FBN Holdings Plc.
Unaudited Consolidated Interim Financial Statements
for the period ended 31 March 2016

DIRECTORS AND ADVISORS

DIRECTORS:

Dr. Oba A. Otudeko, CFR	Non-Executive Director (Group Chairman)
U. K. Eke, MFR	Group Managing Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Chidi Anya	Non-Executive Director
Sule Hamza Wuro Bokki, Ph.D	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Debola Osibogun	Non-Executive Director
Muhammad K. Ahmad, OON	Non-Executive Director
Dr. Adesola Adeduntan	Non-Executive Director - Appointed January, 2016

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

FBN Holdings Plc.

INCOME STATEMENT

	Note	GROUP 31 March 2016 N 'million	GROUP 31 March 2015 N 'million	COMPANY 31 March 2016 N 'million	COMPANY 31 March 2015 N 'million
Continuing operations					
Interest income	5	83,457	95,308	148	46
Interest expense	6	(19,584)	(35,742)	-	-
Net interest income		**63,873**	**59,566**	**148**	**46**
Impairment charge for credit losses	7	(12,754)	(4,081)	-	-
Net interest income after impairment charge for credit losses		**51,119**	**55,485**	**148**	**46**
Insurance premium revenue	8	1,676	1,863	-	-
Insurance premium revenue ceded to reinsurers		(125)	(172)	-	-
Net insurance premium revenue		**1,551**	**1,691**	**-**	**-**
Fee and commission income	9	16,489	15,013	-	-
Fee and commission expense	9b	(2,144)	(1,849)	-	-
Net gains on foreign exchange		1,398	9,706	8	21
Net gains/(losses) on investment securities	10	3,465	163	2	(1)
Net gains from financial instruments at fair value through profit or loss	11	722	2,565	-	-
Dividend income		33	1,503	-	-
Other operating income		373	849	2	9
Insurance claims		(369)	(535)	-	-
Personnel expenses		(21,435)	(22,367)	(115)	(105)
Depreciation, amortisation and impairment		(3,586)	(3,461)	(93)	(93)
Operating expenses	12	(25,565)	(31,819)	(302)	(324)
Profit/ (loss) before tax		**22,051**	**26,944**	**(350)**	**(446)**
Income tax expense	13	(1,327)	(4,341)	-	-
PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**20,724**	**22,603**	**(350)**	**(446)**
PROFIT/ (LOSS) FOR THE PERIOD		**20,724**	**22,603**	**(350)**	**(446)**
Profit/(loss) attributable to:					
Owners of the parent		20,467	22,361	(350)	(446)
Non-controlling interests		257	242	-	-
		20,724	**22,603**	**(350)**	**(446)**
Earnings per share attributable to owners of the parent					
Basic/diluted earnings/ (loss) per share (expressed in naira per share	38				
From continuing operations		0.57	0.62	(0.01)	(0.01)
From profit/ (loss) for the period		0.57	0.62	(0.01)	(0.01)

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 31 March 2016 N 'million	GROUP 31 March 2015 N 'million	COMPANY 31 March 2016 N 'million	COMPANY 31 March 2015 N 'million
PROFIT/ (LOSS) FOR THE PERIOD		**20,724**	**22,603**	**(350)**	**(446)**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
-Unrealised net (losses)/ gains arising during the period, before tax		(24,338)	(3,659)	30	-
-Net reclassification adjustments for realised net gains or losses, before tax		-	-	-	-
Share of other comprehensive income of associates		-	-	-	-
Exchange difference on translation of foreign operations		43	650	-	-
Income tax relating to components of other comprehensive income			-	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme		-	-	-	-
Income tax relating to components of other comprehensive income			-	-	-
Other comprehensive income for the period, net of tax		**(24,295)**	**(3,009)**	**30**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(3,571)**	**19,594**	**(320)**	**(446)**
Total comprehensive income attributable to:					
Owners of the parent		(3,527)	19,350	(320)	(446)
Non-controlling interests		(44)	244	-	-
		(3,571)	**19,594**	**(320)**	**(446)**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		(3,527)	19,350	(320)	(446)
		(3,527)	**19,350**	**(320)**	**(446)**

STATEMENT OF FINANCIAL POSITION		GROUP		COMPANY	
	Note	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
ASSETS					
Cash and balances with central banks	14	733,484	715,871	-	-
Loans and advances to banks	15	390,618	385,769	4,301	4,792
Loans and advances to customers	16	1,762,223	1,817,271	60	63
Financial assets at fair value through profit or loss	17	28,711	26,426	-	-
Investment securities					
-Available-for-sale investments	18	783,239	799,850	11,336	7,019
-Held to maturity investments	18	120,871	106,623	-	-
-Loans and receivables		3,326	7,306	-	-
Asset pledged as collateral	19	99,513	105,646	-	-
Other assets	25	54,893	35,483	1,601	4,670
Inventory	26	50,071	49,649	-	-
Investment properties	27	3,025	3,025	-	-
Investments in associates accounted for using the equity method	22	-	-	1,500	1,500
Investment in subsidiaries	20	-	-	263,595	263,595
Property, plant and equipment	23	87,073	88,398	1,099	1,192
Intangible assets	24	10,846	9,687	-	-
Deferred tax assets		14,694	14,615	-	-
		4,142,587	4,165,619	283,492	282,831
Asset held for sale	21	-	570	-	-
Total assets		**4,142,587**	**4,166,189**	**283,492**	**282,831**
LIABILITIES					
Deposits from banks	28	200,254	144,652	-	-
Deposits from customers	29	2,835,277	2,970,922	-	-
Financial liabilities at fair value through profit or loss		10,348	12,488	-	-
Current income tax liability	13	6,742	8,773	-	-
Other liabilities	32	217,826	168,441	6,776	5,751
Liability on investment contracts	33	10,225	10,157	-	-
Liability on insurance contracts		13,479	11,837	-	-
Borrowings	30	270,892	256,116	-	-
Retirement benefit obligations	31	2,122	3,764	-	-
Deferred tax liabilities		225	239	-	-
Total liabilities		**3,567,390**	**3,587,389**	**6,776**	**5,751**
EQUITY					
Share capital	34	17,948	17,948	17,948	17,948
Share premium	35	252,892	252,892	252,892	252,892
Retained earnings	35	183,576	163,198	5,535	5,885
Other reserves					
Statutory reserve	35	66,647	66,647	-	-
Capital reserve	35	1,223	1,223	10	10
SSI Reserve	35	6,076	6,076	-	-
AFS Fair value reserve	35	32,204	56,241	331	345
Contingency Reserve	35	527	438	-	-
Statutory credit reserve	35	2,433	2,433	-	-
Foreign currency translation reserve	35	8,072	8,029	-	-
		571,598	575,125	276,716	277,080
Non-controlling interest		3,599	3,675	-	-
Total equity		**575,197**	**578,800**	**276,716**	**277,080**
Total equity and liabilities		**4,142,587**	**4,166,189**	**283,491**	**282,831**

The unaudited consolidated interim financial statements were approved by the Board of Directors on 19 April 2016 and signed on its behalf by:

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

OYEWALE ARIYIBI
Head, Finance
FRC/2013/ICAN/00000001251

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent													
	Share capital	Share premium	Retained earnings	Capital reserve	Statutory reserve	SSI reserve	AFS fair value reserve	Contingency reserve	Statutory credit reserve	Treasury shares	FCTR	Total	Non-controlling interest	Total equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2015	16,316	254,524	108,637	1,223	65,278	6,076	12,532	217	46,673	(18)	7,399	518,857	4,033	522,890
Profit for the period	-	-	22,361	-	-	-	-	-	-	-	-	22,361	242	22,603
Other comprehensive income														-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	650	650	-	650
Fair value movements on available for sale financial as	-	-	-	-	-	-	(3,661)	-	-	-	-	(3,661)	2	(3,659)
Total comprehensive income	-	-	22,361	-	-	-	(3,661)	-	-	-	650	19,350	244	19,594
Transactions with owners														
Other changes*	-	-	-	-	-	-	-	-	-	-	-	-	43	43
Transfer between reserves	-	-	(49)	-	-	-	-	49	-	-	-	-	-	-
Total transactions with Owners	-	-	(49)	-	-	-	-	63	-	-	-	-	43	43
At 31 March 2015	16,316	254,524	130,949	1,223	65,278	6,076	8,871	170	46,673	(18)	8,049	538,207	4,320	542,527
Balance at 1 January 2016	17,948	252,892	163,198	1,223	66,647	6,076	56,241	438	2,433	-	8,029	575,125	3,675	578,800
Profit for the period	-	-	20,467	-	-	-	-	-	-	-	-	20,467	257	20,724
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	43	43	-	43
Fair value movements on available for sale financial as	-	-	-	-	-	-	(24,037)	-	-	-	-	(24,037)	(301)	(24,338)
Total comprehensive income	-	-	20,467		-	-	(24,037)	-	-	-	43	(3,527)	(44)	(3,572)
Transactions with owners														
Other changes*	-	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
Transfer between reserves	-	-	(89)	-	-	-	-	89	-	-	-	-	-	-
Total transactions with Owners	-	-	(89)	-	-	-	-	89	-	-	-	-	(32)	(32)
At 31 March 2016	17,948	252,892	183,576	1,223	66,647	6,076	32,204	527	2,433	-	8,072	571,598	3,599	575,197

*Other Changes represent the change in non-controlling interest arising from the acquisiton or disposal of unit holdings in FBN Heritage Funds. FBN Heritage fund is an open-ended mutual fund.

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	AFS Fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2015	16,316	254,524	7,326	10	361	278,537
Profit for the period	-	-	(446)	-	-	(446)
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	-	-
Total comprehensive income	-	-	(446)	-	-	(446)
Transactions with owners						
Dividends	-	-	-	-	-	-
Total transactions with Owners	-	-	-	-	-	-
At 31 March 2015	16,316	254,524	6,880	10	361	278,091
Balance at 1 January 2016	17,948	252,892	5,885	10	345	277,080
Profit for the period	-	-	(350)	-	-	(350)
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	(14)	(14)
Total comprehensive income	-	-	(350)	-	(14)	(364)
Transactions with owners						
Dividends	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-
Total transactions with Owners	-	-	-	-	-	-
At 31 March 2016	17,948	252,892	5,535	10	331	276,716

STATEMENT OF CASH FLOWS

	Note	GROUP 31 March 2016 N 'million	GROUP 31 March 2015 N 'million	COMPANY 31 March 2016 N 'million	COMPANY 31 March 2015 N 'million
Operating activities					
Cash flow used in operations	36	(76,368)	272,545	(113)	(3,344)
Income taxes paid		(3,450)	(1,618)	-	-
Interest received		83,456	113,316	100	46
Interest paid		(16,063)	(30,242)	-	-
Net cash flow generated from/ (used in) operating activities		(12,425)	354,001	(13)	(3,298)
Investing activities					
Acquisition/ additional investment in subsidiary		-	-	-	-
Disposal of subsidiaries, net of cash disposed		-	-	3,800	-
Purchase of investment securities		(77,222)	(753,568)	(5,607)	-
Proceeds from the sale of investment securities		3,980	598,496	1,329	-
Dividends received		33	1,503	-	-
Purchase of investment properties		-		-	-
Purchase of property, plant and equipment		(1,549)	(2,242)	(0)	(9)
Purchase of intangible assets		(1,908)	(1,325)	-	-
Proceeds on disposal of property, plant and equipment		-	309	-	-
Net cash flow generated from/ (used in) investing activities		(76,666)	(156,827)	(478)	(9)
Financing activities					
Proceeds from sale of treasury shares		-	-	-	-
Treasury shares on acquisition of subsidiary		-	-	-	-
Dividend paid		-	-	-	-
Proceeds from new borrowings		18,078	137,604	-	-
Repayment of borrowings		(3,302)	(170,682)	-	-
Interest paid on borrowings		(3,521)	(8,955)	-	-
Transactions with NCI		(32)	43	-	-
Net cash flow generated from/ (used in) financing activities		11,223	(41,990)	-	-
(Decrease)/ Increase in cash and cash equivalents		(77,868)	155,182	(491)	(3,307)
Cash and cash equivalents at start of period		666,368	532,456	4,792	4,727
Effect of exchange rate fluctuations on cash held		-	(398)	-	-
Cash and cash equivalents at end of period		588,500	687,240	4,301	1,420

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 interim financial statements for the period ended 31 March 2016 were approved and authorised for issue by the Board of Directors on 19 April 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's interim financial statements for the period ended 31 March 2016 have been prepared in accordance with IAS 34 'Interim financial reporting' as issued by the International Accounting Standards Board (IASB). The interim financial statements should be read in conjuction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs. Additional information required by national regulations is included where appropriate..

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

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

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

The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 **Changes in accounting policy and disclosures**

2.2.1 **New and amended standards adopted by the Group**

The accounting policies adopted are consistent with those of the previous financial period.

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

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

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

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

(ii) **Amendments to IAS 1 - Presentation of financial statements (effective 1 January 2016)**
Amends IAS 1 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

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

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

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

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

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

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

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

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

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

(xi) **IFRS 14- Regulatory deferral accounts (effective 1 January 2016)**
IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rateregulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard would not have an impact on the Group as it is not a first time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

(xii) **Amendments to IFRS 5 - Non Current Asset Held for Sale and Discontinued Operations (effective 1 July 2016)**
Amends IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

(xiii) **Amendments to IFRS 10 - Consolidated Financial Statements (effective 1 January 2016)**
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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

(iv) **IFRS 9 - Financial instruments (1 January 2018)**

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

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

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

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

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

2.3 Consolidation

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

a. Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

c. Disposal of subsidiaries

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

d. Associates

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

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

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

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

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

2.4 Segment reporting

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

a. *Functional and presentation currency*

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

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

b. *Transactions and balances*

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

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

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

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

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

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

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

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

2.7 Income taxation

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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

2.8 Inventories

The group purchases and constructs properties for resale.

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

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

2.9 Financial assets and liabilities

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

2.9.1 *Financial assets*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.9.2 Financial liabilities

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

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

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

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

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

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

2.9.3 Derivative financial instruments

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

2.9.4 Embedded derivatives

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

2.9.5 Determination of fair value

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

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

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

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

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

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

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

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

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

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

2.9.6 De-recognition of financial instruments

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

2.9.7 Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

b. Fees and commission income

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

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

c. Dividend income

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

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

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

2.13 Impairment of non-financial assets

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

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

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

2.14 Collateral

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

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

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

2.15 Discontinued operations

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

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

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

2.16 Leases

Leases are divided into finance leases and operating leases.

a. *The group is the lessee*

(i) *Operating lease*

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

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

(ii) *Finance lease*

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

(ii) *Finance lease*

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

b *The group is the lessor*

(i) *Operating lease*

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

(ii) *Finance lease*

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

2.17 Investment Properties

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

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

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

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

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

2.18 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

2.19 Intangible assets

a. Goodwill

Goodwill arises on the acquisition of subsidiary and associates , and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill which is recognised as an asset is reviewed at least annually for impairment. Any impairment loss is immediately recognised in profit or loss.

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

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

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

b. Computer software

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

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

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

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

c. Brand, customer deposits and customer relationships

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

2.20 Investment contracts

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

2.21 Cash and cash equivalents

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

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

2.22 Employee benefits

(i) Post-employment benefits
The Group has both defined benefit and defined contribution plans

a. Defined contribution plan

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

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.
All entities within the Group make contributions in line with relevant pension laws in their jurisdiction.

b. Defined benefit plan

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

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

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

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

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

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

2.23 Provisions

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

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

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

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

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

2.24 Insurance contracts

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

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

a. *Classification of contracts*

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

b. *Recognition and measurement*

(i) Short-term insurance contracts

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

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

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

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

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

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. *Insurance contract liabilities*

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

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

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

2.25 Fiduciary activities

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

2.26 Issued debt and equity securities

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

2.27 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

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

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

c. *Earnings per share*

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

c. *Treasury shares*

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

d. *Statutory credit reserve*

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

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

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

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

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

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

2.28 Financial guarantees

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

3 Significant accounting judgements, estimates and assumptions

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

a Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an on-going basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

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

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

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

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held to maturity investment portfolio was not tainted.

d Retirement benefit obligation

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

4 Segment information

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

Commercial Banking Business Group
This is the group's core business, which provides both individual and corporate clients/ customers with financial intermediation services. This business segment includes the group's local, international and representative offices offering commercial banking services.

Investment Banking and Asset Management Business Group (IBAM)
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. The underwriting business is performed by FBN Insurance Limited, a partnership with South African based Sanlam Group.

Other Financial Services Business Group
This includes the group's non operating holding company and other non - banking financial services businesses.

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 Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.

Segment result of operations
The segment information provided to the Group executive committee for the reportable segments for the period ended 31 March 2016 is as follows:

	Commercial Banking Group	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 March 2016					
Total segment revenue	100,224	5,484	2,599	160	**108,467**
Inter-segment revenue	(512)	(3)	(417)	(47)	**(979)**
Revenue from external customers	99,712	5,481	2,182	113	**107,488**
Interest income	79,382	3,528	444	103	**83,457**
Interest expense	(17,609)	(1,975)	-	-	**(19,584)**
Profit/(loss) before tax	20,616	1,260	615	(440)	**22,051**
Income tax expense	(834)	(306)	(187)	-	**(1,327)**
Profit for the period	19,782	954	428	(440)	**20,724**
Impairment charge on credit losses	(12,764)	10	-	-	**(12,754)**
Depreciation	(2,628)	(70)	(45)	(94)	**(2,837)**

4 Segment information continued

	Commercial Banking Group	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 March 2016					
Total assets	3,886,786	171,031	26,038	58,732	**4,142,587**
Other measures of assets:					
Loans and advances to customers	1,727,233	34,638	292	60	**1,762,223**
Expenditure on non-current assets (PP&E)	80,638	3,133	1,849	1,453	**87,073**
Investment securities	804,047	75,335	16,718	11,336	**907,436**
Total liabilities	3,420,009	122,408	15,041	9,933	**3,567,391**
At 31 March 2015					
Total segment revenue	117,172	8,895	2,409	338	**128,814**
Inter-segment revenue	(1,526)	(444)	-	(45)	**(2,016)**
Revenue from external customers	115,646	8,452	2,409	294	**126,798**
Interest income	77,487	2,533	267	1,192	**81,479**
Interest expense	(21,292)	(1,404)	0	(8)	**(22,704)**
Profit/(loss) before tax	24,594	2,588	866	(1,104)	**26,944**
Income tax expense	(4,214)	78	(184)	(21)	**(4,341)**
Profit for the period	20,380	2,666	682	(1,125)	**22,603**
Impairment charge on credit losses	(4,249)	-	-	(1)	**(4,250)**
Impairment charge on doubtful receivables	169	-	-	-	**169**
Depreciation	(2,761)	(135)	(41)	(110)	**(3,048)**
At 31 December 2015					
Total assets	3,930,665	155,666	22,746	57,112	**4,166,189**
Other measures of assets:					
Loans and advances to customers	1,773,660	43,313	236	62	**1,817,271**
Expenditure on non-current assets (PP&E)	82,353	2,676	1,822	1,547	**88,398**
Investment securities	830,586	61,956	14,218	7,019	**913,779**
Total liabilities	3,451,319	113,961	13,144	8,965	**3,587,389**

Geographical information

Revenues

	31 Mar 2016	31 Mar 2015
	N 'million	N 'million
Nigeria	96,199	114,506
Outside Nigeria	11,289	12,292
Total	**107,488**	**126,798**

Non current asset

	31 Mar 2016	31 Dec 2015
	N 'million	N 'million
Nigeria	79,648	80,864
Outside Nigeria	7,425	7,534
Total	**87,073**	**88,398**

5 Interest income

	GROUP		COMPANY	
	31 March 2016 N 'million	31 March 2015 N 'million	31 March 2016 N 'million	31 March 2015 N 'million
Investment securities	20,879	22,189	102	-
Loans and advances to banks	3,554	4,782	45	45
Loans and advances to customer	59,024	68,337	1	1
	83,457	95,308	148	46

6 Interest expense

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Deposit from customer	15,030	30,375
Deposit from banks	1,033	639
Borrowings	3,521	4,728
	19,584	35,742

7 Impairment charge for credit losses

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Loans and advances to customers		
Increase in collective impairment	487	2,151
Increase in specific impairment	13,172	2,894
	13,659	5,045
Net recoveries on loans previously written off	(905)	(795)
Other assets		
Increase/ (Decrease) in impairment	-	(169)
	12,754	4,081

8 Insurance premium revenue

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Insurance premium (net)	3,299	2,984
Change in insurance contract liabilities	(1,623)	(1,121)
	1,676	1,863

9 Fee and commission income

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Credit related fees (i)	1,542	687
Commission on turnover	43	2,767
Letters of credit commissions and fees	323	1,379
Electronic banking fees	6,081	3,496
Commission on bonds and guarantees	148	730
Funds transfer & intermediation fees	729	960
Account Maintenance	3,071	1,401
Brokerage and intermediations	471	403
Financial advisory fees (ii)	1,540	705
Fund management fees (ii)	167	146
Other fees and commissions	2,374	2,339
	16,489	15,013

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

(ii) Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activities.

9b Fees and commission expense

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Fees and commission expense	2,144	1,849

Fee and commission expense largely relates to charges raised by other banks on holders of First Bank of Nigeria Limited ATM cards, who used other banks' machines while transacting business; and SMS alert related expense.

10 Net gains/(losses) on investment securities

	GROUP		COMPANY	
	31 March 2016 N 'million	31 March 2015 N 'million	31 March 2016 N 'million	31 March 2015 N 'million
Equity securities	(1)	71	-	-
Debt securities	3,466	92	2	(1)
	3,465	163	2	(1)

11 Net gains from financial instruments at fair value through profit or loss

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Derivatives	(230)	2,906
Trading gain on debt securities	1,760	-
Fair value gain on debt securities	(808)	(341)
	722	2,565

12 Operating expenses

	GROUP		COMPANY	
	31 March 2016 N 'million	31 March 2015 N 'million	31 March 2016 N 'million	31 March 2015 N 'million
Directors' emoluments	389	365	96	93
Loss on sale of property, plant and equipment	37	89	-	-
Deposit insurance premium	2,916	3,148	-	-
AMCON resolution cost	4,650	4,729	-	-
Maintenance	3,621	4,036	32	30
Insurance premium, rent and rates	840	1,200	34	51
Advert and corporate promotions	886	3,427	11	34
Legal and other professional fees	1,012	1,234	58	26
Donations and subscriptions	260	426	-	-
Stationery and printing	423	562	1	7
Communication, light and power	1,395	1,336	0	1
Cash handling charges	511	689	-	-
Operational and other losses	891	1,405	-	-
Passages and travels	828	1,237	42	38
Outsourced cost	4,122	3,670	-	-
Underwriting expenses	463	385	-	-
Other operating expenses	2,321	3,881	28	44
	25,565	31,819	302	324

13 Taxation - Income tax expense and liability

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
Corporate tax	1,342	3,827
Education tax	77	255
Current income tax - current period	1,419	4,082
Origination and (reversal) of temporary deferred tax differences	(92)	259
Income tax expense	**1,327**	**4,341**

13 Taxation - Income tax expense and liability

	GROUP	
	31 March 2016 N 'million	31 March 2015 N 'million
The movement in the current income tax liability is as follows:		
At start of the period	8,773	11,829
Tax paid	(3,450)	(1,618)
Income tax charge	1,419	4,082
At end of the period	6,742	14,293
Current	6,742	14,293

14 Cash and balances with central banks

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Cash	74,706	76,310
Balances with central banks excluding mandatory reserve deposits	122,494	162,145
	197,200	238,455
Mandatory reserve deposits with Central Banks	536,284	477,416
	733,484	715,871

Mandatory reserve deposits with Central Banks represents a percentage of customers' deposits (prescribed from time to time by the Central Bank) which are not available for daily use. For the purposes of the Statement of cashflow, this balance is excluded from cash and cash equivalents.

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 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
Cash	74,706	76,310	-	-
Balances with central banks other than mandatory reserve deposits	122,494	162,145	-	-
Loans and advances to banks excluding long term placements	380,204	356,782	4,301	3,261
Treasury bills included in financial assets at fair value through profit or loss	2,662	3,985	-	-
Treasury bills and eligible bills excluding pledged treasury bills	8,434	67,146	-	-
	588,500	666,368	4,301	3,261

15 Loans and advances to banks

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
Current balances with banks within Nigeria	101,849	130,017	125	3,097
Current balances with banks outside Nigeria	152,173	117,664	-	-
Placements with banks and discount houses	126,182	109,101	4,176	1,695
	380,204	356,782	4,301	4,792
Long term placement	10,414	28,987	-	-
Carrying amount	390,618	385,769	4,301	4,792

16 Loans and advances to customers

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
Overdrafts	259,108	358,458	-	-
Term loans	1,615,633	1,499,397	-	-
Staff loans	9,855	8,400	60	63
Project finance	26,571	88,417	-	-
Advances under finance lease	2,235	2,321	-	-
	1,913,402	1,956,993	60	63
Less impairment allowance:				
- Specific	(112,464)	(106,686)	-	-
- Collective	(38,715)	(33,036)	-	-
	1,762,223	1,817,271	60	63

17 Financial assets at fair value through profit or loss

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Treasury bills with maturity of less than 90 days	2,662	3,985
Treasury bills with maturity over 90 days	20,082	10,243
Bonds	706	1,763
Total debt securities	23,450	15,991
Listed equity securities	1,507	1,438
Unlisted equity securities	913	5,768
Total equity securities	2,420	7,206
Derivative assets	2,841	3,229
Total assets at fair value through profit or loss	28,711	26,426

18 Investment Securities

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
18.1 Securities available for sale				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	2,617	65,034	-	-
– Treasury bills with maturity of more than 90 days	485,959	411,700	8,500	3,532
– Bonds	230,844	265,232	-	651
Equity securities – at fair value:				
– Listed	1,691	2,288	-	-
Equity securities – at fair value:				
– Unlisted	62,128	55,596	2,836	2,836
Total securities classified as available for sale	783,239	799,850	11,336	7,019
18.2 Securities held to maturity				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	5,817	2,112	-	-
– Treasury bills with maturity of more than 90 days	13,397	7,894	-	-
– Bonds	101,657	96,617	-	-
Total securities classified as held-to-maturity	120,871	106,623	-	-

19 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 March 2016 N 'million	31 December 2015 N 'million
Treasury bills	17,630	23,635
Bonds	81,883	82,011
Equity	-	-
	99,513	105,646

20 Investment in subsidiaries

20.1 Principal subsidiary undertakings

	COMPANY 31 March 2016 N 'million	COMPANY 31 December 2015 N 'million
DIRECT SUBSIDIARIES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 25 (i))	205,557	205,557
FBN Capital Limited (Note 25 (ii))	4,300	4,300
FBN Insurance Limited (Note 25 (iii))	4,724	4,724
FBN Insurance Brokers Limited (Note 25 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 25 (v))	1,700	1,700
FBN Merchant Bank Limited (Note 25 (vi))	17,206	17,206
	233,512	233,512
INDIRECT SUBSIDIARIES OF FBN HOLDINGS PLC.		
FBN Trustees Limited (Note 25 (vii))	25,533	25,533
FBN Funds Limited (Note 25 (viii))	4,550	4,550
	30,083	30,083
	263,595	**263,595**

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit, FBN Insurance Limited and New Villa Limited (Rainbow Town Development Limited) in which it owned 75%, 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 for the period is N3.60 billion (2015: N3.68billion).

Subsidiary	**Principal activity**	**Country of incorporation**	**Proportion of shares held directly by parent (%)**	**Proportion of shares held directly by the group (%)**	**Statutory year end**
First Bank of Nigeria Limited (Note 25 (i))	Banking	Nigeria	100	100	31 December
FBN Capital Limited (Note 25 (ii))	Investment Banking & Asset Management	Nigeria	100	100	31 December
FBN Insurance Limited (Note 25 (iii))	Insurance	Nigeria	65	65	31 December
FBN Insurance Brokers Limited (Note 25 (iv))	Insurance	Nigeria	100	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 25 (v))	Investment and General Trading	Nigeria	55	55	31 December
FBN Merchant Bank Limited (Note 25 (vi))	Discount House	Nigeria	100	100	31 December
FBN Trustees Limited (Note 25 (vii))	Trusteeship	Nigeria	100	100	31 December
FBN Funds Limited (Note 25 (viii))	Investment Banking & Asset Management	Nigeria	100	100	31 December

i First Bank of Nigeria Limited

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

ii FBN Capital Limited

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

iii FBN Insurance Limited (Formerly FBN Life Assurance Limited)

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

iv FBN Insurance Brokers Limited

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

v New Villa Limited (Rainbow Town Development Limited)

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

vi FBN Merchant Bank Limited (formerly Kakawa Discount House Limited)

The Company was incorporated in Nigeria as a limited liability company on 14 February 1995 and was granted a license to carry on the business of a discount house and commenced operations on 16 November 1995. Recently, the Company has transformed into a merchant bank. The Central Bank of Nigeria (CBN) license for merchant banking was obtained in May 2015 and while merchant banking operations commenced on 2 November, 2015.

vii FBN Trustees Limited (First Trustees Nigeria Limited)

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

viii FBN Funds Limited (First Funds Limited)

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

20.2 Condensed subsidiary accounts

21 Discontinued operations

Asset held for sale

The assets and liabilities held for sale relate to the property development portfolio of First Mortgages Limited (part of the retail banking segment) based on Group's decision to sell this arm of the business.

In 2015, subscribers who purchased some of the properties in prior periods subsequently defaulted in their payment obligation to Group and opted to exchange the properties for the outstanding balance due from them. The balance of N5.1bn in respect of the affected property in account receivable was reclassified to assets held for sale.

Following reassessment of the continued classification of some assets classified as held for sale at the end of the year, the Group has deemed it fit to reclassify portions of the assets to inventory because there is no firm agreement in respect of their sale despite its marketing effort (See Note 25). The reclassification was necessitated by the general economic slowdown and failure to conclude their sale for over twelve months.

The reclassification has not affected the Group’s intention to sell the assets as mandated by regulatory pronouncements and its renewed marketing effort.

The carrying amount of the assets and liabilties of the disposal group classified as held for sale are as listed below.

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Inventory	-	570

22 Investment in associates (equity method)

i. **Seawolf Oilfield Services Limited (SOSL)**

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBN Holdings Plc. in the company. Hence full impairment has been recognised on the investment. SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital which are held directly by the group; the country of incorporation or registration is also their principal place of business. SOSL is not publicly traded and there is no published price information.

ii. **FBN Heritage Fund**

FBN Holdings Plc. and its subsidiaries have 63% shareholding in FBN Heritage Fund, with FBN Holdings Plc. alone owning 37%.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. FBN Heritage Fund is not publicly traded. However, the fund manager publishes 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 N106.69 (Cost: N100).

Due to the exercise of control over FBN Heritage Fund at group level, the entity is being accounted for as a subsidiary and consolidated accordingly.

22 Investment in associates (equity method)

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
SOSL				
Cost	10,375	10,375	10,375	10,375
Impairment loss/accumulated share of loss	(10,375)	(10,375)	(10,375)	(10,375)
	-	-	-	-
FBN Heritage Fund				
Balance at beginning of period	-	-	1,500	1,500
At end of period	-	-	1,500	1,500
	-	-	1,500	1,500

23 Property, plant and equipment

Cost	146,605	146,207	1,794	1,795
Accumulated Depreciation	(59,532)	(57,809)	(695)	(276)
	87,073	88,398	1,099	1,519

24 Intangible assets

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Goodwill	4,361	3,603
Acquisition cost	12,403	11,578
Accumulated Amortisation	(5,918)	(5,494)
	10,846	9,687

25 Other assets

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
Financial assets:				
Premium debtors	216	132	-	-
Accounts receivable	38,943	23,567	1,032	4,454
	39,159	23,699	1,032	4,454
Less specific allowances for impairment	(2,521)	(2,629)	-	-
	36,638	21,070	1,032	4,454
Non Financial assets:				
Inventory	1,699	2,253	-	-
Prepayments	16,556	12,160	569	216
	18,255	14,413	569	216
Net other assets balance	54,893	35,483	1,601	4,670

26 Inventory

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Work in progress	41,963	41,972
Stock of properties	8,108	7,677
At 31 December	50,071	49,649
Current	8,108	7,677
Non-current	41,963	41,972
	50,071	49,649

Inventory relates to real estate development of Rainbow Town Development Limited.

27 Investment properties

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
At start of the period	3,025	2,826
Addition and capital improvement	-	1
Net gains/(losses) from fair value adjustment	(0)	198
	3,025	3,025

28 Deposits from banks

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Due to banks within Nigeria	110,221	121,378
Due to banks outside Nigeria	90,033	23,274
	200,254	144,652

Deposits from banks only include financial instruments classified as liabilities at amortised cost and has a remaining period to contractual maturity of less than 12 months

29 Deposits from customers

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Current	716,332	732,615
Savings	891,666	829,809
Term	872,722	970,418
Domiciliary	343,457	429,360
Electronic purse	11,100	8,720
	2,835,277	2,970,922

Deposits from customers only include financial instruments classified as liabilities at amortised cost.

30 Borrowings

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	161,440	152,434
Due to European Investment Bank (ii)	-	-
Due to Deutsche Bank (iii)	4,639	6,224
On-lending facilities from financial institutions (iv)	81,615	83,332
Borrowing from correspondence banks (v)	23,198	14,126
	270,892	256,116

The Group has not had any default of principal, interest or other breaches with respect to its liabilities during the period (2015: Nil).

(i) FBN Eurobond:

Facilities represent dollar notes I and II issued by FBN Finance Company B.V, Netherlands on 7 August 2013 and on 18 July 2014 for a period of 7 years. The notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018,while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of 2 years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) Due to European Investment Bank:

Facility represents a medium-term loan (callable notes) secured from European Investment Bank. The loan is divided into tranche A of euro 35 million for a tenure of five year and tranche B of euro 15 million for a tenure of eight years, which qualifies it as tier II capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The loan was fully repaid in April 2015

(iii) Due to Deutsche Bank:

Facility represents a medium-term loan secured from Deustche Bank on 15 August 2014 for a period of 5 years to augment working capital. The loan bears interest at the rate of 2.68% per annum.

(iv) On-lending Facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by FBN for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, the Bank of Industry (BOI) disbursed an additional N31.6 billion (2014: N9.16 billion) to First Bank of Nigeria Limited.The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, First Bank Nigeria Limited received N4.2 billion (2014: N6.8 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

c. CBN on-lending bail out fund

During the year, First Bank Nigeria Limited received N25.7 billion for on-lending to two state governments in line with the Central Bank of Nigeria special intervention fund. The loans granted are at an interest rate of 9%.

(v) Borrowings from correspondence Banks:

Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits for international trade.

31 Retirement benefit obligations

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Defined Benefits Plan		
Gratuity Scheme (i)	-	55
Defined benefits - Pension (ii)	1,779	3,083
Gratuity Scheme (iii)	343	626
	2,122	3,764

<u>Gratuity scheme (i)</u>

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 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the

<u>Defined benefit - Pension (ii)</u>
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 staff and directors. Staff who have spent a minimum number of 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years.The company discontinued the staff scheme in 2014 and individual memebers benefit were calculated on a discontinuance basis. The Directors' scheme is on a continuing basis.

<u>Gratuity scheme (iii)</u>
This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:

FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. "FBN mortgages provide gratuity benefit to eligible staff who are confirmed and have spent minimum of 5 years and for Directors who have spent minimum of 2 years.

FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

32 Other liabilities

	GROUP		COMPANY	
	31 March 2016 N 'million	31 December 2015 N 'million	31 March 2016 N 'million	31 December 2015 N 'million
Financial Liabilities:				
Customer deposits for letters of credit	54,213	46,844	-	-
Accounts payable	50,606	50,819	-	-
Creditors	43,663	19,817	137	380
Bank cheques	14,542	15,290	-	-
Collection on behalf of third parties	6,597	4,621	-	-
Unclaimed dividend	5,779	4,187	5,779	4,187
Accruals	42,426	26,863	860	1,184
Other liabilities	217,826	168,441	6,776	5,751

Other liabilities are expected to be settled within no more than 12 months after the date of the consolidated statement of financial position.

33 Liability on investment contracts

	GROUP	
	31 March 2016 N 'million	31 December 2015 N 'million
Long term clients	10,225	10,157
Short term clients	-	-
	10,225	10,157
Current	-	-
Non-current	10,225	10,157
	10,225	10,157

34 Share capital

Authorised	**31 March 2016**	**31 December 2015**
50 billion ordinary shares of 50k each (2014: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	**Number of shares In million**	**Share capital N 'million**
At 31 December 2015	35,895	17,948
At 31 March 2016	35,895	17,948

35 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums (i.e. excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 1991(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: Reserve arising from business restructuring

Available for Sale (AFS) Fair value reserve: The AFS fair value reserve shows the effects of the fair value measurement of financial instruments classified as available for sale presented in other comprehensive income. No gains or losses are recognised in the consolidated income statement.

SSI reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: The group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Treasury share: This represents the purchase consideration of the shares of FBN Holdings Plc. held by one of its subsidiaries as at 31 March 2015 (2014: N32 million) entities within the Group. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

36 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 March 2016 N 'million	31 March 2015 N 'million	31 March 2016 N 'million	31 March 2015 N 'million
Profit before tax from continuing operations	22,051	26,944	(350)	(446)
Adjustments for:				
– Depreciation and amortisation	3,586	3,461	93	93
– Profit from disposal of property and equipment	37	89	-	-
– Foreign exchange gains	-	(10,189)	-	-
– Profit from disposal of investment securities	(3,465)	(163)	(2)	1
– Net gains from financial assets at fair value through profit or loss	(722)	(2,565)	-	-
– Impairment on loans and advances	13,659	5,045	-	-
– Change in provision in other assets	-	(172)	-	-
– Change in retirement benefit obligations	(1,641)	212	-	-
– Dividend income	(33)	(1,503)	-	-
– Interest income	(83,457)	(95,308)	(148)	(46)
– Interest expense	19,584	35,742	-	-
Increase/(decrease) in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(58,868)	(5,744)	-	-
– Inventories	(422)	(570)	-	-
– Loans and advances to banks	18,573	139,709	-	-
– Loans and advances to customers	41,390	28,668	-	-
– Financial assets at fair value through profit or loss	(2,886)	2,884	-	-
– Other assets	(19,365)	(17,645)	(731)	(519)
– Pledged assets	6,133	(19,165)	-	-
– Assets held for sale	570	(79)	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	55,602	(3,405)	-	-
– Deposits from customers	(135,645)	155,148	-	-
– Financial liabilities	(2,140)	381	-	-
– Liability on investment contracts	68	7,611	-	-
– Liability on insurance contracts	1,642	1,022	-	-
– Liability held for sale	-	1,088	-	-
– Other liabilities	49,381	21,049	1,025	(2,427)
Cash flow used in operations	(76,368)	272,545	(113)	(3,344)

37 Compliance with regulations

No penalty was paid by the company during the period.

38 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 March 2016 N 'million	31 March 2015 N 'million	31 March 2016 N 'million	31 March 2015 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	20,467	22,361	(350)	(446)
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)	0.57	0.62	(0.01)	(0.01)

20.2 Condensed results of consolidated entities from continuing operations

31 March 2016	**FBN Holdings Plc.**	**FBN Limited**	**FBN Capital Limited**	**FBN Merchant Bank Limited**	**FBN Insurance Limited**	**FBN Insurance Brokers Limited**	**NSIA II Fund**	**FBN Heritage Fund**	**Rainbow Town Development Limited**	**Total**	**Adjustments**	**Group**
	N'million	**N'million**			**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Summarized Income Statement												
Operating income	160	80,592	2,528	920	2,035	196	(14)	(94)	0	86,323	(932)	85,391
Operating expenses	(510)	(47,074)	(1,596)	(510)	(1,131)	(134)	(0)	(25)	(60)	(51,040)	454	(50,586)
Impairment charge	-	(12,763)	10	-	-	-	-	-	-	(12,754)	-	(12,754)
Operating profit	(350)	20,755	941	411	904	61	(14)	(119)	(60)	22,529	(477)	22,051
Associate	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	(350)	20,755	941	411	904	61	(14)	(119)	(60)	22,529	(477)	22,051
Tax	-	(834)	(306)	-	(167)	(20)	-	-	-	(1,327)	-	(1,327)
Profit/ (Loss) for the period	(350)	19,921	636	411	737	41	(14)	(119)	(60)	21,202	(478)	20,724
Other comprehensive income	(14)	(22,419)	(315)	(1,067)	(205)	(21)	(215)	(39)	-	(24,295)	(0)	(24,295)
Total comprehensive income	(364)	(2,498)	321	(657)	532	20	(229)	(158)	(60)	(3,093)	(479)	(3,571)
Summarized Financial Position												
Assets												
Cash and balances with Central Bank	0	731,512	3	1,469	500	0	-	-	-	733,483	1	733,484
Due from other banks	4,301	371,404	15,866	3,280	1,378	980	332	1,104	266	398,910	(8,292)	390,618
Loans and advances	60	1,770,096	6,421	27,870	156	136	-	346	0	1,805,086	(42,863)	1,762,223
Financial assets at fair value through profit or loss	-	11,129	3,969	10,355	2,176	-	-	1,082	-	28,711	-	28,711
Investment securities	11,336	804,047	16,722	48,714	16,659	59	8,041	1,858	-	907,436	-	907,436
Assets Pledged as collateral	-	99,513	-	-	-	-	-	-	-	99,513	-	99,513
Inventory	-	8,085	-	-	-	-	-	-	48,740	56,824	(6,752)	50,071
Investment properties	-	-	2,705	-	320	-	-	-	-	3,025	-	3,025
Investment in subsidiaries	263,595	0	(1)	-	-	-	-	-	-	263,596	(263,596)	-
Investment in Associates	1,500	-	1,191	-	-	-	-	-	-	2,691	(2,691)	-
Other assets	1,602	40,374	9,682	2,310	1,374	135	-	-	470	55,945	(1,052)	54,893
Deferred tax	-	2,914	1,268	8,083	-	34	-	-	-	12,299	2,394	14,694
Intangible Assets	-	10,463	76	18	280	2	-	-	7	10,846	-	10,846
Property, plant and equipment	1,099	80,638	2,177	956	1,775	73	-	-	6	86,724	348	87,073
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
	283,492	3,930,175	60,079	103,054	24,618	1,420	8,373	4,391	49,488	4,465,089	(322,502)	4,142,587
Financed by												
Customer deposits	-	2,748,600	20,515	74,301	-	-	-	-	-	2,843,416	(8,139)	2,835,277
Due to other banks	-	200,242	12	-	-	-	-	-	-	200,254	(1)	200,254
Financial liabilities at fair value through profit or loss	-	9,981	-	367	-	-	-	-	-	10,348	-	10,348
Liability on investment contracts	-	-	-	-	-	-	10,225	-	-	10,225	-	10,225
Liability on insurance contracts	-	-	-	-	13,479	-	-	-	-	13,479	-	13,479
Borrowings	-	266,253	4,639	-	-	-	-	-	51,591	322,484	(51,591)	270,892
Tax payable	-	4,175	2,020	-	427	113	-	-	6	6,742	-	6,742
Other liabilities	6,776	196,716	9,959	1,111	515	450	113	36	3,151	218,828	(1,002)	217,826
Retirement benefit obligations	-	2,101	22	-	-	-	-	-	-	2,123	(1)	2,122
Deferred income tax liabilities	-	79	-	89	57	-	-	-	-	225	-	225
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-
	6,776	3,428,149	37,167	75,867	14,477	563	10,338	36	54,749	3,628,123	(60,733)	3,567,390
Equity and reserves	276,716	502,026	22,912	27,187	10,141	856	(1,965)	4,355	(5,260)	836,966	(261,768)	575,197