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2019						
Corporate						
Overdrafts	215,310	(625)	(123)	(16,480)	(17,228)	198,082
Term loans	945,954	(2,361)	(3,939)	(35,734)	(42,034)	903,920
Project finance	615,978	(947)	(2,075)	(5,517)	(8,540)	607,438
	1,777,242	(3,933)	(6,138)	(57,731)	(67,802)	1,709,440
Retail						
Overdrafts	15,901	(414)	(28)	(3,587)	(4,029)	11,872
Term loans	101,501	(4,927)	(21)	(1,795)	(6,743)	94,758
Credit cards	1,779	(6)	-	(43)	(49)	1,730
Mortgage	34,899	(44)	(2)	(242)	(288)	34,611
	154,080	(5,391)	(51)	(5,667)	(11,109)	142,971
Total loans and advances to customers	1,931,321	(9,324)	(6,189)	(63,398)	(78,911)	1,852,411

GROUP						
31 December 2018						
Corporate						
Overdrafts	251,969	(236)	(83)	(74,965)	(75,284)	176,685
Term loans	1,124,786	(3,423)	(2,779)	(264,637)	(270,839)	853,947
Project finance	476,525	(498)	(2,290)	(2,659)	(5,447)	471,078
	1,853,280	(4,157)	(5,152)	(342,261)	(351,570)	1,501,710
Advances under finance lease	737	-	-	(320)	(320)	417
	1,854,017	(4,157)	(5,152)	(342,581)	(351,890)	1,502,127
Retail						
Overdrafts	21,855	(238)	(5)	(7,837)	(8,080)	13,775
Term loans	123,406	(1,137)	(26)	(23,833)	(24,996)	98,410
Credit cards	2,003	(5)	-	(82)	(87)	1,916
Mortgage	55,224	(70)	(2)	(903)	(976)	54,248
	202,488	(1,451)	(33)	(32,654)	(34,138)	168,349
Total loans and advances to customers	2,056,505	(5,608)	(5,185)	(375,235)	(386,028)	1,670,476

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23 Loans and advances to customers continued

COMPANY	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total Impairment ₦'million	Carrying amount ₦'million
31 December 2019						
Term loans	**94**	**-**	**-**	**-**	**-**	**94**
	94	**-**	**-**	**-**	**-**	**94**
31 December 2018						
Term loans	110	-	-	-	-	110
	110	-	-	-	-	110

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Current	**837,142**	854,068	**14**	14
Non-current	**1,015,269**	816,408	**80**	96
	1,852,411	1,670,476	**94**	110

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance in 2019 were as follows:

- Migration of some assets from Stage 1 and 2 to Stage 3 within the financial year 2019 contributed to increase in total ECL. A total of ₦90.9billion migrated from Stage 1 and 2 to 3 with corresponding increase in ECL by a total of ₦17billion.
- Write-off of significant loans with a total gross carrying amount of ₦366billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
- Newly created facilities totaling ₦311.6billion with a corresponding ₦2.1billion increase in loss allowance measured on a 12-month basis.

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance in 2018 were as follows:

- Migration of some assets from Stage 1 and 2 to Stage 3 within the financial year 2018 contributed to increase in total ECL. A total of ₦20.7billion migrated from Stage 1 and 2 to 3 with corresponding increase in ECL by a total of ₦7.2billion.
- Write-off of significant loans with a total gross carrying amount of ₦149.5billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
- Movement in exchange rate on major foreign currency denominated facility in stage 3 contributed significantly to an increase in ECL on stage 3 loans. A total of ₦14.2billion increase was caused by foreign exchange impact with corresponding increase of ₦14.1billion in ECL.
- Newly created facilities totaling ₦55.4billion with a corresponding ₦0.5billion increase in loss allowance measured on a 12-month basis.

23 Loans and advances to customers continued

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate ₦'million	Retail ₦'million	Total ₦'million
At 1 January 2019			
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,581	32,655	374,681
	351,890	34,139	385,473
Additional allowance:			
12 months ECL- Stage 1	(307)	4,036	3,729
Life time ECL not credit impaired - Stage 2	869	15	884
Life time ECL credit impaired - Stage 3	47,979	6,190	54,169
	48,541	10,241	58,782
Exchange difference:			
12 months ECL- Stage 1	83	(95)	(12)
Life time ECL not credit impaired - Stage 2	117	3	120
Life time ECL credit impaired - Stage 3	536	(137)	954
Loan write-off:			
Life time ECL credit impaired - Stage 3	(333,366)	(33,041)	(366,407)
At 31 December 2019	67,802	11,109	78,911
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,137	51	6,189
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
At 31 December 2019	67,802	11,109	78,911

23 Loans and advances to customers continued

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate ₦'million	Retail ₦'million	Total ₦'million
At 1 January 2018			
12 months ECL- Stage 1	2,103	1,773	3,875
Life time ECL not credit impaired - Stage 2	18,840	37	18,877
Life time ECL credit impaired - Stage 3	433,127	27,191	460,318
	454,070	29,001	483,071
Additional allowance:			
12 months ECL- Stage 1	1,165	(338)	827
Life time ECL not credit impaired - Stage 2	(10,900)	(1)	(10,901)
Life time ECL credit impaired - Stage 3	90,053	6,445	96,498
	80,317	6,106	86,424
Exchange difference:			
12 months ECL- Stage 1	889	15	904
Life time ECL not credit impaired - Stage 2	(2,788)	(3)	(2,791)
Life time ECL credit impaired - Stage 3	4,478	387	4,865
Loan write-off:			
Life time ECL credit impaired - Stage 3	(185,077)	(1,368)	(186,445)
At 31 December 2018	351,890	34,138	386,028
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,581	32,655	375,236
At 31 December 2018	351,890	34,138	386,028

Nature of security in respect of loans and advances:

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Legal mortgage/debenture on business premises, factory assets or real estates	**1,089,527**	1,217,736	**-**	-
Guarantee/Receivables of Investment Grade Banks and State Government	**161,961**	285,828	**-**	-
Domiciliation of receivables	**321,776**	358,707	**-**	-
Clean/Negative pledge	**182,846**	136,394	**-**	-
Marketable securities/shares	**466**	608	**-**	-
Otherwise secured	**51,578**	32,709	**94**	110
Cash/Government securities	**123,166**	17,834	**-**	-
Unsecured	**-**	6,689		
	1,931,321	2,056,505	**94**	110

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

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Treasury bills with maturity of less than 90 days	8,641	13,025	-	-
Treasury bills with maturity over 90 days	122,784	9,398	-	-
Bonds	77,482	32,618	-	-
Total debt securities	208,907	55,042	-	-
Listed equity securities	234	271	-	-
Unlisted equity securities	35,146	36,063	3,057	3,427
Total equity securities	35,380	36,334	3,057	3,427
Derivative assets (See Note 24a)	38,372	17,786	-	-
Total assets at fair value through profit or loss	282,660	109,163	3,057	3,427
Current	208,907	55,042	-	-
Non-current	73,752	54,120	3,057	3,427
	282,660	109,162	3,057	3,427

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held-for-trading' for accounting purposes and are accounted for at fair value through profit or loss.

24 Financial assets and liabilities at fair value through profit or loss continued

a Derivatives

GROUP	31 Dec 2019		
		Fair values	
	Notional contract amount ₦'million	Asset ₦'million	Liability ₦'million
Foreign exchange derivatives			
Forward foreign exchange contract	384,353	15,752	(3,787)
Foreign exchange futures	511,637	1,350	(749)
Currency swap	117,067	19,306	(10)
Put options	56,056	1,964	(1,501)
	1,069,113	38,372	(6,046)
Current	1,068,998	38,372	(6,046)
Non-current	114	-	-
	1,069,113	38,372	(6,046)

GROUP	31 Dec 2018		
		Fair values	
	Notional contract amount ₦'million	Asset ₦'million	Liability ₦'million
Foreign exchange derivatives			
Forward foreign exchange contract	351,767	2,777	(2,537)
Foreign exchange accumulator contract	99,178	271	(272.17)
Currency swap	18,905	296	(14)
Put options	430,971	14,442	(12,967)
	900,822	17,786	(15,791)
Current	844,997	14,452	(12,671)
Non-current	55,825	3,334	(3,120)
	900,822	17,786	(15,791)

25 Investment securities

25.1 Investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**5,249**	38,247	**-**	-
– Treasury bills with maturity of more than 90 days	**275,529**	566,001	**10,336**	6,080
– Government bonds	**91,997**	118,188	**810**	999
– Other bonds	**22,850**	43,335	**247**	-
Equity securities – at fair value:				
– Listed	**821**	1,217	**-**	-
– Unlisted	**158,220**	107,131	**-**	-
Total securities classified as FVOCI	**554,666**	874,119	**11,393**	7,079
Current	**298,466**	649,984	**10,336**	6,080
Non current	**256,200**	224,135	**1,057**	999
	554,666	874,119	**11,393**	7,079
Reconciliation of impairment on investment securities at FVOCI				
At start of period	**1,833**	-	**-**	-
Transition adjustment	**-**	414	**-**	-
(Decrease)/Increase in impairment	**(734)**	1,419	**-**	-
At end of period	**1,099**	1,833	**-**	-

25 Investment Securities continued

25.2 Investment securities at amortised cost

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**483,539**	486,703	**-**	-
– Treasury bills with maturity of more than 90 days	**33,396**	59,051	**-**	-
– Bonds	**327,821**	230,714	**-**	-
– Unlisted debt	**15,717**	14,069		
Impairment on amortised cost securities				
- Stage 1: 12-month ECL	**(610)**	(835)	**-**	-
Total securities at amortised cost	**859,864**	789,702	**-**	-
Current	**653,097**	556,351	**-**	-
Non-current	**206,767**	233,351	**-**	-
	859,864	789,701	**-**	-
Total investment securities	**1,414,530**	1,663,821	**11,393**	7,079
Reconciliation of impairment on investment securities at amortised cost				
At start of period	**835**	3,230	**-**	-
Transition adjustment	**-**	1,184	**-**	-
Writeback	**(225)**	(776)	**-**	-
Amount written-off	**-**	(1,111)	**-**	-
Reclassification	**-**	(1,692)	**-**	-
At end of period	**610**	835	**-**	-

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 2019 ₦'million	31 December 2018 ₦'million
Debt securities at FVOCI (See Note 26.1)	**444,393**	215,753
Debt securities at amortised cost (See Note 26.2)	**20,529**	93,298
	464,922	309,051

26.1 Debt securities at FVOCI

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
– Treasury bills	**417,667**	149,829
– Bonds	**26,726**	65,924
	444,393	215,753

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26.2 Debt securities at amortised cost

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
– Treasury bills	**19,416**	14,032
– Bonds	**1,113**	79,266
	20,529	93,298
The related liability for assets held-as-collateral include:		
Bank of Industry	**24,508**	29,532
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	**48,077**	27,049
Due to other Banks	**199,834**	116,189

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.

Also included in pledged as sets are assets pledged as collateral or security deposits to clearing house and payment agencies of ₦47.0billion for the Group in December 2018 (2018: ₦33.3billion) for which there is no related liability.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Current	**440,820**	175,756
Non-current	**24,102**	133,295
	464,922	309,051

All assets pledged as collateral are Stage 1 assets.

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27 Other assets

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Financial assets:				
Premium debtors	80	87	-	-
Accounts receivable	138,372	66,358	15,729	87
Reinsurance assets	3,081	2,703	-	-
	141,533	69,148	15,729	87
Impairment on finanicial other assets	(19,940)	(18,948)	-	-
	121,593	50,200	15,729	87
Non financial assets:				
Stock of consumables	1,762	2,038	-	-
Inventory - repossessed collateral	78,104	60,104	-	-
Prepayments	9,192	12,545	157	139
WHT receivable	1,838	1,879	36	66
Deferred expenses	355	223	-	-
Impairment on non-financial other assets	(752)	(697)	-	-
	90,499	76,092	193	205
Net other assets balance	212,092	126,292	15,922	292

Inventory (repossessed collateral) of ₦78.10bn (2018: ₦60.1bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable ₦'million	IBNR claims ₦'million	Unearned premium reserve ₦'million	Outstanding claims ₦'million	Prepaid Reinsurance ₦'million	Total ₦'million
At 1 January 2019	274	408	62	1,312	647	2,703
Addition	-	-	-	-	3,483	3,483
Receipt from reinsurers	(1,872)	-	-	-	-	(1,872)
Amortisation for the year	-	-	-	-	(3,296)	(3,296)
Changes during the year	1,726	695	(55)	(303)	-	2,063
At 31 December 2019	128	1,103	7	1,009	834	3,081
At 1 January 2018	60	642	147	392	411	1,652
Addition	-	-	-	-	2,731	2,731
Receipt from reinsurers	(719)	-	-	-	-	(719)
Amortisation for the year	-	-	-	-	(2,495)	(2,495)
Changes during the year	933	(234)	(85)	920	-	1,534
At 31 December 2018	274	408	62	1,312	647	2,703

27 Other assets continued

Deferred insurance acquisition costs

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of year	**223**	153
Changes during the year	**132**	70
At end of year	**355**	223

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of period	**19,645**	8,973	**-**	-
Transition Impact	**-**	6,021	**-**	-
Write-off	**(214)**	(2,873)	**-**	-
Increase in impairment	**1,261**	7,524	**-**	-
At end of period	**20,692**	19,645	**-**	-

All other assets on the statement of financial position of the Group had a remaining period to contractual maturity of less than 12 months.

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28 Investment properties

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of period	**515**	1,993
Derecognition	**(415)**	(1,498)
Net gain/(loss) from fair value adjustment	**-**	20
	100	515

Included in investment properties are mainly land acquired by the Group for capital appreciation. At the reporting period, the properties were valued by registered valuers. 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 (2018: Nil) arose from the investment properties during the year. Fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

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

Entity:	FBN Insurance Limited
Location:	Abuja
Name of the professional:	Lawal Abdulfatai
Name of the professional firm/entity:	Jide Taiwo & Co
FRC registration number of the professional:	FRC/2015/NIESV/00000011465

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29 Investment in associates accounted for using equity method

i. Seawolf Oilfield Services Limited (SOSL)

FBN Holdings Plc holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). 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.

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.

ii. FBN Balanced Fund

FBN Balanced Fund (formerly 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 ₦146.8 (Cost: ₦100). FBN Balanced Fund's principal place of business is Nigeria while the its principal activity is Fund management. The Group's ownership interest in the Fund is 28.23%.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
FBN Balanced Fund		
Balance at beginning of year	**624**	1,357
Share of profit	**87**	23
Share of other comprehensive income	**-**	(5)
Disposal of investment	**-**	(751)
At end of year	**711**	624

30 Investment in subsidiaries

30.1 Principal subsidiary undertakings

	COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 30 (i))	**205,557**	205,557
FBNQuest Capital Limited (Note 30 (ii))	**4,300**	4,300
FBN Insurance Limited (Note 30 (iii))	**4,724**	4,724
FBN Insurance Brokers Limited (Note 30 (iv))	**25**	25
Rainbow Town Development Limited (Note 30 (v))	**-**	-
FBNQuest Merchant Bank Limited (Note 30 (vi))	**17,206**	17,206
FBNQuest Trustees Limited (Note 30 (vii))	**3,152**	-
	234,964	231,812
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
FBNQuest Trustees Limited (Note 30 (vii))	**-**	6,033
FBNQuest Funds Limited (Note 30 (viii))	**4,550**	4,550
	4,550	10,583
	239,514	242,395

As at 31 December 2019, 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 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 ₦15.516billion (2018: ₦12.289billion).

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by the parent/Group (%)	Statutory year end
First Bank of Nigeria Limited (Note 30 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (Note 30 (ii))	Investment Banking and Funds Management	Nigeria	100	31 December
FBN Insurance Limited (Note 30 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (Note 30 (iv))	Insurance Brokerage	Nigeria	100	31 December
Rainbow Town Development Limited (Note 30 (v))	Investment and General Trading	Nigeria	55	31 December
FBNQuest Merchant Bank Limited (Note 30 (vi)	Merchant Banking and Asset Management	Nigeria	100	31 December
FBNQuest Trustees Limited (Note 30 (vii))	Trusteeship	Nigeria	100	31 December
FBNQuest Funds Limited (Note 30 (viii))	Investment Banking and Asset Management	Nigeria	100	31 December

30 Investment in subsidiaries continued

30.1 Principal subsidiary undertakings 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, FirstBank incorporated a subsidiary, FBN Life Assurance Limited. FirstBank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited in 2014.

iv FBN Insurance Brokers Limited

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

v Rainbow Town Development Limited

Rainbow Town Development Limited is a limited liability company incorporated under the laws of Nigeria. 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. During the year ended 31 December 2019, FBN Holdings Plc acquired direct interest in FBNQuest Trustees Limited via a scheme of arrangement with FBNQuest Capital Limited.

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 2019

30.2 Condensed results of consolidated entities from continuing operations

31 December 2019	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjust-ments ₦'million	Group ₦'million
Summarised Income Statement											
Operating income	18,382	395,926	1,709	1,306	14,045	32,369	613	-	464,349	(15,045)	**449,302**
Operating expenses	(4,508)	(274,350)	(1,192)	(682)	(9,843)	(23,776)	(403)	-	(314,754)	92	**(314,662)**
Impairment charge for credit losses	-	(50,821)	(121)	(100)	(51)	(41)	-	-	(51,133)	-	**(51,133)**
Operating profit	13,874	70,755	396	524	4,150	8,552	210	-	98,462	(14,953)	**83,508**
Share of profit of associates	-	-	87	-	-	-	-	-	87	-	**87**
Profit before tax	13,874	70,755	482	524	4,150	8,552	210	-	98,548	(14,953)	**83,595**
Income tax expense	(12)	(8,088)	281	(203)	(557)	(542)	(62)	-	(9,182)	(601)	**(9,783)**
Profit for the year from continuing operations	13,863	62,667	763	321	3,593	8,011	148	-	89,365	(15,554)	**73,812**
Loss for the year from discontinued operations	-	-	1,341	-	-	-	-	(404)	938	(1,084)	**(147)**
Other comprehensive income	127	64,370	3	428	1,818	2,517	(19)	-	69,244	12	**69,256**
Total comprehensive income	13,990	127,037	2,107	749	5,411	10,527	128	(404)	159,547	(16,626)	**142,921**
Total comprehensive income allocated to non-controlling interests	-	1,124	-	-	-	3,685	-	(182)	4,627	-	**4,627**
Dividends paid to non-controlling interests	-	-	-	-	-	1,401	-	-	1,401	-	**1,401**
Summarised Financial Position											
Assets											
Cash and balances with Central Banks	-	1,016,522	-	-	8,302	500	-	-	1,025,325	-	**1,025,325**
Loans and advances to banks	5,706	741,304	22,688	1,982	7,378	3,879	815	-	783,751	(28,841)	**754,910**
Loans and advances to customers	94	1,866,023	11	20	46,448	427	7	-	1,913,029	(60,619)	**1,852,411**
Financial assets at fair value through profit or loss	3,057	165,379	33,922	-	3,377	76,925	-	-	282,660	-	**282,660**
Investment securities	11,393	1,323,045	28,736	4,295	19,599	27,354	108	-	1,414,530	-	**1,414,530**
Assets pledged as collateral	-	425,540	-	-	39,383	-	-	-	464,923	(1)	**464,922**
Other assets	15,922	190,919	8,105	979	8,470	4,031	39	-	228,466	(16,374)	**212,092**
Inventory	-	-	-	-	-	-	-	-	-	-	**-**
Investment properties	-	-	-	-	-	100	-	-	100	-	**100**
Investment in associates accounted for using the equity method	-	-	855	-	-	-	-	-	855	(144)	**711**
Investment in subsidiaries	239,514	-	-	-	-	-	-	-	239,514	(239,514)	**-**
Property and equipment	491	107,854	57	130	1,564	2,460	34	-	112,590	349	**112,939**
Intangible assets	-	17,716	38	10	863	333	1	-	18,961	-	**18,961**
Deferred tax assets	-	14,640	918	-	9,427	-	25	-	25,009	-	**25,009**
Assets held-for-sale	-	278	1,021	-	-	-	-	45,534	46,834	(7,878)	**38,956**
	276,177	5,869,219	96,352	7,416	144,810	116,010	1,029	45,534	6,556,547	(353,022)	**6,203,526**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2019	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjust-ments ₦'million	Group ₦'million
Financed by											
Deposits from banks	-	834,138	-	-	27,649	-	-	-	861,787	-	**860,486**
Deposits from customers	-	3,911,893	59,819	-	75,676	-	-	-	4,047,388	(27,552)	**4,019,836**
Financial liabilities at fair value through profit or loss	-	5,571	-	-	469	6	-	-	6,046	-	**6,046**
Current income tax liabilities	12	8,873	617	925	767	2,473	112	-	13,778	-	**13,778**
Other liabilities	9,321	263,794	21,280	2,809	10,206	5,248	705	-	313,363	(16,223)	**297,140**
Liability on investment contracts	-	-	-	-	-	24,676	-	-	24,676	-	**24,676**
Liability on insurance contracts	-	-	-	-	-	63,748	-	-	63,748	-	**63,748**
Borrowings	-	250,596	-	-	-	-	-	-	250,596	-	**250,596**
Retirement benefit obligations	-	3,352	-	-	-	-	-	-	3,352	-	**3,352**
Deferred tax liabilities	-	-	-	14	-	236	-	-	250	-	**250**
Liabilities held-for-sale	-	-	372	-	-	-	-	67,025	67,397	(64,903)	**2,493**
	9,332	5,278,219	82,088	3,747	114,766	96,387	817	67,025	5,652,381	(109,980)	**5,542,401**
Equity and reserves	266,845	591,001	14,264	3,669	30,044	19,623	213	(21,491)	904,167	(243,043)	**661,125**
Summarised cash flows											
Operating activities											
Interest received	1,806	486,345	5,077	1,991	13,759	10,352	47	-	519,376	-	**519,376**
Interest paid	-	(131,589)	(3,713)	-	(10,843)	-	-	-	(146,145)	-	**(146,145)**
Income tax paid	(35)	(5,713)	(3,449)	(537)	(610)	(70)	(29)	-	(10,443)	-	**(10,443)**
Cash flow (used in)/generated from operating activities	(3,330)	(655,225)	13,505	(294)	(22,551)	15,799	505	(42)	(651,633)	(10,082)	**(661,715)**
Net cash (used in)/generated from operating activities	(1,559)	(306,183)	11,419	1,160	(20,245)	26,082	523	(42)	(288,844)	(10,082)	**(298,927)**
Net cash (used in)/generated from investing activities	(47)	290,584	(6,246)	227	13,909	(23,689)	3	-	274,741	(4,000)	**270,741**
Net cash (used in)/generated from financing activities	(9,333)	(108,692)	(1,050)	(1,266)	-	(3,739)	(61)	-	(124,140)	4,532	**(119,608)**
(Decrease)/Increase in cash and cash equivalents	(10,939)	(124,291)	4,123	122	(6,335)	(1,345)	464	(42)	(138,243)	(9,551)	**(147,794)**
Cash and cash equivalents at start of year	16,639	1,371,464	19,535	-	33,211	12,760	327	285	1,454,221	(34,332)	**1,419,889**
Effect of exchange rate fluctuations on cash held	6	32,591	(18)	2	323	-	-	-	32,903	-	**32,903**
Cash and cash equivalents at end of year	5,706	1,279,764	23,640	123	27,199	11,415	792	243	1,348,881	(43,883)	**1,304,998**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2018	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised Income Statement										
Operating income	13,651	363,680	15,555	13,100	21,311	485	-	427,781	(11,900)	415,880
Operating expenses	(4,210)	(233,677)	(3,227)	(10,183)	(14,444)	(426)	-	(266,167)	145	(266,022)
Impairment charge for credit losses	-	(92,796)	1,215	(116)	(119)	(19)	-	(91,835)	4,370	(87,465)
Operating profit	9,441	38,643	13,542	2,801	6,749	40	-	71,215	(7,386)	63,830
Share of profit of associates	-	-	23	-	-	-	-	23	-	23
Profit before tax	9,441	38,643	13,566	2,801	6,749	40	-	71,239	(7,386)	63,853
Income tax expense	(98)	201	(4,336)	(483)	(807)	(21)	-	(5,544)	-	(5,544)
Profit for the year from continuing operations	9,343	38,844	9,230	2,318	5,941	19	-	65,695	(7,386)	58,309
Loss for the year from discontinued operations	-	-	-	-	-	-	(330)	(330)	254	(77)
Other comprehensive income	(144)	1,131	(583)	(1,664)	(502)	(28)	-	(1,789)	-	(1,789)
Total comprehensive income	9,199	39,976	8,647	654	5,439	(9)	(330)	63,575	(7,134)	56,443
Total comprehensive income allocated to non-controlling interests		(1,391)	-	-	1,904	-	(149)	363	-	363
Dividends paid to non-controlling interests	-	-	-	-	1,027	-	-	1,027	-	1,027
Summarised Financial Position										
Assets										
Cash and balances with Central Banks	-	648,181	-	4,653	500	-	-	653,335	-	653,335
Loans and advances to banks	16,639	842,494	18,582	17,338	1,125	350	-	896,528	(33,092)	863,435
Loans and advances to customers	110	1,694,884	144	35,414	286	1	-	1,730,838	(60,362)	1,670,476
Financial assets at fair value through profit or loss	3,427	24,674	32,368	2,096	46,596	-	-	109,162	-	109,162
Investment securities	7,078	1,571,723	28,251	35,394	21,301	127	-	1,663,874	(53)	1,663,821
Assets pledged as collateral	-	287,791	161	21,100	-	-	-	309,051	-	309,051
Other assets	291	117,765	1,348	5,529	3,243	55	-	128,231	(1,938)	126,292
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	415	-	100	-	-	515	-	515
Investment in associates accounted for using the equity method	-	-	769	-	-	-	-	769	(144)	625
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property and equipment	383	86,311	192	1,759	2,468	52	-	91,166	349	91,515
Intangible assets	-	13,590	308	1,900	334	1	-	16,134	-	16,134
Deferred tax assets	-	15,706	506	9,322	-	24	-	25,558	-	25,558
Assets held-for-sale	-	208	1,021	-	-	-	45,681	46,910	(7,920)	38,990
	270,325	5,303,327	84,064	134,505	75,953	611	45,681	5,914,466	(345,557)	5,568,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

30.2 Condensed results of consolidated entities from continuing operations continued

31 December 2018	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by										
Deposits from banks	-	741,311	-	8,004	-	-	-	749,315	-	749,315
Deposits from customers	-	3,392,577	36,402	90,858	-	-	-	3,519,837	(33,146)	3,486,691
Financial liabilities at fair value through profit or loss	-	15,557	-	220	14	-	-	15,791	-	15,791
Current income tax liabilities	102	7,844	4,895	716	2,024	75	-	15,656	-	15,656
Other liabilities	8,035	329,417	22,953	10,074	6,661	290	-	377,429	(1,787)	375,642
Liability on investment contracts	-	-	-	-	19,766	-	-	19,766	-	19,766
Liability on insurance contracts	-	-	-	-	34,192	-	-	34,192	-	34,192
Borrowings	-	338,214	-	-	-	-	-	338,214	-	338,214
Retirement benefit obligations	-	1,941	-	-	-	(1)	-	1,940	-	1,940
Deferred tax liabilities	-	-	53	-	213	-	-	266	-	266
Liabilities held-for-sale	-	-	372	-	-	-	66,768	67,140	(64,646)	2,493
	8,137	4,826,860	64,675	109,872	62,870	363	66,768	5,139,546	(99,579)	5,039,967
Equity and reserves	262,188	476,467	19,389	24,633	13,082	247	(21,087)	774,920	(245,977)	528,943
Summarised Cash Flows										
Operating activities										
Interest received	2,410	405,472	4,673	16,630	8,159	48	-	437,392	-	437,392
Interest paid	-	(110,062)	(4,138)	(12,272)	-	-	-	(126,472)	-	(126,472)
Income tax paid	(63)	(2,903)	(597)	(2,184)	(244)	(35)	-	(6,026)	-	(6,026)
Cash flow generated from/(used in) operating activities	(3,590)	198,083	(1,200)	19,847	24,102	57	(53)	237,246	(3,685)	233,561
Net cash generated from/(used in) operating activities	(1,243)	490,590	(1,261)	22,021	32,016	71	(53)	542,142	(3,685)	538,456
Net cash (used in)/generated from investing activities	19,219	(174,922)	1,993	(531)	(24,310)	(2)	-	(178,554)	(19,823)	(198,377)
Net cash (used in)/generated from financing activities	(8,974)	(116,581)	(8,381)	(9,407)	(2,657)	(130)	-	(146,129)	15,536	(130,594)
Increase in cash and cash equivalents	9,002	199,087	(7,649)	12,082	5,049	(61)	(53)	217,459	(7,973)	209,486
Cash and cash equivalents at start of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,808	(26,360)	1,166,447
Effect of exchange rate fluctuations on cash held	52	43,074	165	668	-	(5)	-	43,955	-	43,955
Cash and cash equivalents at end of year	16,639	1,371,464	19,535	33,211	12,760	327	285	1,454,221	(34,333)	1,419,888

31 Asset held-for-sale

The assets classified as held-for-sale in 2019 includes Rainbow Town Development 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 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".

(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, to dispose the Group's interest in Twin Peaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020).

The buyer has fulfilled its obligation as stipulated in the SPA and has acquired 52.16% as at November 2018.

The operating results and net cash flows are separately presented in the income statement and statement of cash flows respectively because the disposal group represents a separate line of buisness within the Group, and as such meets the definition of discontinued operation.

The carrying amount of the assets and liabilties of the disposal group classified as held-for-sale are as listed below.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Assets classified as held-for-sale	**-**	-
Cash and balances with Central Banks	**-**	-
Loans and advances to banks	**-**	-
Loans and advances to customers	**-**	-
Investment securities	**1,323**	1,427
Other assets	**36,337**	36,337
Inventory	**1,008**	1,008
Investment property	**-**	-
Deferred tax assets	**5**	5
Property and equipment	**5**	5
Intangible assets	**38,678**	38,782
Liabilities classified as held-for-sale		
Current income tax liabilities	**6**	6
Other liabilities	**2,487**	2,487
Borrowings	**-**	-
	2,493	2,493
Net Asset	**36,185**	36,289

31 Asset held-for-sale continued

The operating results of the discontinued operations are as follows:

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Interest income	-	-
Interest expense	-	-
Net interest income	-	-
Impairment charge	-	-
Net interest income after impairment charge	-	-
Net fee and commission income	-	-
Other income	-	-
Operating expense	(147)	(77)
Loss before tax	(147)	(77)
Income tax expense	-	-
Loss after tax	(147)	(77)
Loss from discontinued operations is attributable to:		
Owners of the parent	(81)	(42)
Non-controlling interests	(66)	(34)
	(147)	(77)
The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	(43)	(54)
Net cash flow from financing activities	-	-
Net cash flow from investing activities	-	-
Net cash outflow	(43)	(54)

(b) Non-current asset held-for-sale

FBNBank Senegal has classified a building from its property and equipment as Asset held-for-sale. This is following Management's decision to dispose the asset.

The Board of Directors demonstrated commitment to the sale in line with the requirements of IFRS 5 and as such the sales is expected to be completed within the next 12 months. The entity is recognised as a cash generating unit (CGU) and has been presented in Note 6 as part of "Commercial Banking Group". During the period, there was a reclassification of an additional of ₦70mn to assets held-for-sale.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Property and equipment	278	208
Total assets classified as held-for-sale	38,956	38,990

32 Property and equipment

GROUP	Improvement and buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture abd fittings ₦'million	Machinery ₦'million	Work in progress* ₦'million	Right-of-use Asset ₦'million	Total ₦'million
Cost										
At 1 January 2018	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	-	165,345
Additions	890	113	1,696	2,777	2,157	556	41	7,385	-	15,615
Disposals	(29)	-	(1,778)	(90)	(100)	(42)	(29)	-	-	(2,068)
Write-offs	-	-	-	(627)	-	-	-	-	-	(627)
Transfers	287	-	404	1,598	6,880	63	-	(9,284)	-	(52)
Exchange difference	347	(1)	70	122	150	44	(2)	15	-	744
At 31 December 2018	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,958
Accumulated depreciation										
At 1 January 2018	10,863	-	8,502	36,110	13,580	7,860	167	-	-	77,083
Charge for the year	1,388	-	2,135	4,606	3,138	969	46	-	-	12,282
Disposals	(30)	-	(1,404)	(87)	(99)	(40)	(30)	-	-	(1,690)
Write-offs	-	-	-	(625)	-	-	-	-	-	(625)
Exchange difference	109	-	54	71	128	32	(1)	-	-	393
At 31 December 2018	12,330	-	9,286	40,075	16,748	8,821	182	-	-	87,443
Net book amount at 31 December 2018	37,628	21,294	3,752	10,657	9,136	1,957	71	7,023	-	91,515
Cost										
At 1 January 2019	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,958
IFRS 16 Transition Impact	-	-	-	-	-	-	-		18,502	18,502
Additions	767	-	3,028	3,912	3,853	370	82	7,993	496	20,502
Reclassifications	(720)	860	42	2,735	2,444	11	-	(5,328)	-	45
Disposals	(271)	-	(1,917)	(783)	(64)	(73)	-	(10)	-	(3,119)
Transfers	13	-	14	1	220	5	-	(478)	-	(225)
Exchange difference	(143)	(9)	(80)	(135)	(144)	(21)	45	(13)	-	(501)
At 31 December 2019	49,604	22,144	14,125	56,461	32,193	11,069	380	9,187	18,998	214,161
Accumulated depreciation										
At 1 January 2019	12,330	-	9,286	40,075	16,748	8,821	182	-	-	87,443
Charge for the year	1,188	-	2,003	4,727	5,158	743	51	-	2,958	16,828
Reclassifications	(15)	-	48	(1)	1	12	-	-	-	45
Disposals	(198)	-	(1,670)	(749)	(58)	(69)	-	-	-	(2,744)
Exchange difference	(80)	-	(45)	(52)	(144)	(49)	20	-	-	(349)
At 31 December 2019	13,225	-	9,622	44,001	21,705	9,458	253	-	2,958	101,223
Net book amount at 31 December 2019	36,378	22,145	4,503	12,461	10,488	1,610	127	9,187	16,040	112,939

* Work in progress refers to capital expenditures incurred on items of property and equipment which are however not ready for use and as such are not being depreciated.

No capitalised borrowing cost relates to the acquisition of property and equipment during the year.

Exchange difference on property and equipment

The exchange difference on property and equipment occurs as a result of translation of balances relating to the foreign entities of the Group as at reporting date.

Right of use asset

See Note 32b for additional disclosure on right-of-use assets

32 Property and equipment continued

COMPANY	Improvement and buildings ₦'million	Motor vehicles ₦'million	Machinery ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Right of Use Asset ₦'million	Total ₦'million
Cost								
At 1 January 2018	615	475	42	448	12	419	-	2,011
Additions	-	97	-	2	6	-	-	105
Disposals	-	(39)		-	-	-	-	(39)
At 31 December 2018	615	533	42	450	18	419	-	2,077
Accumulated depreciation								
At 1 January 2018	430	218	34	316	6	327	-	1,330
Charge for the year	123	108	5	87	4	70	-	397
Disposals	-	(32)	-	-	-	-	-	(32)
At 31 December 2018	553	294	39	403	10	397	-	1,695
Net book amount at 31 December 2018	62	239	3	47	8	22	-	382
Cost								
At 1 January 2019	**615**	**533**	**42**	**450**	**18**	**419**	**-**	**2,077**
IFRS 16 Transition Impact	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**
Additions	**-**	**212**	**-**	**1**	**3**	**4**	**-**	**221**
Disposals	**-**	**(63)**		**-**	**-**	**-**		**(63)**
At 31 December 2019	**615**	**682**	**42**	**451**	**21**	**423**	**206**	**2,441**
Accumulated depreciation								
At 1 January 2019	**553**	**294**	**39**	**403**	**10**	**397**	**-**	**1,695**
Charge for the year	**61**	**113**	**2**	**44**	**4**	**21**	**72**	**319**
Disposals	**-**	**(63)**	**-**	**-**	**-**	**-**		**(63)**
At 31 December 2019	**614**	**344**	**41**	**446**	**14**	**418**	**72**	**1,951**
Net book amount at 31 December 2019	**1**	**338**	**1**	**4**	**8**	**4**	**134**	**490**

Right of use asset

See Note 32b for additional disclosure on right-of-use assets.

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32b) Leases

This note provides information for leases where the Group is a lessee.

Right-of-use assets	GROUP			COMPANY	
	Buildings ₦'million	Land ₦'million	Total ₦'million	Buildings ₦'million	Total ₦'million
Opening balance as at 1 January 2019	18,250	252	18,502	206	206
Additions for the year	496	-	496	-	-
Closing balance as at 31 December 2019	18,746	252	18,998	206	206
Accumulated depreciation					
Opening balance as at 1 January 2019	-	-	-	-	-
Charge for the year	2,907	51	2,958	72	72
Closing balance as at 31 December 2019	2,907	51	2,958	72	72
Net book value as at 31 December 2019	15,839	201	16,040	134	134

Lease liabilities		
	GROUP ₦'million	COMPANY ₦'million
Opening balance as at 1 January 2019	13,894	123
Additions	213	-
Interest expense	718	14
Payments made during the year	(2,812)	-
Closing balance as at 31 December 2019	12,013	137
Current lease liabilities	2,661	86
Non-current lease liabilities	9,352	51
	12,013	137
Amounts recognised in the statement of profit or loss		
Depreciation charge of right-of-use assets	2,958	72
Interest expense	718	14

Liquidity risk (maturity analysis of lease liabilities)

GROUP	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year but less than 5 years	Over 5 years	Total
Lease liabilities	240	830	531	1,459	3,474	5,712	12,246

COMPANY							
Lease liabilities	29	-	57	-	51	-	137

** There are no further potential cashflows to which the Group is exposed from the exercise of termination and extension options as these have been considered in the measurement of the lease.

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33 Intangible assets

	GROUP				
	Goodwill	Core deposits	Computer software	Work in progress	Total
Cost					
At 1 January 2018	6,648	954	21,199	3,037	31,838
Additions	-	-	6,527	1,348	7,875
Reclassification	-	-	(5)	(2,649)	(2,654)
Write-off	-	-	(159)	-	(159)
Disposals	-	-	(100)	-	(100)
Exchange difference	(15)	14	161	-	161
At 31 December 2018	6,633	969	27,622	1,736	36,960
Additions	**-**	**-**	**6,112**	**2,189**	**8,300**
Reclassification	**-**	**-**	**641**	**(898)**	**(257)**
Write-off	**-**	**(969)**	**(25)**	**-**	**(994)**
Transfers	**-**		**236**	**(246)**	**(10)**
Exchange difference	**(405)**	**-**	**70**	**-**	**(335)**
At 31 December 2019	**6,228**	**-**	**34,657**	**2,780**	**43,665**
Amortisation and impairment					
At 1 January 2018	1,925	781	12,921	-	15,627
Amortisation charge	-	176	5,160	-	5,336
Write-off	-	-	(159)	-	(159)
Other changes	-	-	(100)	-	(100)
Exchange difference	-	11	111	-	122
At 31 December 2018	1,925	968	17,933	-	20,826
Amortisation charge	**-**	**-**	**6,197**	**-**	**6,197**
Write-off	**-**	**(968)**	**-**	**-**	**(968)**
Disposal	**-**	**-**	**(1,389)**	**-**	**(1,389)**
Exchange difference	**-**	**-**	**38**	**-**	**38**
At 31 December 2019	**1,925**	**-**	**22,779**	**-**	**24,704**
Net book value					
At 31 December 2019	**4,303**	**-**	**11,878**	**2,780**	**18,961**
At 31 December 2018	4,708	1	9,688	1,736	16,134

Customer deposits acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight line method over 5 years.

The amortisation charge for the year is included in the income statement.

The software is not internally generated.

33 Intangible assets continued

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 (₦4.04 billion) and Insurance Business Groups (₦262 million), see analysis by segment below.

Each CGU to which goodwill is allocated for impairment testing purposes reflects the lowest level at which goodwill is monitored for internal management purposes.The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

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 2019.

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.

Analysis of Goodwill balances	31 December 2019 ₦'million	31 December 2018 ₦'million
Commercial Banking Group		
FBNBank Ghana Limited	**2,943**	3,325
FBNBank DRC Limited	**552**	552
FBNBank Sierra-Leone Limited	**324**	351
FBNBank Guinea Limited	**222**	218
	4,041	4,446
Insurance Group		
FBN General Insurance Limited	**262**	262
	4,303	4,708

33 Intangible assets continued

The cash generating unit (CGUs) with material goodwill balances relates to FBNBank DRC and FBNBank Ghana and the key assumptions used in the value-in-use calculation are as follows:

	2019		2018	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Terminal growth rate: %	4.27%	5.33%	4.68%	5.33%
Discount rate: %	33%	33%	28.00%	27.00%
Deposit growth rate: %	4%	17%	6.00%	12.00%
Recoverable amount of the CGU: (₦'million)	15,783	39,067	14,268	40,063

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, FBNBank Ghana and FBNBank DRC, 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 ₦4.21bn and ₦2.11bn respectively, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by ₦4.74bn and ₦2.30bn respectively.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by ₦4.50bn and ₦2.21bn respectively, while if lower by 0.5% the recoverable amount would have been higher by ₦4.45bn and ₦2.21bn rexpectively.

For the above scenarios, at no point was the recoverable amount (VIU) lower than the carrying amount to result in impairment of Goodwill.

33 Intangible assets continued

Goodwill Sensitivity Analysis			
FBNBank DRC	**% Change**	**Recoverable amount**	**Excess of recoverable amount over carrying amount**
Terminal growth rate:	+0.5%	15,788	2,214
	-0.5%	15,779	2,205
WACC	+0.5%	15,693	2,119
	-0.5%	15,874	2,300
FBNBank Ghana			
Terminal growth rate:	+0.5%	39,089	4,497
	-0.5%	39,044	4,452
WACC	+0.5%	38,803	4,211
	-0.5%	39,334	4,742

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

	2019		2018	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Goodwill (₦'million)	**552**	**2,943**	552	3,325
Net Asset (₦'million)	**13,022**	**31,649**	10,766	33,256
Total carrying amount (₦'million)	**13,574**	**34,592**	11,318	36,581
Excess of recoverable amount over carrying amount	**2,209**	**4,475**	2,950	3,482

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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% (2018: 30%).

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	67	(79)
Allowance for loan losses	5,604	5,902
Tax losses carried forward	18,716	24,305
Other assets	271	525
Other liabilities	277	115
Defined benefit obligation	488	488
Effect of changes in exchange rate	(415)	(5,698)
	25,009	25,558
Deferred tax liabilities		
Property and equipment	211	227
Other assets	39	39
	250	266
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	24,776	25,324
- Deferred tax assets to be recovered within 12 months	234	234
	25,009	25,558
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	226	(88)
- Deferred tax liabilities to be recovered within 12 months	23	354
	250	266

34 Deferred tax assets and liabilities continued

Group	1 Jan 2019 ₦'million	Recognised in profit or loss ₦'million	Recognised in Equity ₦'million	Recognised in OCI ₦'million	31 Dec 2019 ₦'million
Movements in deferred tax assets during the year:					
Property and equipment	(79)	147	-	-	67
Allowance for loan losses	5,902	(298)	-	-	5,604
Tax losses carried forward	24,305	(5,589)	-	-	18,716
Other assets	525	(253)	-	-	271
Other liabilities	115	162	-	-	277
Defined benefit obligation	488	-	-	-	488
Effect of changes in exchange rate	(5,698)	5,283	-	-	(415)
	25,558	(548)	-	-	25,009

Group	1 Jan 2018 ₦'million	Recognised in profit or loss ₦'million	Recognised in Equity ₦'million	Recognised in OCI ₦'million	31 Dec 2018 ₦'million
Movements in deferred tax assets during the year:					
Property and equipment	(4,564)	4,485	-	-	(79)
Allowance for loan losses	7,398	(4,238)	2,742	-	5,902
Tax losses carried forward	16,272	8,033	-	-	24,305
Other assets	568	(44)	-	-	525
Other liabilities	70	45	-	-	115
Defined benefit obligation	2,476	(54)	-	(1,934)	488
Effect of changes in exchange rate	(3,666)	(2,329)	297	-	(5,698)
	18,554	5,897	3,039	(1,934)	25,558

34 Deferred tax assets and liabilities continued

GROUP	1 Jan 2019 ₦'million	Recognised in profit or loss ₦'million	31 Dec 2019 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	227	(16)	211
Other assets	39	-	39
	266	(16)	250

	1 Jan 2018 ₦'million	Recognised in profit or loss ₦'million	31 Dec 2018 ₦'million
Movements in deferred tax liabilities during the year:			
Property and equipment	459	(232)	227
Other assets	147	(108)	39
	606	(340)	266

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group and Company did not recognise deferred income tax assets of ₦59.96billion (2018: ₦52.1billion).

Temporary difference relating to the Group's investment in subsidiaries is ₦109.5billion (2018: ₦91.1billion). 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.

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35 Deposits from banks

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Due to banks within Nigeria	**604,950**	620,294
Due to banks outside Nigeria	**255,536**	129,021
	860,486	749,315
Current	**676,921**	676,921
Non-current	**183,565**	72,394
	860,486	749,315

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

36 Deposits from customers

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Current	**1,047,534**	915,299
Savings	**1,316,132**	1,175,321
Term	**895,647**	801,419
Domiciliary	**748,751**	583,549
Electronic purse	**11,772**	11,104
	4,019,836	3,486,691
Current	**3,339,725**	3,171,084
Non-current	**680,111**	315,607
	4,019,836	3,486,691

Deposits from customers only include financial instruments classified as liabilities at amortised cost.

37 Other liabilities

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Financial liabilities:				
Customer deposits for letters of credit	**126,469**	196,595	**-**	-
Accounts payable	**60,788**	77,018	**-**	-
Lease liabilities	**12,013**	-	**137**	-
Creditors	**13,343**	18,839	**250**	119
Bank cheques	**20,270**	14,975	**-**	-
Collection on behalf of third parties	**18,690**	26,465	**-**	-
Unclaimed dividend	**8,093**	7,056	**8,093**	7,056
Accruals	**6,662**	5,679	**841**	859
	266,328	346,627	**9,321**	8,034
Non-financial liabilities:				
Allowance for credit losses on off-balance sheet items	**4,820**	3,084	**-**	-
Provisions for litigations	**2,817**	2,817	**-**	-
Other credit balance	**23,175**	23,114	**-**	-
	30,812	29,015	**-**	-
Other liabilities balance	**297,140**	375,642	**9,321**	8,034
Other credit balances include transactional taxes and unearned income.				
Current	**287,398**	355,189	**9,321**	8,034
Non-current	**9,742**	20,453	**-**	-
	297,140	375,642	**9,321**	8,034

The unclaimed dividend balance represents the aggregate amounts of dividends that remained unclaimed after 15months or more which the Registrars returned to FBNHoldings Plc in line with current regulations. In 2019, an additional sum of ₦1.037billion was returned to FBNHoldings Plc by the Registrars.

The provision for litigations is recognised in income statement within 'other operating expenses'. In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2019. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

Provisions

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Opening balance at 1 January	**2,817**	409
Additional provisions	**-**	2,408
Closing balance at 31 December	**2,817**	2,817
Analysis of total provisions:		
Current	**410**	409
Non-current	**2,407**	2,408
	2,817	2,817

38 Liability on investment contracts

The Liability on investment contracts comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of the year	**19,766**	13,399
Additions during the year	**16,583**	13,780
Withdrawals during the year	**(12,758)**	(8,280)
Guaranteed interest	**1,085**	867
At end of the year	**24,676**	19,766
Current	**-**	-
Non-current	**24,676**	19,766
	24,676	19,766

39 Liability on insurance contracts

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Outstanding claims	**2,435**	2,063
Unearned premium	**2,258**	1,470
Short-term insurance contract - Claims incurred but not reported (IBNR)	**3,666**	1,729
Liability on annuity fund	**25,227**	13,486
Liability on long-term insurance contract - Life fund	**30,162**	15,444
	63,748	34,192
Current	**8,359**	5,263
Non-current	**55,389**	28,929
	63,748	34,192

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39 Liability on insurance contracts continued

Reconciliation of changes in liability on insurance contracts

	2019					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short-term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2019	**2,063**	**1,470**	**1,729**	**13,486**	**15,443**	**34,192**
Claims incurred	**10,287**	**-**	**-**	**-**	**-**	**10,287**
Claims paid	**(9,915)**	**-**	**-**	**-**	**-**	**(9,915)**
Change in the year	**-**	**788**	**1,937**	**11,741**	**14,719**	**29,184**
As at 31 December 2019	**2,435**	**2,258**	**3,666**	**25,227**	**30,162**	**63,748**

	2018					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short-term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2018	1,288	1,242	1,970	7,432	9,802	21,735
Claims incurred	6,576	-	-	-	-	6,576
Claims paid	(5,801)	-	-	-	-	(5,801)
Change in the year	-	228	(241)	6,054	5,641	11,682
As at 31 December 2018	2,063	1,470	1,729	13,486	15,443	34,192

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40 Borrowings

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Long-term borrowings comprise:		
FBN EuroBond (i)	-	165,907
Subordinated Debt (ii)	71,023	-
Due to Proparco (iii)	16,553	19,875
Due to Africa Development Bank (iv)	55,705	72,948
On-lending facilities from financial institutions (v)	83,001	61,993
Borrowing from correspondence banks (vi)	24,314	17,491
	250,596	338,214
Current	94,268	41,116
Non-current	156,328	297,098
	250,596	338,214
At start of the year	338,214	420,919
Proceeds of new borrowings	129,653	41,709
Finance cost	15,552	28,499
Foreign exchange losses	2,608	27,762
Repayment of borrowings	(220,514)	(148,749)
Interest paid	(14,917)	(31,926)
At end of year	250,596	338,214

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40 Borrowings continued

(i) FBN Eurobond:

Facilities represent dollar Notes I and II issued by FBN Finance Company B.V, Netherlands on 7 August 2013 and on 18 July 2014 for a period of 7 years. The Notes I bore interest at 8.25% per annum up to the bank call date of 7 August 2018, while Notes II bore 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 were redeemed, 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) Surbodinated debt:

The amount of ₦71.02billion relates to subordinated debt of USD194.5million. Interest is payable at the rate of 9% (fixed) per annum. The tenor of the debt is for a period of 5 years to mature in December 2024. Interest on the Subordinated debt is payable semiannually.

(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 USD300 million however, USD100million was undrawn as at end of December 2019.

(v) On-lending Facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and financial institutions which are guaranteed by FBN for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of ₦200billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was additional disbursement of ₦256million (2018: Nil) to First Bank of Nigeria Limited.

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 ₦30.3billion (2018: ₦19.6billion). Loans granted under the scheme are for a seven 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.

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.

During the year, there were no defaults on principal, interests or redemption terms of loan payable.

41 Retirement benefit obligations

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Defined Contribution Plan	-	-
Defined Benefits Plan		
Gratuity Scheme (i)	-	(1)
Defined Benefits - Pension (ii)	**2,413**	997
Gratuity Scheme (iii)	**939**	944
	3,352	1,940

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 2019 and 31 December 2018.

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 Directors of the Company however decided to discontinue the defined benefit scheme effective 31 December 2016. The gratuity balances of members were transferred to member's bank accounts during the year.

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 2019, the plan assets exceeded the defined benefit obligation by ₦3.9million resulting in a net defined benefit asset.

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41 Retirement benefit obligations continued

The movement in the defined benefit pension (ii) over the year is as follows:

	GROUP		
	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Net ₦'million
Defined benefit pension obligations at 1 January 2018	9,065	(7,608)	1,457
Interest expense/(income)	1,168	(1,068)	100
Service cost	(5)	-	(5)
Remeasurement:			-
- Return on plan asset not included in net interest cost on pension scheme	-	(264)	(264)
Net actuarial gain or loss	(292)	-	(292)
Contributions:			
- Employer	-	-	-
Payments:			-
- Benefit payment	(1,365)	1,365	-
Defined benefit pension obligations at 31 December 2018	8,571	(7,575)	997
Interest expense/(income)	1,192	(1,139)	53
Service cost	13	-	13
Past service cost	915	-	915
Acturial (Gains)/Losses due to change in:			
- Financial assumptions	819	48	867
- Experience adjustment	(409)	-	(409)
Payments:			
- Benefit payment	(1,533)	1,533	-
Defined benefit pension obligations at 31 December 2019	9,568	(7,133)	2,437

The actual return on plan assets was ₦1.09billion (2018: ₦1.33billion).

	GROUP					
Composition of Plan assets	2019			2018		
	₦'million Quoted	₦'million Unquoted	₦'million Total	₦'million Quoted	₦'million Unquoted	₦'million Total
Equity instruments			594			844
Banking	537	-		668	-	
Oil service	-	-		-	-	-
Real sstate	-	-		7	-	-
Manufacturing	57	-		169	-	-
Debt Instruments			6,510			6,543
Government	5,249	-		5,134	-	
Corporate bond	699	-		790	22	
Money market investments	-	562		-	597	
Money on call	-	29	29	-	187	187
Total	6,542	591	7,133	6,768	806	7,574

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.

41 Retirement benefit obligations continued

Gratuity scheme (iii)

This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:

FBNBank DRC has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

The movement in the defined benefit Gratuity Scheme (iii) over the year is as follows:

	GROUP		
	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Net ₦'million
Defined benefit pension obligations at 1 January 2018	784	(20)	764
Foreign exchange difference	60	-	60
Interest expense/(income)	88	-	88
Service cost	113	-	113
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(4)	(4)
Net actuarial gain or loss	(5)	(10)	(15)
Contributions:			
- Employer	-	(61)	(61)
Payments:			
- Benefit payment	(67)	67	-
Defined benefit pension obligations at 31 December 2018	973	(28)	944
Foreign exchange difference	**15**	**6**	**21**
Interest expense/(income)	**86**	**(5)**	**81**
Service cost	**126**		**126**
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	**-**	**(4)**	**(4)**
Net actuarial gain or loss	**116**	**-**	**116**
Contributions:			
- Employer	**-**	**(353)**	**(353)**
Payments:			
- Benefit payment	**(355)**	**355**	**-**
Defined benefit pension obligations at 31 December 2019	**961**	**(29)**	**931**

41 Retirement benefit obligations continued

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.

Inflation risk: The plan benefit obligations are linked to inflation, and higher inflation lead to higher liabilities. However, majority of the plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

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 6.09 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the Groups ensures that the investment positions are managed within the asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation. There is no regulatory framework guiding the operation of the plan assets.

	31 December 2019 ₦'million	31 December 2018 ₦'million
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	**14%**	16%
Inflation rate	**12%**	12%
Life expectancy	**20yrs**	19yrs

41 Retirement benefit obligations continued

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%	9,564	0.0%
	15%	9,135	-4.5%
	13%	10,038	5.0%
Inflation rate	12%	9,564	0.0%
	13%	9,564	0.0%
	11%	9,564	0.0%
Mortality experience	Base	9,564	0.0%
	Improved by 1 year	9,720	1.6%
	Decreased by 1 year	9,403	-1.7%

The above sensitivity analyses is for First Bank of Nigeria Limited and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The below table shows the maturity profile of the defined obligation.

Maturity Profile on Defined Benefit Obligation	
Years	**Amount (₦'000)**
2018	1,512,483
2019	1,466,743
2020	1,422,132
2021	1,376,007
2022	1,329,593
2023 - 2027	5,908,888

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41 Retirement benefit obligations continued

Defined benefit cost, charged to income statement (See Note 17).

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Gratuity scheme (i)	-	61
Defined benefits - Pension (ii)	66	94
	66	155
Defined benefit cost, charged to other comprehensive income		
Gratuity scheme (i)	-	-
Defined benefits - Pension (ii)	458	(556)
Gratuity scheme (iii)	(29)	(41)
	429	(597)

The information of the professional engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm/ entity:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738

42 Share capital

Authorised	31 December 2019 ₦'million	31 December 2018 ₦'million
50 billion ordinary shares of 50k each (2018: 50billion)	25,000	25,000

Issued and fully paid	Number of shares In millions	Ordinary shares ₦'million
At 31 December 2018	35,895	17,948
At 31 December 2019	35,895	17,948

43 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums (i.e. excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 1991(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: Reserve arising from business restructuring.

Fair value reserve: The fair value reserve shows the effects from the fair value measurement of financial instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

Small and Medium Enterprises (SME) 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 enterprises investment reserve is non-distributable.

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with Section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential Guidelines (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non-distributable.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

44 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Profit before tax from continuing operations	**83,508**	65,265	**13,874**	9,440
Loss before tax from discontinued operations	**(147)**	(77)	**-**	-
Profit before tax including discontinued operations	**83,361**	65,188	**13,874**	9,440
Adjustments for:				
- Depreciation and amortisation	**23,025**	17,618	**319**	397
- Profit on sale of property and equipment	**(75)**	(23)	**-**	(1)
- Gain on sale of investment properties	**(273)**	-	**-**	-
- Foreign exchange income	**1,170**	(19,114)	**(6)**	(52)
- (Gains)/losses on sale of investment securities	**(17,167)**	(5,505)	**(8)**	21
- Net (gains)/losses from financial assets at fair value through profit or loss	**(22,412)**	5,713	**371**	(575)
- Fair value gain on investment properties	**-**	(20)	**-**	-
- Impairment on loans and advances	**58,646**	85,870	**-**	-
- Change in impairment on other assets	**1,114**	11,681	**-**	-
- Change in impairment on investment securities	**580**	(1,096)	**-**	-
- Change in retirement benefit obligations	**981**	157	**-**	-
- Share of profit from associates	**87**	23	-	-
- Dividend income	**(4,370)**	(2,312)	**(16,580)**	(10,840)
- Interest income	**(442,556)**	(434,410)	**(2,173)**	(2,163)
- Interest expense	**152,342**	150,242	**14**	-
(Increase)/decrease in operating assets:				
- Cash and balances with the Central Banks (restricted cash)	**(319,017)**	(67,236)	**-**	-
- Loans and advances to banks	**(5,454)**	(56,919)	**-**	-
- Loans and advances to customers	**(295,087)**	126,159	**16**	8
- Financial assets at fair value through profit or loss	**(139,125)**	(14,074)	**-**	-
- Other assets	**(99,549)**	10,007	**(237)**	(306)
- Pledged assets	**(157,492)**	(78,600)	**-**	-
- Assets held-for-sale	**34**	(24)	**-**	-
Increase/(decrease) in operating liabilities:				
- Deposits from banks	**79,822**	64,585	**-**	-
- Deposits from customers	**509,152**	278,973	**-**	-
- Liability on investment contracts	**4,910**	6,368	**-**	-
- Liability on insurance contracts	**29,556**	12,457	**-**	-
- Liabilities held-for-sale	**-**	(96)	**-**	-
- Other liabilities	**(103,919)**	77,952	**1,080**	482
Cash flow (used in)/generated from operations	**(661,715)**	233,563	**(3,330)**	(3,590)

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45 Commitments and contingencies

45.1 Capital commitments

At the balance sheet date, the Company had nil capital commitments (2018: Nil) in respect of authorised and contracted capital projects.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Authorised and contracted		
Property and equipment	**713**	621
Intangible assets	**4,218**	6,068
	4,931	6,689

45.2 Operating lease rentals

The Group leases various offices which have varying terms, escalation clauses and renewal rights. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. See Note 32 (b) for further information.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Within one year	**-**	695
Between two and five years	**-**	2,724
More than five years	**-**	4,725
	-	8,144

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.

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
At start of the year	**376**	-
Provisions	**-**	376
At end of year	**376**	376

45 Commitments and contingencies continued

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 2019 ₦'million	31 December 2018 ₦'million
Performance bonds and guarantees	**441,774**	355,435
Letters of credit	**419,329**	486,754
	861,103	842,189

45.5 Loan commitments

	GROUP	
	31 December 2019 ₦'million	31 December 2018 ₦'million
Undrawn irrevocable loan commitments	**81,131**	42,902
	81,131	42,902

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.

The Group cannot separately identify the expected credit loss on the undrawn commitment. Thus, the expected credit loss on the undrawn commitments have been recognised together with the loss allowance for the loan. See Note 23 on expected credit loss on Loans and advances to customers.

46 Offsetting financial assets and financial liabilities

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

	GROUP					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
31 December 2019	(a) ₦'million	(b) ₦'million	(c) = (a) - (b) ₦'million	(d) ₦'million	(e) ₦'million	(f) = (c)-(d)-(e) ₦'million
ASSETS						
Financial assets at fair value through profit or loss	24,621	-	24,621	-	11,492	13,129
Reinsurance receivables	3,081	-	3,081	34	-	3,047
Total Assets subject to offsetting, master netting and similar arrangements	27,702	-	27,702	34	11,492	16,176
LIABILITIES						
Financial derivatives	(5,571)	-	(5,571)	-	(1,873)	(3,698)
Trade payables	(34)	-	(34)	(34)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(5,605)	-	(5,605)	(34)	(1,873)	(3,698)
31 December 2018						
ASSETS						
Financial assets at fair value through profit or loss	24,261	-	24,261	-	11,492	12,769
Reinsurance receivables	2,703	-	2,703	167	-	2,536
Total Assets subject to offsetting, master netting and similar arrangements	26,964	-	26,964	167	11,492	15,305
LIABILITIES						
Financial derivatives	(15,275)	-	(15,275)	-	(1,873)	(13,402)
Trade payables	(167)	-	(167)	(167)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(15,442)	-	(15,442)	(167)	(1,873)	(13,402)

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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 2019 ₦'million	31 December 2018 ₦'million
First Bank of Nigeria Limited	Subsidiary	Placement	**74**	11,489
First Bank of Nigeria Limited	Subsidiary	Current account balance	**3,791**	74
First Bank of Nigeria Limited	Subsidiary	Bank charges	**7**	4
First Bank of Nigeria Limited	Subsidiary	Interest income	**174**	145
FBNQuest Merchant Bank Limited	Subsidiary	Current account balance	**2**	-
FBNQuest Merchant Bank Limited	Subsidiary	Placement	**545**	3,041
FBNQuest Merchant Bank Limited	Subsidiary	Interest income	**311**	735
FBNQuest Capital Limited	Subsidiary	Receivable	**1,512**	-
FBNQuest Trustees Limited	Subsidiary	Receivable	**1,369**	-
FBN Insurance Limited	Subsidiary	Premium	**44**	59

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 2.5% to 5.5%. Current account balances are balances in transactional operating accounts with related parties as at 31 December 2019.

47 Related party transactions continued

47.2 Key management compensation

Key management includes Executive Directors and members of Management Committees. The compensation paid or payable to key management for employee services is shown below:

	GROUP		COMPANY	
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Salaries and other short-term employee benefits	1,699	1,613	374	376
Post-employment benefits	30	8	13	8
	1,729	1,621	387	384

47.3 Insider related credits

In compliance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits, the Company had no insider related credits during the year. Insider related credits relating to the banking subsidiaries have been appropriately disclosed in the component financial statements.

48 Directors' emoluments

Remuneration paid to the Directors was:

	31 December 2019 ₦'million	31 December 2018 ₦'million
Fees	414	464
Sitting allowances	18	18
Executive compensation	120	121
Other Directors' costs and expenses	425	415
	977	1,017
Included in the fees above are amounts paid to:		
Chairman	64	64
Highest paid Director	120	121
The number of Directors who received fees and other emoluments in the following ranges was:		

	NUMBER	
	31 December 2019	31 December 2018
₦3,000,001 and above	10	10
	10	10

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49 Compliance with regulations

During the year, the entities within the Group were penalised by their respective regulators as follows:

(a) First Bank of Nigeria Limited

- ₦27.12million for delay in disbursement of CACS funds to customer.
- ₦1million for failure to adhere to compliant resolution service level agreement at its Kaduna South branch.
- ₦1million for failure to adhere to compliant resolution service level agreement at its Bauchi branch.
- ₦2million arising from AML/CFT examination report of 1 April 2017 to 31 March 2018.
- ₦2million for exceeding the regulatory limit on Insider related credits as captured in the 31 December 2017 RAAE report.
- ₦2million for failure to allow CBN access Customer Account Information via CISS.
- ₦2million for failure to resolve Customer complaint within Regulatory timeline - Arhdmor Nig. Ltd.
- ₦2million for failure to address External Auditors recommendation in 2017 Financials.

(b) FBNQuest Merchant Bank Limited

- ₦2 million for breach of Net Open Position.
- ₦16 million for breach of CBN AML/CFT (Administrative Sanctions) Regulations 2018.

(c) FBN Insurance Limited

- ₦5 million for contraventions of certain sections of the Financial Reporting Council Act.

50 Events after statement of financial position date

Towards the end of 2019, there was an outbreak of the novel coronavirus disease codenamed COVID19 which has spread globally. The outbreak has been declared a global Pandemic i.e. Public Health Emergency of International concern by World Health Organisation (WHO) in March 2020. As at the date of this report, the Nigerian Centre for Disease Control (NCDC) has confirmed some covid-19 cases in some states in Nigeria.

The disease has caused a significant reduction in social interaction, disruption in economic activities while some public facilities have been shut down in a bid to contain the spread of the virus.

The Directors have considered the potential implications of this outbreak on the Group's activities and operations and are taking measures to ensure that the Group's ability to continue to operate is not affected significantly. The financial impact of this pandemic cannot be reasonably estimated at this point in time. The various measures instituted by the government to contain the pandemic have not curtailed the Group's ability to continue to operate and serve its customers. The Directors are confident that the Group will continue to operate into the foreseeable future.

The new Finance Act was signed into law on January 2020 and this was the basis upon which the Company's tax was calculated.

51 Dividends per share

A cash dividend of ₦9.33billion at ₦0.26 per share (2018: ₦8.97billion) that relates to the period to 31 December 2018 was paid in May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 ₦'million	31 December 2018 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million
Profit from continuing operations attributable to owners of the parent (₦'million)	**70,065**	57,769	**13,862**	9,275
Loss from discontinued operations attributable to owners of the parent (₦'million)	**(147)**	(77)	**-**	-
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	**1.95**	1.61	**0.39**	0.26
- from discontinued operations	**-**	-	**-**	-
	1.95	1.61	**0.39**	0.26

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

53 Restatement

The Group has restated its previously issued Consolidated Statements of Financial Position as at 31 December 2018 to correct for the following misstatements in prior year financial statements:

(a) Non-recognition of Provision of ₦2.3bn which crystallised in 2018.
(b) Non-application of EIR on net balance of a portfolio of Stage 3 loans.
(c) Inclusion of credit insurance asset as part of the loans and advances balance.
(d) Error relating to the translation of items in Equity

(i) Impact of restatement on consolidated statement of financial position.

		As at 31 December 2018	Restatement adjustment	As at 31 December 2018
	Reference	Previously reported ₦'million	₦'million	Restated ₦'million
ASSETS				
Loans and advances to customers	(b,c)	1,683,813	(13,337)	1,670,476
Other assets	(c)	112,362	13,930	126,292
LIABILITIES				
Other liabilities	(a)	373,345	2,297	375,642
EQUITY				
Retained earnings	(a,b,d)	4,373	(1,307)	3,066
Foreign currency translation reserve		48,995	(268)	48,727
Non-controlling interests	(a,b,d)	12,418	(129)	12,289

(ii) Impact of restatement on consolidated income statement

		For the year ended 31 December 2018	Restatement adjustment	For the year ended 31 December 2018
	Reference	Previously reported ₦'million	₦'million	Restated ₦'million
Interest income	(b)	434,410	1,153	435,563
Impairment charge for credit losses	(b)	(86,911)	(554)	(87,465)
Foreign exchange income	(d)	32,636	282	32,918
Other operating expenses	(a)	(147,976)	(2,316)	(150,292)
Profit attributable to non-controlling interests	(a,b,d)	669	(129)	540

53 Restatement continued

(iii) Impact of restatement on consolidated statement of changes in equity

	For the year ended 31 December 2018	Restatement adjustment	For the year ended 31 December 2018
	Previously reported ₦'million	₦'million	Restated ₦'million
Retained earnings	4,373	(1,307)	3,066
Foreign currency translation reserve	48,995	(268)	48,727
Profit for the year (attributable to parent)	58,999	(1,307)	57,692

(iv) Impact on cashflow

The restatement only affected cashflow from operating activities and the net impact is nil.

(v) Impact on earnings per share

	For the year ended 31 December 2018	Restatement adjustment	For the year ended 31 December 2018
	Previously reported ₦'million	₦'million	Restated ₦'million
Profit from continuing operations attributable to owners of the parent	59,076	(1,308)	57,769
Weighted average number of ordinary shares in issue (in million)	35,895	-	35,895
Basic/diluted earnings per share (expressed in Kobo per share):			
- From continuing operations	1.65	0.04	1.61

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED - GROUP

	31 December 2019 ₦'million	%	31 December 2018 ₦'million	%
Gross income	627,008		587,406	
Interest and fee expense	(177,618)		(170,066)	
	449,390		417,340	
Administrative overheads	(192,404)		(155,086)	
Value added	256,986	100	262,254	100
Distribution				
Employees				
- Salaries and benefits	99,380	39	93,395	36
Government				
- Taxation	9,783	4	5,544	2
The future				
- Asset replacement (depreciation)	16,828	6	12,282	5
- Asset replacement (amortisation)	6,197	2	5,336	2
- Asset replacement (impairment charge for losses)	51,133	20	87,465	33
- Expansion (transfers to reserves)	73,665	29	58,232	22
	256,986	100	262,254	100

OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED - COMPANY

	31 December 2019 ₦'million	%	31 December 2018 ₦'million	%
Gross income	18,396		13,649	
Interest and fee expense	(14)		-	
	18,382		13,649	
Administrative overheads	(2,988)		(2,908)	
Value added	15,394	100	10,741	100
Distribution				
Employees				
- Salaries and benefits	1,201	8	904	8
Government				
- Taxation	12	-	98	1
The future				
- Asset replacement (depreciation)	319	2	397	4
- Asset replacement (amortisation)	-	-	-	-
- Asset replacement (impairment charge for losses)	-	-	-	-
- Expansion (transfers to reserves)	13,862	90	9,342	87
	15,394	100	10,741	100

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million
Assets:					
Cash and balances with Central Bank	**1,025,325**	653,335	641,881	690,165	715,871
Loans and advances to banks	**754,910**	863,435	742,929	444,871	385,769
Loans and advances to customers	**1,852,411**	1,670,476	2,001,223	2,083,894	1,817,271
Financial assets at fair value through profit or loss	**282,660**	109,162	83,713	46,711	26,426
Investment securities	**1,414,530**	1,663,821	1,248,608	1,050,588	913,779
Assets pledged as collateral	**464,922**	309,051	208,925	197,420	105,646
Other assets	**212,092**	126,292	132,731	47,786	35,483
Inventory	**-**	-	-	-	49,649
Investment in associates accounted for using the equity method	**711**	625	1,357	1,114	-
Investment properties	**100**	515	1,993	3,003	3,025
Property and equipment	**112,939**	91,515	88,263	88,315	88,398
Intangible assets	**18,961**	16,134	16,211	15,328	9,687
Deferred tax assets	**25,009**	25,558	18,554	17,278	14,615
Assets held-for-sale	**38,956**	38,990	50,149	50,332	570
	6,203,526	5,568,909	5,236,537	4,736,805	4,166,189
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	17,948
Share premium	**233,392**	233,392	233,392	233,392	252,892
Reserves	**394,269**	265,314	427,874	331,783	304,284
Non-controlling interests	**15,516**	12,289	(5,494)	(548)	3,675
Deposits from banks	**860,486**	749,315	665,366	416,078	144,652
Deposits from customers	**4,019,836**	3,486,691	3,143,338	3,104,221	2,970,922
Derivative liabilities	**6,046**	15,791	9,404	37,137	12,488
Liability on investment contracts	**24,676**	19,766	13,399	9,440	10,157
Liability on insurance contracts	**63,748**	34,192	21,734	10,287	11,837
Borrowings	**250,596**	338,214	420,919	316,792	256,116
Retirement benefit obligations	**3,352**	1,940	2,203	2,662	3,764
Current income tax liabilities	**13,778**	15,656	10,194	8,897	8,773
Other liabilities	**297,140**	375,642	266,198	235,388	168,441
Deferred tax liabilities	**250**	266	606	813	239
Liabilities held-for-sale	**2,493**	2,493	9,457	12,515	-
	6,203,526	5,568,909	5,236,537	4,736,805	4,166,189

OTHER NATIONAL DISCLOSURES
FIVE-YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	12 months ended 31 December 2019 ₦'million	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million
Gross earnings	**627,008**	587,406	598,184	583,006	503,798
Net operating income	**449,301**	417,317	444,835	469,926	361,537
(Loss)/gain from disposal of subsidiary	**-**	-	-	(8)	1,572
Insurance claims	**(10,106)**	(4,717)	(4,041)	(2,190)	(3,306)
Operating expenses	**(304,556)**	(261,305)	(4,508)	(218,744)	(219,429)
Share of profit of associates	**87**	23	430	-	-
Impairment charge for losses	**(51,133)**	(87,465)	(150,424)	(226,037)	(118,794)
Profit before taxation	**83,595**	63,853	54,522	22,948	21,581
Income tax expense	**(9,783)**	(5,544)	(9,040)	(5,807)	(6,042)
Profit from continuing operations	**73,812**	58,309	45,482	17,141	15,539
Loss from discontinuing operations	**(147)**	(77)	(7,774)	(4,898)	(391)
Profit for the year	**73,665**	58,232	37,708	12,243	15,148
Profit attributable to:					
Owners of the parent	**69,918**	57,692	41,328	14,122	15,406
Non-controlling interests	**3,747**	540	(3,620)	(1,879)	(258)
	73,665	58,232	37,708	12,243	15,148
Earnings per share in kobo (basic/diluted)	**195**	161	115	39	43

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY

STATEMENT OF FINANCIAL POSITION

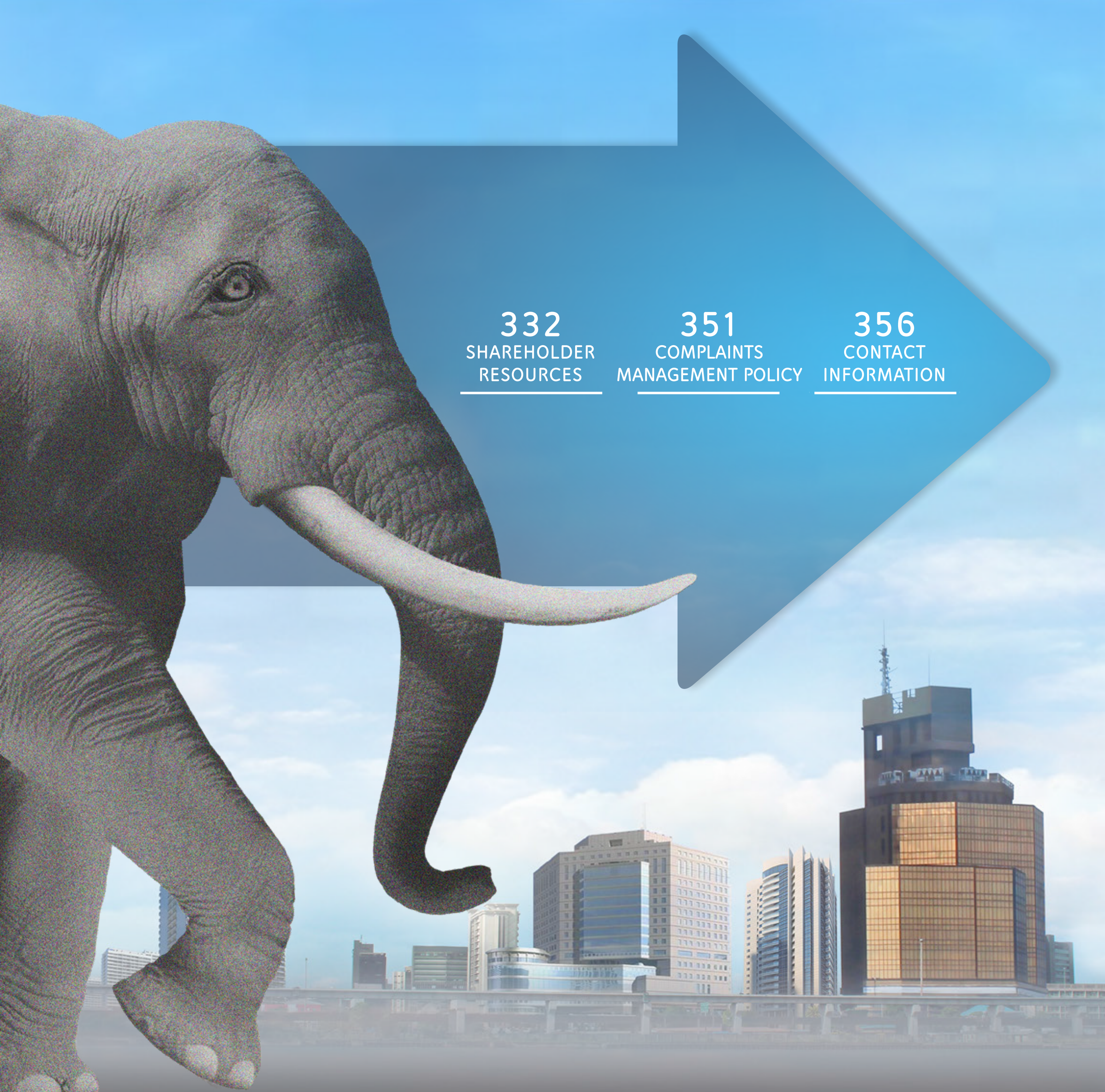
	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million	31 December 2015 ₦'million
Assets:					
Loans and advances to banks	**5,706**	16,639	7,585	4,792	3,261
Loans and advances to customers	**94**	110	108	63	80
Financial assets at fair value through profit or loss	**3,057**	3,427	-	-	-
Investment securities	**11,393**	7,079	9,842	7019	4,272
Investment in associates accounted for using the equity method	**-**	-	-	1,500	1,500
Investment in subsidiaries	**239,514**	242,395	242,395	263,595	260,777
Other assets	**15,922**	292	9,011	4,670	14,361
Property and equipment	**490**	382	680	1,192	1,519
Assets held-for-sale	**-**	-	-	-	2,000
	276,176	270,324	269,621	282,831	287,770
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	16,316
Share premium	**233,392**	233,392	233,392	252,892	254,524
Reserves	**15,503**	10,848	10,624	6,242	7,340
Current income tax liabilities	**12**	102	104	-	-
Other liabilities	**9,321**	8,034	7,553	5,751	9,590
	276,176	270,324	269,621	282,831	287,770

Income Statement

	12 months ended 31 December 2019 ₦'million	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million	12 months ended 31 December 2015 ₦'million
Gross earnings	**18,396**	13,649	13,715	12,715	6,794
Net operating income	**18,382**	13,649	13,715	12,571	5,195
Gain from disposal of subsidiary/associate	**-**	-	-	144	1,600
Operating expenses	**(4,508)**	(4,209)	(4,333)	(5,104)	(4,615)
Profit before taxation	**13,874**	9,440	9,382	7,611	2,180
Income tax expense	**(12)**	(98)	(107)	(104)	-
Profit after taxation	**13,862**	9,342	9,275	7,507	2,180
Earnings per share in kobo (basic)	**39**	26	26	21	6

SHAREHOLDER INFORMATION

Resources for shareholders include the Notice of Annual General Meeting, proxy form, shareholder data update and related forms, and contact details.



SHAREHOLDER RESOURCES

DIVIDEND HISTORY AS AT 31 DECEMBER 2019

FBN HOLDINGS PLC

Payment No.	Year End	Dividend Type	Date Payable	Gross Dividend Amount (₦)	Dividend Per Share	Net DIV. Amount Unclaimed As At 31 December 2019	% Net DIV. Amount Unclaimed
1	31-Dec-12	INTERIM	03-06-13	32,632,084,357	1.00	1,216,713,290.57	4.13
2	31-Dec-13	FINAL	27-05-14	35,895,292,793	1.10	1,668,854,256.46	5.15
3	31-Dec-14	FINAL	25-05-15	3,263,208,436	0.10	302,331,638.99	10.20
4	31-Dec-15	FINAL	30-05-16	5,384,293,919	0.15	580,369,111.51	11.87
5	31-Dec-16	FINAL	22-05-17	7,179,058,559	0.20	778,101,922.25	11.95
6	31-Dec-17	FINAL	16-05-18	8,973,823,198	0.25	1,150,585,129.72	14.13
7	31-Dec-18	FINAL	06-05-19	9,332,776,126	0.26	5,165,987,721.19	61.04
TOTAL				102,660,537,388		10,862,943,070.69	11.70

CREDIT RATINGS SUMMARY*

	Rated Entity	Report Date	National		International		Outlook
			Long Term	Short Term	Long Term	Short Term	
Standard & Poor's	FBNHoldings	August 2019	ngBBB-	NgA-3	B-	B	Stable
	FirstBank	August 2019	ngBBB	NgA-2	B-	B	Stable
Fitch	FBNHoldings	November 2019	BBB(nga)	F2(nga)	B-	B	Stable
	FirstBank	November 2019	BBB(nga)	F2(nga)	B-	B	Stable
Global Credit Rating	FirstBank	December 2019	A1-(NG)	A-(NG)	-	-	Stable

*Credit ratings summary as at 31 December 2019

SHAREHOLDER RESOURCES

FBNHOLDINGS AND EQUITY MARKET STATISTICS AS AT 31 DECEMBER 2019

	2019	2018
FBNH Share Price		
High for the year (₦)	8.45	14.75
Low for the year (₦)	4.35	6.80
Closing (₦)	6.15	7.95
FBNH Share Statistics		
Total volume of shares traded (million)	4,230.69	5,536.19
Total value of shares traded (₦'million)	28,217.95	14,047.81
Market capitalisation (million)	220,756.05	285,367.57
Market Indicators		
NSE All Share Index	26,842.07	31,430.50
Total equities volume traded (billion)	79.43	101.43
Total equities value traded (₦'billion)	959.12	1,202.22
Equities market cap (₦'trillion)	12.96	11.73

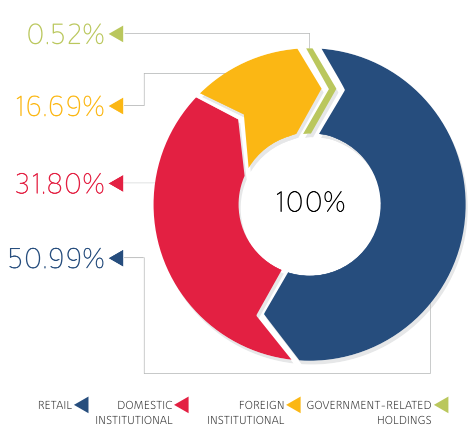
2019 FBNHOLDINGS FINANCIAL REPORTING CALENDAR

DATE	EVENT
Wednesday, 8 April 2020	FY 2019 Results Conference Call
Monday, 27 April 2020	FBNHoldings Annual General Meeting
Thursday, 30 July 2020*	H1 2020 Results Conference Call
Friday, 30 October 2020*	9M 2020 Results Conference Call

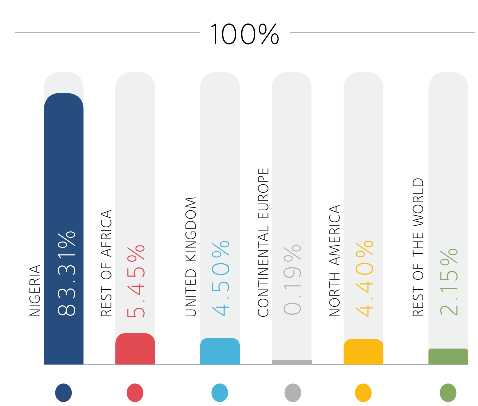
*These dates are subject to change. For information, please refer to the FBNHoldings Investor Relations website.

SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2019

BREAKDOWN OF SHAREHOLDER BY TYPE



GEOGRAPHICAL BREAKDOWN OF SHAREHOLDERS



SHAREHOLDER RESOURCES

FBN HOLDINGS PLC - RANGE ANALYSIS AS AT 31 DECEMBER 2019

RANGE			No. of Holders	% Holders	Units	% Units
1	-	1,000	291,327	24.22	212,523,003	0.59
1,001	-	5,000	492,240	40.93	1,183,777,660	3.30
5,001	-	10,000	170,953	14.22	1,175,333,005	3.27
10,001	-	50,000	205,566	17.09	4,175,780,245	11.63
50,001	-	100,000	20,998	1.75	1,461,803,363	4.07
100,001	-	500,000	17,309	1.44	3,440,943,180	9.59
500,001	-	1,000,000	2,092	0.17	1,468,250,952	4.09
1,000,001	-	5,000,000	1,697	0.14	3,255,520,537	9.07
5,000,001	-	10,000,000	193	0.02	1,375,077,586	3.83
10,000,001	-	50,000,000	179	0.01	3,703,861,628	10.32
50,000,001	-	100,000,000	21	0.00	1,413,476,922	3.94
100,000,001	-	35,895,292,791	43	0.00	13,028,944,710	36.30
			1,202,618	**100.00**	**35,895,292,791**	**100.00**

SHAREHOLDER RESOURCES

SHARE CAPITALISATION HISTORY

Year*	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (₦)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000,000	-	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 Jul 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 Jul 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 Jul 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 Jul 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 Jul 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 Plc shares issued in exchange for minority shares in FBN Merchant Bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Plc shares issued to majority shareholders in FBN Merchant Bank arising from 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	35,895,292,791	Bonus (1 for 10)

*Approval date by Security and Exchange Commission

NOTICE OF 8TH ANNUAL GENERAL MEETING

FBNHoldings
RC 916455

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Oriental Hotel, 3 Lekki-Epe Expressway, Victoria Island, Lagos on Monday, 27 April 2020 at 10a.m. or soon thereafter to transact the following:

ORDINARY BUSINESS:

1. To receive the audited accounts for the financial year ended 31 December 2019 together with the reports of the Directors, Auditor, Board Appraiser and Audit Committee thereon.

2. To declare a dividend.

3. To re-elect the following Directors retiring by rotation:

   a. Omatseyin Ayida

   b. Oluwande Muoyo

   c. Cecilia Akintomide, *OON*

4. To appoint Messrs. KPMG Professional Services as the Company's Auditor to replace the retiring Auditor, Messrs. PricewaterhouseCoopers.

5. To authorise the Directors to fix the remuneration of the Auditor.

6. To elect members of the Audit Committee.

NOTES:

1. PROXY

In view of the COVID-19 pandemic, attendance at the AGM shall only be by proxy. A Member entitled to attend and vote at the AGM is advised to select from the underlisted proposed proxies, to attend and vote in his stead:

- Dr. Oba Otudeko, *CFR*
- U.K. Eke, *MFR*
- Dr. Adesola Adeduntan
- Sir Sunny Nwosu
- Boniface Okezie
- Matthew Akinlade
- Gbenga Idowu
- Brigadier E.E Ikwe, Rtd.
- Adebayo Adeleke.

A proxy form is attached to the Annual Report. All instruments of proxy must be deposited at the registered Office of the Company or the Office of the Registrars, First Registrars & Investor Services Limited, No 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.

NOTE: All instruments of proxy shall be at the Company's expense.

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2. DIVIDEND

If the proposed dividend recommended by the Directors is approved by members at the AGM, the dividend will be payable on Tuesday, 28 April 2020 to members whose names appear in the Register of Members at the close of business on 20 April 2020. Shareholders who have completed the E-Dividend Mandate forms will receive direct credit of the Dividend into their bank accounts.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 89 of Companies and Allied Matters Act (CAMA), please note that the Register of Members and Transfer Books of the Company will be closed from 21-22 April 2020 (both dates inclusive) to enable the Registrars to 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, No 2, Abebe Village Road, Iganmu, Lagos.

NOTICE OF 8TH ANNUAL GENERAL MEETING

5. UNCLAIMED DIVIDEND WARRANTS

Shareholders are hereby informed that some dividend warrants have been returned to the Registrars as unclaimed, while some 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, No 2, Abebe Village Road, Iganmu, Lagos for resolution.

6. STATUTORY AUDIT COMMITEE

In accordance with Section 359 (5) of CAMA, a shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) 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

Omatseyin Ayida, Oluwande Muoyo and Cecilia Akintomide, *OON* are retiring by rotation at this meeting in line with Section 259 of CAMA. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are available in the Annual Report and on the Company's website.

8. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
35 Marina, Lagos

Dated 11th March 2020

PROXY FORM
FBN HOLDINGS PLC (RC 916455)

FBNHoldings

8th Annual General Meeting to be held at the Oriental Hotel, 3 Lekki-Epe Expressway, Victoria Island, Lagos on Monday, 27 April 2020 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 the Chairman of the meeting as our Proxy to vote for us and on our behalf at the Annual General Meeting of the Company to be held on 27 April 2020 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...................................2020

Signature...

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed, or a notarial certified copy thereof must reach the office of FBNH's registrars; First Registrars Nigeria Ltd, 2, Abebe Village Road, Iganmu, Lagos or sent via email to info@firstregistrarsnigeria.com, not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. All instruments of proxy shall be at the Company's expense.

We desire this proxy to be used in favour of/or against the resolution as indicated alongside

	Resolutions	For	Against
1)	To Receive the Consolidated Annual Report and Accounts		
2)	To Declare a Dividend		
3a)	To Re-Elect Omatseyin Ayida as Director		
3b)	To Re-Elect Oluwande Muoyo as Director		
3c)	To Re-Elect Cecilia Akintomide, *OON* as Director		
4)	To Appoint Messrs. KPMG Professional Services as the Company's Auditor, to replace the retiring Auditor, Messrs. PricewaterhouseCoopers		
5)	To authorise the Directors to fix the remuneration of the Auditor		
6)	To Elect Members of the Audit Committee		

Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form please tear off this part and retain it for admission to the meeting.

Admission Form
FBN Holdings Plc. (RC 916455)

Annual General Meeting to be held at the Oriental Hotel, Victoria Island, Lagos on Monday, 27 April 2020 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, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

E-PRODUCTS ACTIVATION FORM

FirstRegistrars & INVESTOR SERVICES

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 and EGM, dividend payments, bonuses, debits/credits etc.)

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. This 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

FirstRegistrars & INVESTOR SERVICES

E-DIVIDEND MANDATE MANAGEMENT SYSTEM FORM (E-DMMS)

Affix Current Passport Here

(To be stamped by Bankers)

Write your name at the back of your passport photograph

INSTRUCTION

Please fill out all compulsory(*) fields and complete all sections of this form to make it eligible for processing and return to the address below.

THE REGISTRARS,
First Registrars & Investor Services Ltd.
2 Abebe Village Road, Iganmu,
PMB 12692 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

FBNHoldings

E-BONUS FORM

FirstRegistrars & INVESTOR SERVICES

INSTRUCTION
Please fill out all compulsory(*) fields and complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRARS,
First Registrars & Investor Services Ltd.
2, Abebe Village Road, Iganmu,
PMB 12692 Marina,
Lagos, Nigeria.

Please credit my account at Central Securities Clearing Systems Limited (CSCS) with all subsequent allotments and bonuses due to me from FBN Holdings Plc.

SHAREHOLDER ACCOUNT INFORMATION

Surname* | First name* | Other names |

Address line 1* |

Address line 2* |

City |

Mobile telephone* |

State |

Email address* |

Country |

Signature(s)*

Joint/Company's signatures*

Company seal*

CSCS Details

Stockbroker |

Clearinghouse number C |

Authorised signature and stamp of stockbroker |

Please attach a copy of your CSCS Statement to this form as evidence that you maintain a valid account with the CSCS

FBN HOLDINGS PLC
SHAREHOLDER DATA UPDATE FORM

FBNHoldings

INSTRUCTION

Please submit or post the completed form to any First Registrars & Investor Services Ltd branch nationwide or through any of the branches of First Bank of Nigeria Ltd or to the Company Secretary/Investor Relations offices of FBN Holdings Plc for onward delivery to the Registrar.

We are committed to updating the records of our shareholders and to achieve this, please fill out all the compulsory (*) fields in the form below:

Surname*

First name*

Other names

Gender

Email address*

Primary GSM number*

Old address*

New addresses (to be used for address update)*

Next of kin

Next of kin's phone number

I/We hereby authorise FBN Holdings Plc to update my/our shareholding accounts with the above information

Individual shareholder signature*

Joint shareholder signature*

Corporate shareholder*

Company seal*

Kindly download the data update form from our websites:
www.fbnholdings.com

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 Unit

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 Organisations

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, Akure

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

ABBREVIATIONS

IOD	Institute of Directors
IOCs	International Oil Companies
IRS	Internal Revenue Service
ISO	International Organisation for Standardisation
ISMS	Information Security Management System
IT	Information Technology
ITF	Industrial Training Fund
JAN	Junior Achievement Nigeria
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LEAP	Leadership Effectiveness Accountability and Professionalism
LGD	Loss Given Default
M&A	Mergers and Acquisitions
MANCO	Management Committee
MCC	Management Credit Committee
MBAM	Merchant Banking and Asset Management
MB/D	Million Barrels a Day
MDAs	Ministries, Departments and Agencies
MDSA	My Daily Savings Account
MFBs	Microfinance Banks
MIS	Management Information System
MOOCs	Massive Open Online Course
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRPC	Market Risk Policy Committee
MSMEs	Micro, Small and Medium-size Enterprises
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NERC	Nigerian Electricity Regulatory Commission
NGN	Nigerian Naira
NGO	Non-Governmental Organisation
NIM	Net Interest Margins
NIM	Nigerian Institute of Management
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
NVMA	Nigerian Veterinary Medical Association
OOF	Oba Otudeko Foundation
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating Expenditure
OPL	Open Position Limit
ORM	Operational Risk Management
ORR	Obligor Risk Rating
OTC	Over the Counter
P&L	Profit and Loss Account
PAT	Profit after Tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit Before Tax
PCI DSS	Payment Card Industry Data Security Standard
PCS	People Connect System
PD	Probability of Default
P/E	Price Earnings
PE	Private Equity
PFA	Pension Fund Administrator
PFP	Pay for Performance
PFR	Pay for Role
P/L	Profit and Loss
POS	Point of Sale
PSQA	Process and Service Quality Assurance
RCSA	Risk and Control Self-Assessment
RIMAN	Risk Managers Association of Nigeria
RM	Relationship Manager
RMD	Risk Management Directorate
ROE	Return on Equity
ROM	Regional Operations Manager
SAC	Statutory Audit Committee
SAS	Statistical Analysis Software
SBU	Strategic Business Unit
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SMCAA	Small and Middle Capitalisation Companies Association
SME	Small and Medium Enterprise
SMDP	Senior Management Development Programme
SMS	Short Message Service
SRF	Strategic Resource Function
TAT	Turnaround Time
TOM	Target Operating Model
UAT	User Acceptance Testing
USSD	Unstructured Supplementary Service Data
UPR	Unexpired Premium Reserve
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WODAC	Women Development and Child Protection Centre

APPENDIX
Complaints Management Policy

1. Introduction

FBN Holdings Plc (the Group) is committed to delivering a high standard of service to all its stakeholders. The Group seeks to maintain its reputation as a group of companies delivering high-quality professional services, committed to responding to the needs and concerns of its various stakeholders. A 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".

This Policy is designed to align with relevant regulatory requirements and best practice in complaints management, and in particular, to meet the requirements of the following regulations:

- Rules relating to the Complaints Management Framework of the Nigerian Capital Market, and Securities and Exchange Commission (SEC)
- Complaints management requirements for all listed companies, such as the Nigerian Stock Exchange (NSE)

Where necessary, the principles contained in this Policy shall guide the Group's subsidiaries in developing their respective sector-specific Complaints Management Policies and Guidelines.

2. Objectives 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 improve service delivery by enabling the Group to identify areas of concern, remedy problematic or unfair situations, enhance operating methods and ensure efficient, fair and prompt handling of all complaints received.

Specific objectives of this Policy are to ensure that:

- The 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 towards improving the Group's operations; and
- The Group complies with all relevant sector-specific regulations on complaints management as issued by the Regulators.

APPENDIX - Complaints Management Policy

3. Scope of the Policy

This Policy shall apply to:

- FBN Holdings Plc, subsidiary companies and staff within the Group;
- All internal and external Customers'/clients;
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third-party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

3.1 Complaints to be handled by this Policy

This Policy is designed to manage the following types of complaints:

- Customer/client complaints, including complaints that may require formal or informal feedback, concerns, statements of issues/omissions, and points of disagreement or dispute;
- Complaints by competitors in any of the business groups;
- Complaints by or through regulators, such as the Central Bank of Nigeria (CBN), SEC, NSE and or self-regulatory organisations such as the Financial Market Dealers Quotation; and
- Other complaints which could be in the form of trade manipulations, accounting frauds, Ponzi schemes, etc.

All complaints to relevant entities in the Group shall be forwarded to the address contained on page 356 of this Report while complaints relating to the Group office (FBN Holdings Plc) shall be forwarded to the address/media contained on page 355 of this Report.

All complaints shall contain at the minimum the following:

- The complainant's
  - o Name
  - o Full address
  - o Mobile number
  - o Email address
  - o Signature
- Date
- Nature/description of complaint(s)
- Other supporting documents

3.2 Complaints not covered by this Policy

This Policy does not cover complaints that:

- Relate to matters that are sub-judice or in arbitration, including employee-related disputes
- Fall outside the purview of the business of the Group
- Do not require a resolution or formal follow-up

APPENDIX - Complaints Management Policy

4. Complaints Management Principles

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 is user-friendly. Complaints are welcome from customers/clients who are dissatisfied with the Group member's decisions, actions or services.
Responsiveness	• Complaints will be acknowledged and resolved promptly. • Complaints will be handled efficiently and effectively, and accorded the urgency they deserve. • 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 charge to the complainant.
Confidentiality	Complaints are handled confidentially to avoid any form of embarrassment to potentially innocent people. Personally identifiable information concerning the complainant is actively protected from disclosure and only made available for the purposes of addressing the complaint.
Customer/Client-Focused Approach	Group members are committed to efficient, prompt and fair resolution of complaints. The Group is open to feedback and constantly reminds customers/clients of their right to make complaints.
Accountability	The Group accepts responsibility for effective complaints handling and units responsible for complaints management will ensure that, where appropriate, issues raised as a result of failure in the complaints handling process are appropriately addressed.
Continual Improvement	The Complaints Management Policy and processes will be reviewed as at when required to enhance the overall efficiency and delivery of effective outcomes.

Table 1 - Guiding Principles of Complaints Handling

APPENDIX - Complaints Management Policy

5. Board and Management Commitment to the Policy

The Board and Management are highly committed to promoting an effective and efficient complaints-handling process across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.

Regular complaints management training entrenches best-in-class complaints handling techniques and strict adherence to the complaints handling policy.

All complaints received shall be acknowledged and analysed to help inform continuous quality improvement initiatives.

6. Policy Statement

This Policy is designed to provide guidance on how the Group manages complaints. FBNHoldings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

The Group encourages all stakeholders (complainants) to lodge their complaints as this helps the Group to improve its services and products. In addition, the Group encourages staff to respect customers/clients and endeavour to anticipate customers'/clients' needs and expectations.

The Group is committed to the following:

- Creating awareness among our stakeholders of the Group's complaint management process;
- Helping customers/clients and staff understand our complaints handling process;
- Investigating complaints impartially with a balanced view of available information or evidence;
- Considering complaints on their merits, taking account of individual circumstances; and
- Recognising customers/clients' right to provide feedback and complain about the product or services rendered.

7. Time Limit for Investigation of Complaints, Regulatory Reporting Responsibility and Complaints Register

In line with the Policy, all complaints are handled promptly. While it might not be possible to set a specified time limit for the resolution of complaints, given their diverse nature, subsidiaries shall strive to resolve all complaints within the time limits specified by the respective sector-specific regulators.

Where regulators require the Group office (FBN Holdings Plc) or entities within the Group to render regular reports on complaints, entities affected by such requirements shall be responsible for such regulatory returns, while the Compliance functions of both the Group office (FBN Holdings Plc) and affected entities shall monitor compliance with such regulatory reporting requirements and ensure implementation of this Policy.

In line with SEC and NSE requirements, entities within the Group, operating in the Capital Market (Capital Market Operators-CMO), shall be required to maintain an electronic complaints register, which will be updated monthly with the following:

- Name of the complainant
- Date of the complaint
- Nature of the complaint
- Brief details of the complaint
- Status of resolution
- Remarks/comments

APPENDIX - Complaints Management Policy

All complaints from shareholders and other stakeholders relating to FBN Holdings Plc shall be directed to:

Company Secretariat
or
Investor 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 and
+234(1)9051086

Oluseye Kosoko
Company Secretary, FBN Holdings Plc

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

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Group		
FBN Holdings Plc	Samuel Asabia House, 35 Marina, Lagos, Nigeria	0700 FIRSTCONTACT, +234 1 448 5500, +234 708 062 5000
Commercial Banking		
First Bank of Nigeria Limited	Samuel Asabia House, 35 Marina, Lagos, Nigeria	00700 FIRSTCONTACT, +234 1 448 5500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, United Kingdom	+44 207 920 4920
FBNBank DRC S.A. Limited	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 82 000 0107
FBNBank Ghana Limited	Plot No: 6, 7 and 9 Liberation Road Accra, near the Golden Tulip Hotel, Accra Ghana	+233 302 23 6133, +233 302 23 5819
FBNBank Gambia Limited	FBNBank Building 38, 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	3 Charlotte Street, Freetown, Sierra Leone	+232 76 741 737, +232 99 305 600
FBNBank Senegal Limited	Immeuble NIANGADO, Rond-Point Ngor Almadies à côté de la Station Shell. Dakar, Senegal	+221 33 869 7935, +221 77 657 8736
First Pension Custodian Nigeria Limited	6 Maduike Street, Off Raymond Njoku Street, S.W. Ikoyi, Lagos, Nigeria	+234 1 277 7800-1
FirstBank Representative Office		
Beijing Rep. Office	Unit 1431, Tower B COFCO Plaza, No 8 Jianguomennei, Street, Dong Cheng District, Beijing, China	+861 3911 187318, +861 3343 267635
Merchant Banking and Asset Management		
FBNQuest Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria.	+234 1 270 2290, +234 1 270 2291, +234 1 270 2292, +234 1 270 2293, +234 1 270 2294, +234 708 062 6000, +234 7080653190-4
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt.	+234 1 270 2290, +234 8129934624,
	18, Mediterranean Street, Imani Estate, Maitama. Abuja.	+234 1 270 2290, +234 1 279 8300
FBNQuest Capital Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt.	+234 8129934624
	18, Mediterranean Street, Imani Estate, Maitama. Abuja	+234 1 279 8300
FBNQuest Asset Management Limited	16-18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300, +234 1 270 2290-4 +234 708 062 6000, +234 708 065 3190-4
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt.	+234 812 993 4624
	18, Mediterranean Street, Imani Estate, Maitama, Abuja	+234 1 279 8300
FBNQuest Trustees Limited	10, Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 1 279 8300
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt.	+234 812 993 4624
	18, Mediterranean Street, Imani Estate, Maitama. Abuja	+234 1 279 8300, +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 1 279 8300 +234 1 270 2290-4
Insurance		
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4840, +234 1 905 4444
FBN General Insurance Limited	298, Ikorodu Road, Anthony, Lagos	+234 1 905 4810, 0700CallFBNGI
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1905 4590, +234 1 905 4591

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