First Bank of Nigeria Limited Financial Statements for the year ended 31 December 2012

First Bank of Nigeria Limited
Index to the consolidated financial statements
for the year ended 31 December 2012

First Bank of Nigeria Limited

DIRECTORS AND ADVISORS

DIRECTORS	DATE OF APPOINTMENT
Prince Ajibola A. Afonja (Chairman)	
Stephen Olabisi Onansanya (Group Managing Director/CEO)	
Remi Odulami (Mrs)	
Ibiai Ani (Mrs)	
Kehinde Lawanson	
Ambrose Feese	
Tunde Hassan-Odukale	
Lawal K. Ibrahim	
Obafemi A. Otudeko	
Urum.K. Eke	
Ibukun Awosika (Mrs)	
Mahey Rasheed	
Ebenezer Jolaoso	
Khadijah Alao Straub (Mrs)	
Ibrahim Dahiru Waziri	
Dauda Lawal	September 11, 2012
Francis Shobo	September 11, 2012
Adebayo Adelabu	December 13, 2012
Bello Maccido	December 13, 2012

COMPANY SECRETARY: Borodo, Tijjani Mohammed

REGISTERED OFFICE:
Samuel Asabia House
35, Marina
Lagos

AUDITORS:
Price Waterhouse Coopers
(Chartered Accountants)
252E Muri Okunola Street,
Victoria Island
Lagos

PKF Professional Services
(Chartered Accountants)
PKF House
205A, Ikorodu Road
Obanikoro
Lagos.

REGISTRARS:
First Registrars Nigeria Limited
Plot 2, Abebe Village Road,
Iganmu, Lagos

First Bank of Nigeria Limited

INCOME STATEMENT

	Note	GROUP 31 December 2012 N 'millions	GROUP 31 December 2011 N 'millions	BANK 31 December 2012 N 'millions	BANK 31 December 2011 N 'millions
Continuing operations					
Interest income	6	276,795	207,019	257,325	197,829
Interest expense	7	(58,511)	(34,727)	(51,778)	(30,606)
Net interest income		**218,284**	**172,292**	**205,547**	**167,223**
Impairment charge for credit losses	8	(12,912)	(38,011)	(9,847)	(32,165)
Net interest income after impairment charge for credit losses		**205,372**	**134,281**	**195,700**	**135,058**
Fee and commission income	9	54,862	43,591	47,571	41,914
Foreign exchange income	10	2,456	7,497	924	7,502
Net gains/(losses) on investment securities	11	(860)	458	(957)	(738)
Net gains/(losses) from financial assets classified as held for trading	12	1,752	2,828	168	(996)
Gain from disposal of subsidiary	27	-	-	3,490	-
Loss on sale of assets to AMCON	13	-	(15,501)	-	(15,501)
Dividend income		518	4,175	3,766	5,801
Other operating income	14	3,398	12	1,535	-
Operating expenses	15	(182,329)	(136,668)	(168,908)	(133,368)
Operating profit		85,169	40,673	83,289	39,672
Share of profit / (loss) of associates	27	1,008	(1,507)	-	-
Profit before tax		**86,177**	**39,166**	**83,289**	**39,672**
Income tax expense	16	(14,918)	(18,864)	(12,145)	(16,620)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**71,259**	**20,302**	**71,144**	**23,052**
Discontinued operations					
Profit for the year from discontinued operations	26	3,838	(1,666)	-	-
PROFIT FOR THE YEAR		**75,097**	**18,637**	**71,144**	**23,052**
Profit attributable to:					
Owners of the parent		75,040	19,521	71,144	23,052
Non-controlling interests		57	(884)	-	-
		75,097	**18,637**	**71,144**	**23,052**

First Bank of Nigeria Limited

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 31 December 2012 N 'millions	GROUP 31 December 2011 N 'millions	BANK 31 December 2012 N 'millions	BANK 31 December 2011 N 'millions
PROFIT FOR THE YEAR		**75,097**	**18,637**	**71,144**	**23,052**
Other comprehensive income:					
Exchange difference on translation of foreign operations		1,827	606	-	-
Net gains on available-for-sale financial assets					
-Unrealised net gains arising during the period, before tax		15,846	(38,509)	13,588	(39,476)
-Net reclassification adjustments for realised net gains or losses, before tax		1,930	-	1,930	-
Actuarial gains/(losses) on defined benefit pension scheme	39	(485)	(3,042)	(485)	(3,042)
Income tax relating to components of other comprehensive income		146	913	146	913
Other comprehensive income for the year, net of tax		**19,264**	**(40,032)**	**15,179**	**(41,605)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**94,361**	**(21,395)**	**86,323**	**(18,553)**
Total comprehensive income attributable to:					
Owners of the parent		94,304	(20,511)	86,323	(18,553)
Non-controlling interests		57	(884)	-	-
		94,361	**(21,395)**	**86,323**	**(18,553)**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		90,466	(18,846)	86,323	(18,553)
Discontinued operations	26	3,838	(1,666)	-	-
		94,304	**(20,511)**	**86,323**	**(18,553)**

First Bank of Nigeria Limited

STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2012 N 'millions	GROUP 31 December 2011 N 'millions	GROUP 1 January 2011 N 'millions	BANK 31 December 2012 N 'millions	BANK 31 December 2011 N 'millions	BANK 1 January 2011 N 'millions
ASSETS							
Cash and balances with central banks	17	298,024	199,228	75,517	288,125	199,091	74,894
Loans and advances to banks	19	393,125	462,856	575,467	329,120	222,347	383,880
Loans and advances to customers	20	1,563,005	1,252,462	1,160,293	1,316,407	1,144,461	1,046,925
Financial assets held for trading	21	2,565	5,964	16,636	1,942	2,552	11,485
Investment securities							
-Available-for-sale investments	22.	351,374	356,933	222,822	300,351	340,767	201,163
-Held to maturity investments	22.	330,860	337,336	31,886	330,860	329,857	44,331
Asset pledged as collateral	23	50,109	72,129	122,009	50,109	72,129	122,009
Inventory	29	-	25,609	23,081	-	-	-
Investment in subsidiaries	24	-	-	-	40,348	32,416	30,416
Investments in associates accounted for using the equity method	27	5,609	7,489	8,996	2,224	14,099	14,099
Other assets	33	33,733	62,272	39,282	32,459	43,734	33,344
Investment properties	28	-	4,055	2,440	-	-	-
Intangible assets	31	3,417	1,008	494	1,302	734	265
Property, plant and equipment	30	74,454	65,874	63,634	70,724	64,056	62,252
Deferred tax	32	7,955	6,954	12,274	6,703	5,195	12,146
		3,114,230	2,860,169	2,354,831	2,770,674	2,471,438	2,037,209
Asset held for sale	26	12,978	-	-	-	-	-
Total assets		**3,127,208**	**2,860,169**	**2,354,831**	**2,770,674**	**2,471,438**	**2,037,209**
LIABILITIES							
Deposits from banks	34	87,551	183,500	148,352	18,463	51,306	55,221
Deposits from customers	35	2,405,858	1,951,321	1,447,600	2,171,807	1,784,490	1,328,218
Financial liabilities held for trading	36	1,796	2,857	1,639	1,278	1,143	1,639
Liability on investment contracts	38	-	49,440	76,446	-	-	-
Liability on insurance contracts		-	824	-	-	-	-
Borrowings	37	75,541	104,473	126,350	81,987	104,287	126,096
Retirement benefit obligations	39	18,648	15,081	11,426	18,156	14,676	11,075
Current income tax liability	16.	22,374	24,254	20,052	19,768	21,354	15,118
Deferred tax	32	6	1,067	901	-	-	-
Other liabilities	40	118,066	158,773	120,470	87,039	116,938	84,233
		2,729,840	2,491,590	1,953,236	2,398,498	2,094,194	1,621,600
Liabilities held for sale	26	2,836	-	-	-	-	-
Total liabilities		**2,732,675**	**2,491,590**	**1,953,236**	**2,398,498**	**2,094,194**	**1,621,600**
EQUITY							
Share capital	41	16,316	16,316	16,316	16,316	16,316	16,316
Share premium	42	189,241	254,524	254,524	189,241	254,524	254,524
Retained earnings	42	94,991	41,587	47,304	77,342	49,649	33,310
Other reserves							
Statutory reserve	42	42,972	32,144	28,508	42,422	31,753	28,294
SSI Reserve	42	6,076	6,076	6,309	6,076	6,076	6,309
AFS Fair value reserve	42	25,815	8,524	47,033	24,678	9,160	48,636
Contingency Reserve	42	-	13	-	-	-	-
Statutory credit reserve	42	16,101	9,766	28,220	16,101	9,766	28,220
Treasury share reserve	42	-	(1,941)	(27,767)	-	-	-
Foreign currency translation reserve	42	1,668	606	-	-	-	-
		393,180	367,615	400,447	372,176	377,244	415,609
Non-controlling interest		1,353	964	1,148	-	-	-
Total equity		**394,533**	**368,579**	**401,595**	**372,176**	**377,244**	**415,609**
Total equity and liabilities		**3,127,208**	**2,860,169**	**2,354,831**	**2,770,674**	**2,471,438**	**2,037,209**

The financial statements on pages 11 to 106 were approved by the Board of Directors on 28 February 2013 and signed on its behalf by:

Prince Ajibola Afonja	**Bisi Onasanya**	**Adebayo Adelabu**
Chairman	Group Managing Director / CEO	Executive Director / Group CFO

First Bank of Nigeria Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUIT

	Attributable to equity holders of the parent												
	Share capital	**Share premium**	**Retained earnings**	**Statutory reserve**	**SSI reserve**	**AFS Fair value reserve**	**Contingency reserve**	**Statutory credit reserve**	**Treasury share reserve**	**FCTR**	**Total**	**Non-controllin interest**	**Total equity**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balance at 1 January 2011	16,316	254,524	47,304	28,508	6,309	47,033	-	28,220	(27,767)	-	400,447	1,148	401,595
Profit for the year	-	-	19,521	-	-	-	-	-	-	-	19,521	(884)	18,637
Other comprehensive income													
Foreign currency translation differences,net of tax	-	-	-	-	-	-	-	-	-	606	606	-	606
Tax effects on revaluation of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value movements on equity financial assets						(38,509)					(38,509)		(38,509)
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(2,129)	-	-	-	-	-	-	-	(2,129)	-	(2,129)
Share of OCI of associates, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	17,392	-	-	(38,509)	-	-	-	606	(20,511)	(884)	(21,395)
Transactions with owners											-		-
Issue of new shares											-	700	700
Disposal of treasury shares			(18,335)						25,826		7,491	-	7,491
Transfer to statutory credit reserve			18,454					(18,454)			-	-	-
SMEEIS reserves written off					(233)						(233)	-	(233)
Dividends	-	-	(19,580)	-	-	-	-	-	-	-	(19,580)	-	(19,580)
Transfer from retained earnings	-	-	(3,648)	3,636		-	13	-	-	-	-	-	-
Total transactions with Owners	-	-	(23,109)	3,636	(233)	-	13	(18,454)	25,826	-	(12,322)	700	(11,622)
At 31 December 2011	16,316	254,524	41,587	32,144	6,076	8,524	13	9,766	(1,941)	606	367,614	964	368,578
Profit for the year	-	-	75,040	-	-	-	-	-	-	-	75,040	57	75,097
Other comprehensive income											-	-	-
Foreign currency translation differences,net of tax	-	-	-	-	-	-	-	-	-	1,062	1,062	-	1,062
Tax effects on revaluation of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value movements on equity financial assets						17,776					17,776	-	17,776
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(340)	-	-	-	-	-	-	-	(340)	-	(340)
Share of OCI of associates, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	74,701	-	-	17,776	-	-	-	1,062	93,539	57	93,596
Transactions with owners					-	-	-	-	-		-		-
Dividends	-	-	(26,105)		-	-	-	-	-		(26,105)		(26,105)
Exchange difference					-	-	-	-	-		-		-
Acqusiition of subsidiary					-	-	-	-	-	-	-	1,286	1,286
Transfer from retained earnings	-	-	(27)	-	-	-	27	-	-	-	-	-	-
Transfer between reserves	-	-	(17,219)	10,884	-	-	-	6,335	-	-	-	-	-
Transfer resulting from Business Restructuring		(65,283)	22,054	(56)	-	(484)	(40)		1,941		(41,868)	(953)	(42,821)
Total transactions with Owners	-	(65,283)	(21,297)	10,828	-	(484)	(13)	6,335	1,941	-	(67,973)	333	(67,640)
At 31 December 2012	16,316	189,241	94,991	42,972	6,076	25,815	0	16,101	-	1,668	393,180	1,353	394,533

First Bank of Nigeria Limited

BANK STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Share capital	**Share premium**	**Retained earnings**	**Statutory reserve**	**SSI reserve**	**AFS Fair value reserve**	**Statutory credit reserve**	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balance at 1 January 2011	16,316	254,524	33,310	28,294	6,309	48,636	28,220	415,609
Profit for the year	-	-	23,052	-	-	-	-	23,052
Other comprehensive income								
Foreign currency translation differences,net of tax	-	-	-	-	-	-	-	-
Tax effects on revaluation of financial assets	-	-	-	-	-	-	-	-
Fair value movements on equity financial assets						(39,476)		(39,476)
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(2,129)	-	-	-	-	(2,129)
Share of OCI of associates, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	20,923	-	-	(39,476)	-	(18,553)
Transactions with owners								
(Increase)/Decrease in Treasury shares	-	-	-	-	-	-	-	-
Dividends	-	-	(19,580)	-	-	-	-	(19,580)
SMEEIS investments written off					(233)			(233)
Transfer from retained earnings	-	-	18,454			-	(18,454)	-
Transfer between reserves			(3,458)	3,458				
Total transactions with Owners	-	-	(4,584)	3,458	(233)	-	(18,454)	(19,813)
At 31 December 2011	16,316	254,524	49,649	31,752	6,076	9,160	9,766	377,243
Profit for the year	-	-	71,144	-	-	-	-	71,144
Other comprehensive income								
Foreign currency translation differences,net of tax	-	-	-	-	-	-	-	-
Fair value movements on equity financial assets						15,518		15,518
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(340)	-	-	-	-	(340)
Share of OCI of associates, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	70,804	-	-	15,518	-	86,322
Transactions with owners								
Dividends	-	-	(26,105)	-	-	-	-	(26,105)
SMEEIS investments written off	-	-	-	-		-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-
Tranfer between reserves	-	-	(17,007)	10,672	-	-	6,335	(0)
Transfer resulting from Business Restructuring	-	(65,283)	-	-	-	-	-	(65,283)
Total transactions with Owners	-	(65,283)	(43,112)	10,672	-	-	6,335	(91,388)
At 31 December 2012	16,316	189,241	77,342	42,422	6,076	24,678	16,101	372,176

First Bank of Nigeria Limited

STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2012 N 'millions	GROUP 31 December 2011 N 'millions	BANK 31 December 2012 N 'millions	BANK 31 December 2011 N 'millions
Operating activities					
Cash flow (used in)/generated from operations	43	(145,419)	285,287	(40,367)	221,203
Income taxes paid		(21,447)	(6,614)	(17,637)	(2,517)
Interest received		308,413	221,439	269,479	215,568
Interest paid		(65,673)	(43,669)	(51,073)	(38,550)
Purchase of investment securities		(51,473)	(361,998)	(24,774)	(343,328)
Proceeds from the sale of investment securities		17,612	14,014	17,012	9,515
Gratuity payment to staff		(15,136)	(4,915)	(15,135)	(3,898)
Net cash flow generated from operating activities		26,877	103,544	137,504	57,993
Investing activities					
Cash and cash equivalent acquired from subsidiary		11,463	-	-	-
Net cash flow from disposal of subsidiaries		(30,619)	-	-	-
Net cash flow from business restructuring		(24,885)	-	-	-
Additional investment in subsidiaries		-	-	(17,307)	(1,000)
Dividends received		518	3,925	539	4,776
Purchase of investment property		-	(1,563)	-	-
Purchase of property, plant and equipment		(18,635)	(11,529)	(16,881)	(10,592)
Purchase of intangible assets		(1,494)	(1,712)	(1,124)	(1,551)
Proceeds on disposal of property, plant and equipment		2,862	209	2,808	151
Net cash used in investing activities		(60,790)	(10,670)	(31,964)	(8,216)
Financing activities					
Proceeds from sale of treasury shares		-	7,497	-	-
Dividend paid		(26,105)	(19,579)	(26,105)	(19,579)
Proceeds from new borrowings		57,832	18,671	57,832	18,671
Repayment of borrowings		(85,805)	(40,529)	(79,356)	(40,462)
Net cash (used in)/generated from financing activities		(54,078)	(33,940)	(47,629)	(41,370)
Increase in cash and cash equivalents		(87,991)	58,934	57,911	8,407
Cash and cash equivalents at start of year	18	708,991	650,714	467,546	459,551
Effect of exchange rate fluctuations on cash held		(137)	(658)	(124)	(412)
Cash and cash equivalents at end of year	18	620,863	708,990	525,333	467,546

1 General information

These financial statements are the consolidated financial statements of First Bank Nigeria Limited (the Bank), and its subsidiaries (hereafter referred to as 'the Group').

The Regsitered office address of the Bank is at 35 Marina, Samuel Asabia House.

The principal activities of the Bank is mainly retail banking and corporate banking. Retail banking provides banking activities relating to individuals, such as savings account, investment savings products, loans and money transfers. Corporate banking includes activities relating to multinational and local corporations, as well as financial and governmental institutions, such as funds management, credit facilities and project finance.

During the year, there was a business restructuring within the First Bank Group, which resulted in the adoption of the holding company model. Thus, FBN Holdings Plc was set up as a non-operating legal entity domiciled in Nigeria, and regulated by the Central Bank of Nigeria as an “other financial institution". See note (29) for detailed disclosure on the impact of the Business restructuring.
As at year end, the Bank has five subsidiary companies namely:

FBN Bank (UK) Limited
FBN Pension Custodian Nigeria Limited,
FBN Mortgages Limited
FBN Bureau De Change Liimited
Banque Internationale De Credit, DRC.

The consolidated financial statements for the year ended 31 December 2012 were approved for issue by the Board of Directors on 28 February 2013.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group’s consolidated financial statements for the year 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

These are the first annual financial statements of the Company and the Group prepared in accordance with IFRS and IFRS 1, First-time Adoption of IFRS (IFRS 1) has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cashflows of the Group and Bank is provided in note 53.

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 Bank.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Group’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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 2012.

(i) Amendment to IAS 19, 'Employee benefits' (effective for periods beginning on or after 1 January 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

(ii) Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting' (effective for periods beginning on or after 1 January 2014).
This amendment clarifies some of the requirements for offsetting financial assets and liabilities on the reporting date. The Group is yet to assess the full effect of IAS 32 and intends to adopt IAS 32 no later than the accounting period beginning on or after 1 January 2014.

(iii) IFRS 10, 'Consolidated financial statements' (effective for periods beginning on or after 1 January 2013).
The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
The Group is yet to assess the full effect of IFRS 10 and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

(iv) IFRS 11, 'Joint arrangements' effective for periods beginning on or after 1 January 2013)
IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures.

Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The Group is yet to assess the full effect of IFRS 11 and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

(v) IFRS 12, 'Disclosures of interests in other entities' (effective for periods beginning on or after 1 January 2013).
IFRS 12 includes the disclosure requirements for all forms of interests in other entities,including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The Group is yet to assess the full effect of IFRS 12 and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

(vi) IFRS 13, 'Fair value measurement' (effective for periods beginning on or after 1 January 2013).
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

(vii) IAS 27 (revised 2011), 'Separate financial statements' (effective for periods beginning on or after 1 January 2013).
IAS 27 (revised 2011) includes the requirements relating to separate financial statements
The Group is yet to assess the full effect of IAS 27 and intends to adopt IAS 27 no later than the accounting period beginning on or after 1 January 2013 but this is not expected to have a material impact on the Banks operations.

(viii) IAS 28 (revised 2011), 'Associates and joint ventures' (effective for periods beginning on or after 1 January 2013)
IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.
The Group is yet to assess the full effect of IAS 28 and intends to adopt IAS 28 no later than the accounting period beginning on or after 1 January 2013.

(ix) IFRS 9, 'Financial Instruments' (effective for periods beginnning on or after 1 January 2015)
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The Group is yet to assess the full effect of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

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. The consolidation principles are unchanged as against the previous year.

a. Business combinations

(i) Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acqusition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree and fair value of any previously held interest, less the net recognised amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of net assets on liquidation. at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions prior to 1 January 2011

As part of its transition to IFRSs,the Group did not elect to restate any business combinations that occurred on or before its transition date of 1 January 2011. In respect of acquisitions prior to 1 January 2011, goodwill represents the amount recognised under the Group's previous accounting framework (NGAAP).

b. *Acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognised as a result of such transactions.

c. Subsidiaries

The consolidated financial statements incorporates the financial statements of the Bank and all its subsidiaries where it is determined that there is a capacity to control.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists.

Control is usually present when an entity has:

• power over more than one-half of the voting rights of the other entity;

• power to govern the financial and operating policies of the other entity;

• power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

• power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

In its separate accounts, the Bank accounts for its investment in subsidiaries at cost.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Consistent accounting policies are used throughout the Group for consolidation.

d. Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over these policies. Significant influence is generally demonstrated by the Group holding in excess of 20%, but less than 50%, of the voting rights.

The Group's share of results of the associate entity is included in the consolidated income statement. Investments in associates are carried in the statement of financial position at cost plus the Group's share of post-acquisition changes in the net assets of the associate. Investments in associates are reviewed for any indication of impairment at least at each reporting date.The carrying amount of the investment is tested for impairment, where there is an indication that the investment may be impaired. When the Group's share of losses or other reductions in equity in an associate equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is carrying amount of the investment and assessed for impairment as part of the investment. A gain on acquisition is recognised immediately in profit or loss if there is an excess of the Group's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

The Group's share of the results of associates is based on financial statements made up to a date not more than three months before the reporting date, adjusted to conform with the accounting policies of the Group. Unrealised gains and losses on transactions are eliminated to the extent of the Group's interest in the investee. Losses may provide evidence of impairment of the asset transferred in which case appropriate provision is made for impairment.

In the seperate financial statements of the Bank, investments in associates are stated at cost less accumulated impairment losses, if any.

Special purpose entities (SPEs)

SPEs are entities that are created to accomplish a narrow and well-defined objective . The financial statement of the SPE are included in the consolidated financial statement where on the substance of the relationship with the group and the SPE's risk and reward, the group concludes that it controls the SPE.

2.4 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 Bank, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, directors considers 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 Bank applies the guidance as set out in IFRS 3R on common control transactions. 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 Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

2.5 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 financial statements are presented in Naira millions.

b. *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the profit or loss.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition;non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments measured at available for sale are included in other comprehensive income and cumulated in the fair value reserve.Non-monetary items that are measured under the historical cost basis are not retranslated.

c. Foreign operations

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 and are classified as equity and recognised in the foreign currency translation reserve.

On transition to IFRS, the Group elected to apply the cummulative translation difference exemption and brought forward a nil opening balance on the foreign currency translation reserve arising from the retranslation of foreign operations, which is shown as a separate item in equity.

2.6 Income taxation

a. *Current income tax*

Income tax payable (receivable) 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 provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the 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 end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

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

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

2.7 Inventories

The Group recognises Property as inventory under the following circumstances:

(i) property purchased for the specific purpose of resale.

property constructed for the specific purpose of resale (work in progress under the scope of IAS 18, 'Revenue')

(ii) property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

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

2.8 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

2.8.1 *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*

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

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 and expenses 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'.

Receivables arising out of Insurance arrangements are also classified in this category and reviewed for impairment in line with IAS 39.

c. *Held-to-maturity financial assets*

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

(i) those that the Group upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of loans and receivables.

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

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

d. *Available-for-sale financial assets*

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the profit or loss, 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 the statement of comprehensive income is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Other operating 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.

2.8.2 **Financial liabilities**

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value through profit or loss), financial liabilities at amortised cost . Financial liabilites are derecognised when extinguished.

a. *Financial liabilities at fair value through profit or loss*

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

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.

Those financial instruments are recognised in the statement of financial position as 'Financial liabilites held for trading'.

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.

2.8.3 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

2.8.4 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

2.8.5 Determination of fair value

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, NSE) and broker quotes from Bloomberg and Reuters.
A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

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

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted securities (including those with embedded derivatives) and other instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.
The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.6

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

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.

2.8.6 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 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 Classes of financial instrument

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Category	Class	Subclasses		
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading	Debt securities	
			Equity securities	
			Derivatives – non-hedging	
		Financial assets designated at fair value through profit and loss	Debt securities	
			Equity securities	
			Loans and advances to banks	
			Loans and advances to customers	
	Loans and receivables	Loans and advances to banks		
		Loans and advances to customers	Loans to individuals (retail)	Overdrafts
				Credit cards
				Term loans
				Mortgages
			Loans to corporate entities	Large corporate customers
				SMEs
				Others
		Investment securities – debt instruments		Listed
				Unlisted
	Held-to-maturity investments	Investment securities – debt securities		Listed
				Unlisted
	Available-for-sale financial assets	Investment securities – debt securities		Listed
		Investment securities – equity securities		Listed
				Unlisted
Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities held for trading (Derivatives – Non Hedging only)		
		Designated at fair value through profit and loss – Debt securities in issue		
	Financial liabilities at amortised cost	Deposits from banks		
		Deposits from customers	Retail customers	
			Large corporate customers	
			SMEs	
		Debt securities in issue		
		Convertible bonds		
		Subordinated debt		
Off-balance sheet financial instruments	Loan commitments			
	Guarantees, acceptances and other financial facilities			

2. 11 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 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.

2. 12 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

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.

2.13 Impairment of financial assets

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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
· significant financial difficulty of the issuer or obligor;
· a breach of contract, such as a default or delinquency in interest or principal payments;
· the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
· it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
· the disappearance of an active market for that financial asset because of financial difficulties;
· observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
(i) adverse changes in the payment status of borrowers in the portfolio;
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the Income Statement.

Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

These characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the Income Statement. 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, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Income Statement.

Equity securities acquired in exchange for loans in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is consolidated. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business and not as an impairment of the original instrument.

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Where such evidence exists, the cumulative gain or loss that has been previously recognised directly in equity is removed from equity and recognised in the Income Statement. Reversals of impairment of equity shares are not recognised in the Income Statement, increases in the fair value of equity shares after impairment are recognised directly in equity. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets above. Reversals of impairment of debt instruments are recognised in the Income Statement.

2. 14 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2. 15 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. 16 Discontinued operations

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.

2.17 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. 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 continure 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 (before tax), which reflects a constant periodic rate of return.

2. 18 Property, Plant and Equipment

Land and buildings comprise mainly branches and offices. 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.

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate
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

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.

Payments in advance for items of property and equipment are included as Prepayments in “Other Assets” and upon delivery are reclassified as additions in the appropriate category of property and equipment.

2. 19 Intangible assets

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

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

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

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

b. Computer software

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

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

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

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

c. Impairment of tangible and intangible assets excluding goodwill
At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset’s or the cash-generating unit’s net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm’s length transaction evidenced by an active market or recent

transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of tangible and intangible assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a tangible or intangible asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the tangible or intangible asset's recoverable amount. The carrying amount of the tangible or intangible asset will only be increased up to the amount that it would have been had the original impairment not been recognised. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets.

2. 20 Employee 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.

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, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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 high-quality corporate 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.

2. 21 Provisions

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

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits.

The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

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

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

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

2. 22 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. 23 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 depreciated cost. Investment properties are normally depreciated using the straight-line method.The fair values of investment properties are disclosed in the Notes to the financial statements.

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.

2.24 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 include cash and non-restricted balances with central banks.

2.25 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

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

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

c. *Treasury shares*

Where the Bank or other members of the Group purchase the Bank'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 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 1%provision is taken on all risk assets are not specifically provisioned.

2.25 Share capital continued

Statutory credit reserve continued

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 Statement of Comprehensive Income.

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

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 Bank. 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 Insurance contracts and 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 classified and measured as appropriate under IAS 39 ‘Financial Instruments; Recognition and Measurement’.

2. 28 Life insurance contracts

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. Claims and surrenders are accounted for when notified.
Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools

3. Financial risk management

3.1 Introduction and overview

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

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

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

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

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

3.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Bank's Chief Risk Officer (CRO) regularly.

3.2.1 Credit risk measurement

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

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

Obligor Risk Rating (ORR system)

The obligor risk rating grids have a minimum of ten risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket		Range of scores		Grade
Extremely low risk	AAA	1	1.00-1.99	90 - 100%	Investment
very low risk	AA	2	2.00-2.99	80 - 89%	
Low risk	A	3	3.00-3.99	70 - 79%	
Low risk	BBB	4	4.00-4.99	60 - 69%	
Acceptable - moderately high risk	BB	5	5.00-5.99	50 - 59%	Non - investment
High risk	B	6	6.00-6.99	40 - 49%	
very high risk	CCC	7	7.00-7.99	30 - 39%	
Extremely high risk	CC	8	8.00-8.99	10 - 29%	
High likelihood of default	C	9	9.00-9.99	0 - 9%	
Default risk	D	10	10		Default

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

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

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

Collateral risk rating	Collateral type
1	Cash/Treasury bills
2	Marketable securities, guarantee/receivables of investment grade banks and corporates
3	Enforceable Lien on fast moving inventory in bonded warehouses
4	Legal mortgage on residential business real estate in prime locations A and B
5	Legal mortgage or debeture on business premise, factory assets or commercial real estates in locations A and B
6	Equitable mortgages on real estate in any location
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Hypothecation, negative pledge, personal guarantee, clean

3.2.2 Risk limit control and mitigation policies

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

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

Portfolio limits

The process of setting the limits is as follows:

• The Group engages in a detailed portfolio plan annually. In drawing up the plan, the Group reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The target loan portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.
• Aggregate large exposure limit of not more than 400% of Bank's shareholders' funds.
• Public sector exposure limit of not more than 10% (including contingent liability) of the Bank's loan portfolio.

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Portfolio limits continued

• Industry/economic sector limits are imposed on the Bank's lending portfolio, in line with the following policies:
– The target market is companies operating in industries rated 'BB' or better unless on an exception basis.
– The Group would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g., oil exploration and oil service, tyre manufacturing and tyre distribution, etc.).
– The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
– No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
-No more than 10% of the Group's portfolio in any single industry rated 'B' or worse

Geographical limits

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

Single obligor limits

• Limits are imposed on loans to individual borrowers. The Group as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 18% of SHF to create a prudent buffer.
• Also, the Group will not ordinarily advance beyond 50% of customers' shareholders' fund/net worth in cases of loans offered under individual assessment.
• Product programmes contain guidelines on single obligor limits.
• Except with the approval of the Board of Directors, the Group shall not lend more than:
– 20% of the shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure.
– No single retail loan should amount to more than 0.2% of total retail portfolio.
– No single retail loan should amount to more than 0.5% of the related retail product portfolio.

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

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

STANDARD CREDIT APPROVAL GRID FOR WHOLESALE AND RETAIL LENDING

	Approval levels	Investment grade (N'000)	Non - nvestment grade (N'000)
1	BOD	>58,000,000	>58,000,000
2	BCC	58,000,000	58,000,000
3	MCC	30,000,000	15,000,000
4	GMD + CRO + BUSINESS_SCO1/SCO2	10,000,000	3,000,000
5	RISK_SCO1 + BUSINESS_SCO1/SCO2	8,000,000	2,500,000
6	BUSINESS_SCO1 + RISK_SCO2	5,000,000	1,000,000
7	RISK_SCO3 + BUSINESS_SCO2	500,000	250,000
8	RISK_SCO4 + BDM/GH	100,000	100,000

The group also controls and mitigates risk through collateral.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
• Mortgages over residential properties.
• Charges over business assets such as premises, inventory and accounts receivable.
• Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty even before impairment indicators are identified for the relevant individual loans and advances.

Collateral continued

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

3.2.3 Impairment and provisioning policies

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

The impairment allowance shown in the consolidated statement of financial position at year end is derived from the group's rating system (The Obligor Risk Rating).

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

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

	GROUP		
	31 Dec 2012	**31 Dec 2011**	**1 Jan 2011**
	N'millions	**N'millions**	**N'millions**
Balances with central banks	244,941	153,935	42,362
Loans and advances to banks	393,125	462,856	575,467
Loans and advances to customers	1,563,005	1,252,462	1,160,293
Financial assets held for trading	2,565	2,682	11,485
Investment securities - Debt			
-Available-for-sale investments	303,876	304,840	139,946
-Held to maturity investments	330,860	337,336	31,886
Asset pledged as collateral	50,109	72,129	122,009
Assets classified as held for sale	7,341	-	-
Other assets	25,274	52,996	30,699
	2,921,096	2,639,236	2,114,147

	BANK		
	31 Dec 2012	**31 Dec 2011**	**1 Jan 2011**
	N'millions	**N'millions**	**N'millions**
Balances with central banks	240,887	153,904	42,361
Loans and advances to banks	329,120	222,347	383,880
Loans and advances to customers	1,316,407	1,144,461	1,046,925
Financial assets held for trading	1,942	2,552	11,485
Investment securities			
-Available-for-sale investments	252,911	298,623	128,111
-Held to maturity investments	330,860	329,857	44,331
Asset pledged as collateral	50,109	72,129	122,009
Other assets	25,108	36,152	27,406
	2,547,344	2,260,025	1,806,508

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

	GROUP		
	31 Dec 2012	**31 Dec 2011**	**1 Jan 2011**
	N'millions	**N'millions**	**N'millions**
Loan commitments	27,111	13,481	3,752
Letter of credit and other credit related obligations	220,388	231,834	155,888
	247,499	245,315	159,640

	BANK		
	31 Dec 2012	**31 Dec 2011**	**1 Jan 2011**
	N'millions	**N'millions**	**N'millions**
Letter of credit and other credit related obligations	196,267	153,695	151,337
	196,267	153,695	151,337

3.2.4 Maximum exposure to credit risk after collateral held or credit enhancements

The group's maximum exposure to credit risk after consideration of collateral and other credit enhancements at 31 December 2012, 31 December 2011 and 31 December 2010 respectively is represented by the carrying amounts of the financial assets in the Statement of Financial Position

3.2.5 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group’s credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2012, 31 December 2011 and 31 December 2010. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets held for trading analysed below excludes investments in equty instruments.

GROUP

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balances with central bank	235,046	-	-	-	9,857	38	244,941
Loans and advances to banks	61,949	-	-	-	11,059	320,117	393,125
Loans and advances to customers	883,300	204,101	124,324	106,893	18,738	225,649	1,563,005
Financial assets held for trading	1,888	-	-	-	-	677	2,565
Investment securities	564,527	13,611	3,943	1,632	-	51,023	634,736
Asset pledged as collateral	50,109	-	-	-	-	-	50,109
Assets classfied as held for sale	5,139	1,101	-	1,101	-	-	7,341
Other assets	15,014	4,017	3,013	1,506	1,490	233	25,274
31 December 2012	1,816,972	222,830	131,280	111,132	41,144	597,738	2,921,096

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

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Loan commitments	-	-	-	-	-	27,111	27,111
Letters of credit and other credit related obligations	186,037	5,960	50	4,220	-	24,121	220,388
31 December 2012	186,037	5,960	50	4,220	-	51,232	247,499

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balances with central bank	153,935	-	-	-	-	-	153,935
Loans and advances to banks	33,627	-	-	-	3,434	425,795	462,856
Loans and advances to customers	781,515	168,783	78,974	82,901		140,289	1,252,462
Financial assets held for trading	1,672	-	-	-	-	1,010	2,682
Investment securities	596,384	12,889	1,009	2,366	-	29,528	642,176
Asset pledged as collateral	72,129	-	-	-	-	-	72,129
Other assets	40,942	5,607	4,159	2,288	-	-	52,996
31 December 2011	1,680,204	187,279	84,142	87,555	3,434	596,622	2,639,236

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

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Loan commitments	-	-	-	-	-	13,481	13,481
Letters of credit and other credit related obligations	138,694	4,422	312	10,267	-	78,139	231,834
31 December 2011	138,694	4,422	312	10,267	-	91,620	245,315

3.2.5 Concentration of risks of financial assets with credit risk exposure continued

GROUP

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balances with central bank	42,362	-	-	-	-	-	42,362
Loans and advances to banks	285,828	-	-	-	646	288,993	575,467
Loans and advances to customers	762,164	160,747	32,525	71,617		133,240	1,160,293
Financial assets held for trading	9,554	-	-	-	-	1,931	11,485
Investment securities	146,484	11,428	-	261	-	13,659	171,832
Asset pledged as collateral	122,009	-	-	-	-	-	122,009
Other assets	21,344	4,275	3,171	1,745	-	164	30,699
1 January 2011	1,389,745	176,450	35,696	73,623	646	437,987	2,114,147

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

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Loan commitments	-	-	-	-	-	3,752	3,752
Letters of credit and other credit related obligations	139,143	8,295	14	3,885	-	4,551	155,888
1 January 2011	139,143	8,295	14	3,885	-	8,303	159,640

BANK

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balances with central bank	240,887	-	-	-	-	-	240,887
Loans and advances to banks	42,858	-	-	-	563	285,699	329,120
Loans and advances to customers	881,089	204,101	124,324	106,893	-	-	1,316,407
Financial assets held for trading	1,887					55	1,942
Investment securities	564,585	13,611	3,943	1,632	-	-	583,771
Asset pledged as collateral	50,109	-	-	-	-	-	50,109
Other assets	16,571	4,017	3,013	1,506	-	-	25,108
31 December 2012	1,797,986	221,729	131,280	110,031	563	285,754	2,547,344

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

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Letters of credit and other credit related obligations	186,037	5,960	50	4,220	-	-	196,267
31 December 2012							

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balances with central bank	153,904	-	-	-	-	-	153,904
Loans and advances to banks	21,951	-	-	-	3,434	196,962	222,347
Loans and advances to customers	797,216	185,370	78,974	82,901	-	-	1,144,461
Financial assets held for trading	1,672	-	-	-	-	880	2,552
Investment securities	610,872	14,944	1,009	1,655	-	-	628,480
Asset pledged as collateral	72,128	-	-	-	-	-	72,128
Other assets	24,098	5,607	4,159	2,288	-	-	36,152
31 December 2011	1,681,841	205,921	84,142	86,844	3,434	197,842	2,260,024

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3.2.5 Concentration of risks of financial assets with credit risk exposure continued

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

BANK

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Letters of credit and other credit related obligations	138,694	4,422	312	10,267	-	-	153,695
31 December 2011	138,694	4,422	312	10,267	-	-	153,695

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balances with central bank	42,361	-	-	-	-	-	42,361
Loans and advances to banks	275,210	-	-	-	646	108,024	383,880
Loans and advances to customers	782,035	160,747	32,525	71,618	-	-	1,046,925
Financial assets held for trading	9,558	-	-	-	-	1,927	11,485
Investment securities	158,303	13,878		261		-	172,442
Asset pledged as collateral	122,009	-	-	-	-	-	122,009
Other assets	18,215	4,275	3,171	1,745	-	-	27,406
1 January 2011	1,407,691	178,900	35,696	73,624	646	109,951	1,806,508

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

	Lagos	Southern Nigeria	Western Nigeria	Northern Nigeria	Africa	Europe & America	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Letters of credit and other credit related obligations	139,143	8,295	14	3,885	-	-	151,337
1 January 2011	139,143	8,295	14	3,885	-	-	151,337

b) Industry sectors

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

GROUP

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	54,006	-	-	-	-	54,006
Oil and gas	-	555,583	1,205	-	-	-	556,788
Consumer credit	-	148,808	-	2,000	-	-	150,808
Manufacturing	-	233,445	-	-	-	-	233,445
Real estate	-	129,498	-	-	-	-	129,498
Construction	-	35,131	-	500	-	-	35,631
Finance and insurance	393,125	18,169	678	8,555	-	25,274	445,801
Transportation	-	11,506	-	-	-	-	11,506
Communication	-	80,609	-	-	-	-	80,609
General commerce	-	80,691	2	-	-	-	80,693
Utilities	-	6,369	-	-	-	-	6,370
Retail services	-	90,683	-	-	-	-	90,683
Public sector	-	118,507	680	623,681	50,109	-	792,977
Total at 31 December 2012	393,125	1,563,005	2,565	634,736	50,109	25,274	2,668,815

The industrial sector for the credit exposure in the Assets held for sale balance is general commerce.

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At 31 December 2012

3.2.5 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors - Group continued

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	21,057	-		-	-	21,057
Oil and gas	-	356,516	79		-	-	356,595
Consumer credit	-	224,245	-	-	-	-	224,245
Manufacturing	-	135,453	-	2,015	-	-	137,468
Real estate	-	49,622	-	-	-	-	49,622
Construction	-	8,566	-	513	-	-	9,079
Finance and insurance	462,856	51,018	1,010	11,260	-	52,996	579,140
Transportation	-	5,288	-	-	-	-	5,288
Communication	-	67,711	-	-	-	-	67,711
General commerce	-	92,204	35	-	-	-	92,239
Utilities	-	-	-	-	-	-	-
Retail services	-	129,074	-	-	-	-	129,074
Public sector	-	111,708	1,558	628,388	72,129	-	813,783
Total at 31 December 2011	462,856	1,252,462	2,682	642,176	72,129	52,996	2,485,301
	0.00	**-**	**-**				

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	12,546	-	-	-	-	12,546
Oil and gas	-	214,820	-	-	-	-	214,820
Consumer credit	-	70,970	-	-	-	-	70,970
Manufacturing	-	88,832	-	-	-	-	88,832
Real estate	-	111,443	-	-	-	-	111,443
Construction	-	8,674	-	-	-	-	8,674
Finance and insurance	575,467	211,181	1,931	3,687	-	30,699	822,965
Transportation	-	1,804	-	-	-	-	1,804
Communication	-	71,783	-	-	-	-	71,783
General commerce	-	188,023	31	-	-	-	188,054
Utilities	-	1,274	-	-	-	-	1,274
Retail services	-	114,176	-	-	-	-	114,176
Public sector	-	64,767	9,523	168,145	122,009	-	364,444
Total at 1 January 2011	575,467	1,160,293	11,485	171,832	122,009	30,699	2,071,785

BANK

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	Total
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	27,196	-	-	-	-	27,196
Oil and gas	-	492,019	1,205	-	-	-	493,224
Consumer credit	-	141,637	-	2,000	-	-	143,637
Manufacturing	-	158,175	-	-	-	-	158,175
Real estate	-	83,689	-	-	-	-	83,689
Construction	-	34,512	-	500	-	-	35,012
Finance and insurance	329,120	18,091	55	8,555	-	25,108	380,929
Transportation	-	4,924	-	-	-	-	4,924
Communication	-	78,970	-	-	-	-	78,970
General commerce	-	62,603	2	-	-	-	62,605
Utilities	-	5,308	-	-	-	-	5,308
Retail services	-	89,842	-	-	-	-	89,842
Public sector	-	119,440	680	572,716	50,109	-	742,945
Total at 31 December 2012	329,120	1,316,407	1,942	583,771	50,109	25,108	2,306,457

3.2.5 Concentration of risks of financial assets with credit risk exposure continued

b) Industry sectors - Bank continued

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	21,057	-	-	-	-	21,057
Oil and gas	-	349,673	79	-	-	-	349,752
Consumer credit	-	89,961	-	-	-	-	89,961
Manufacturing	-	132,014	-	2,015	-	-	134,029
Real estate	-	83,035	-	-	-	-	83,035
Construction	-	8,162	-	2,963	-	-	11,125
Finance and insurance	222,347	68,036	880	28,378	-	36,152	355,793
Transportation	-	5,288	-	-	-	-	5,288
Communication	-	67,711	-	-	-	-	67,711
General commerce	-	92,869	35	-	-	-	92,904
Utilities	-	4,123	-	-	-	-	4,123
Retail services	-	120,329	-	-	-	-	120,329
Public sector	-	102,203	1,558	595,124	72,129	-	771,014
Total at 31 December 2011	222,347	1,144,461	2,552	628,480	72,129	36,152	2,106,121

	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investment securities	Asset pledged as collateral	Other assets	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	12,546	-	-	-	-	12,546
Oil and gas	-	216,307	-	-	-	-	216,307
Consumer credit	-	67,812	-	-	-	-	67,812
Manufacturing	-	88,832	-	-	-	-	88,832
Real estate	-	109,792	-	-	-	-	109,792
Construction	-	7,996	-	2,450	-	-	10,446
Finance and insurance	383,880	229,840	1,931	18,604	-	27,406	661,661
Transportation	-	6,178	-	-	-	-	6,178
Communication	-	72,348	-	-	-	-	72,348
General commerce	-	86,437	31	-	-	-	86,468
Utilities	-	1,274	-	-	-	-	1,274
Retail services	-	83,133	-	-	-	-	83,133
Public sector	-	64,431	9,523	151,388	122,009	-	347,351
Total at 1 January 2011	383,880	1,046,925	11,485	172,442	122,009	27,406	**1,764,147**

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

	GROUP			**BANK**		
	1 Jan 2011	31 Dec 2011	31 Dec 2012	1 Jan 2011	31 Dec 2011	31 Dec 2012
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	6,953	32,751	2,630	6,953	32,751	2,630
Oil and gas	66,892	53,342	111,947	66,892	53,342	111,947
Consumer credit	-	-		-	-	
Manufacturing	38,447	56,369	29,862	38,447	56,369	29,862
Real estate	-	-		-	-	
Construction	-	1,490	1,853	-	1,490	1,853
Finance and insurance	3,752	13,481	73,796	-	-	22,564
Transportation	-	-	138	-	-	138
Communication	9,562	6,116	249	9,562	6,116	249
General commerce	33,230	78,082	25,730	28,679	2,897	25,730
Utilities	-	505	33	-	505	33
Retail services	804	225	1,261	804	225	1,261
Public sector	-	-		-	-	
TOTAL	159,640	242,361	247,499	151,337	153,695	196,267

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3.2.6 Loans and advances

Credit quality of Loans and advances is summarised as follows:

GROUP

	31 December 2012		31 December 2011		1 January 2011	
	Loans to customers N 'millions	Loans to banks N 'millions	Loans to customers N 'millions	Loans to banks N 'millions	Loans to customers N 'millions	Loans to banks N 'millions
Neither past due nor impaired	1,386,391	393,125	1,057,878	462,856	918,961	575,467
Past due but not impaired	174,497	-	193,881	-	201,678	-
Individually impaired	21,811	-	14,669	-	65,338	-
Collectively impaired	19,632	-	18,976	-	26,118	-
Gross	1,602,331	393,125	1,285,404	462,856	1,212,095	575,467
Less: allowance for impairment	(39,326)	-	(32,942)	-	(51,802)	-
Net	1,563,005	393,125	1,252,462	462,856	1,160,293	575,467
Individually impaired	17,133	-	12,934	-	26,031	-
Portfolio allowance	22,193	-	20,008	-	25,772	-
Total	39,326	-	32,942	-	51,803	-

BANK

	31 December 2012		31 December 2011		1 January 2011	
	Loans to customers N 'millions	Loans to banks N 'millions	Loans to customers N 'millions	Loans to banks N 'millions	Loans to customers N 'millions	Loans to banks N 'millions
Neither past due nor impaired	1,142,365	329,120	950,380	222,347	804,457	383,880
Past due but not impaired	173,723	-	193,848	-	201,667	-
Individually impaired	21,637	-	12,137	-	64,837	-
Collectively impaired	15,660	-	15,978	-	26,524	-
Gross	1,353,385	329,120	1,172,343	222,347	1,097,485	383,880
Less: allowance for impairment	36,978		27,882	-	50,560	-
Net	1,316,407	329,120	1,144,461	222,347	1,046,925	383,880
Individually impaired	14,807	-	7,804	-	26,031	-
Portfolio allowance	22,171	-	20,078	-	24,530	-
Total	36,978	-	27,882	-	50,560	-

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

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (See section 3.3.1 for an explanation of the internal rating system).

	GROUP			BANK		
Grades:	31 Dec 12 N 'millions	31 Dec 11 N 'millions	1 Jan 11 N 'millions	31 Dec 12 N 'millions	31 Dec 11 N 'millions	1 Jan 11 N 'millions
AAA	-	24,377	-	-	-	-
AA	46,703	101,823	62,000	46,703	90,000	62,000
A	16,135	16,000	17,000	16,135	16,000	17,000
BBB	158,044	179,518	353,000	158,044	171,000	353,000
BB	650,175	379,343	119,000	418,171	373,343	119,000
B	504,570	327,413	367,961	492,548	271,037	253,457
CCC	10,587	12,000	-	10,587	12,000	-
CC	-	3,000	-	-	3,000	-
C	177	14,404	-	177	14,000	-
	1,386,391	1,057,878	918,961	1,142,365	950,380	804,457

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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3.2.6 Loans and advances continued

(b) Loans and advances past due but not impaired

	GROUP			BANK		
	1 Jan 2011	31 Dec 2011	31 Dec 2012	1 Jan 2011	31 Dec 2011	31 Dec 2012
	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions
Past due up to 30 days	79,257	151,348	96,890	79,257	151,326	96,249
Past due by 30 - 60 days	13,479	28,641	12,930	13,476	28,637	12,813
Past due 60-90 days	108,942	13,892	64,677	108,934	13,885	64,661
Gross amount	201,678	193,881	174,497	201,667	193,848	173,723

(c) Collectively impaired loans

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

(d) Loans and advances individually impaired

	GROUP			BANK		
	1 Jan 2011	31 Dec 2011	31 Dec 2012	1 Jan 2011	31 Dec 2011	31 Dec 2012
	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions	Loans to customers N 'millions
Gross amount	65,338	14,669	21,811	64,837	12,137	21,637
Specific impairment	26,031	12,934	17,133	26,031	7,804	14,807
Net amount	39,307	1,735	4,678	38,806	4,333	6,830

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

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

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating at 31 December 2012, 31 December 2011 and 1 January 2011:

Group

	Treasury bills N'millions	Bonds N'millions	Other assets N'millions
31 December 2012			
A+ to A-	139,458	356,967	-
Unrated	-	189,206	31,512
	139,458	546,173	31,512
31 December 2011			
A+ to A-	173,000	356,871	-
Unrated	-	185,992	60,031
	173,000	542,863	60,031
31 December 2010			
A+ to A-	23,770	258,991	-
Unrated	-	20,603	34,680
	23,770	279,594	34,680

e) Credit quality of investment in debt securities and other assets continued

Bank

	Treasury bills N'millions	Bonds N'millions	Other assets N'millions
31 December 2012			
A+ to A-	126,338	319,016	-
Unrated	-	189,206	31,332
	126,338	508,222	31,332
31 December 2011			
A+ to A-	172,169	354,686	-
Unrated	-	175,312	42,376
	172,169	529,998	42,376
31 December 2010			
A+ to A-	23,600	255,980	-
Unrated	-	24,394	30,853
	23,600	280,374	30,853

3.2.7 Statement of Prudential Adjustment

In compliance with the CBN circular dated March 19, 2013 reference BSD/DIR/CEN/LAB/06/014, the impairment provision under IFRS and the provisions under the Nigerian Prudential Guidelines as determined by the Central Bank of Nigeria (CBN) were compared and shown below:

	31 Dec 2012 N'millions	31 Dec 2011 N'millions	1 Jan 2011 N'millions
Total IFRS impairment losses	43,202	34,129	54,062
Prudential provisions	59,303	43,895	82,282
Transfer to statutory credit reserve	**(16,101)**	**(9,766)**	**(28,220)**

Analysis of the IFRS impairment losses

Loans : Specific impairment (note 20)	14,807	7,804	26,031
Loans: Collective impairment (note 20)	22,171	20,078	24,561
Other assets (note 33)	6,224	6,224	3,447
Investments in subsidiaries (note 24)	-	23	23
Total IFRS impairment losses	**43,202**	**34,129**	**54,062**

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3.3 Liquidity risk

3.3.1 Liquidity risk

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

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

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

Management of liquidity risk
The Group's liquidity management process includes:

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

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

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

Funding approach
The Group is funded primarily by a well diversified mix of retail, corporate and public sector deposits. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and interbank takings as significant sources of funding. The Bank places considerable importance on the demand and savings deposits which account for over 85% of its funding base. Although these accounts are repayable on demand, in reality, they are stable and have formed a core component of the bank's liabilities.

Non-derivative financial liabilities and assets held for managing liquidity risk
The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis not resulting in a significantly different analysis.

GROUP	**0 - 30 days N 'millions**	**31 - 90 days N 'millions**	**91 - 180 days N 'millions**	**181 - 365 days N 'millions**	**Over 1 year but less than 5 yrs N 'millions**	**Over 5 years N 'millions**	**Total N 'millions**
31 December 2012							
Financial liabilities							
Deposits from banks	-	90,134	-	-	-	-	90,134
Deposits from customers	2,205,868	187,604	35,682	40,592	4	-	2,469,750
Financial liabilities held for trading	-	579	616	40	561	-	1,796
Borrowings		45,442	2,210	3,478	25,187		76,317
Other liabilities	21,052	16,991	71,713	8,310	-	-	118,066
Total financial liabilities	2,226,920	340,750	110,221	52,420	25,752	-	2,756,063
Assets held for managing liquidity risk	764,666	76,914	31,604	60,678	126,781	317,918	1,378,561
Loan commitments	27,111	-	-	-	-	-	27,111
Letters of credit and other credit related obligations	2,838	23,200	48,952	141,678	3,719		220,388

3.3.1 Liquidity risk

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

31 December 2011							
Financial liabilities							
Deposits from banks	-	188,913	-	-	-	-	188,913
Deposits from customers	179,629	296,410	252,678	288,109	943,489	-	1,960,315
Financial liabilities held for trading	14	1,995	84	50	714	-	2,857
Borrowings		10,047	6,002	5,494	84,394		105,937
Other liabilities	19,228	72,691	46,146	4,795	12,219	3,683	158,762
Total financial liabilities	198,871	570,056	304,910	298,448	1,040,816	3,683	2,416,784
Assets held for managing liquidity risk	435,498	270,111	96,778	119,315	165,798	291,571	1,379,071
Loan commitments	13,481	-	-	-	-	-	13,481
Letters of credit and other credit related obligations	11,755	72,283	35,023	108,981	838	-	228,880
1 January 2011							
Financial liabilities							
Deposits from banks	-	152,728	-	-	-	-	152,728
Deposits from customers	511,663	360,991	212,051	224,495	146,844	-	1,456,044
Financial liabilities held for trading	13	-	-	-	1,187	439	1,639
Borrowings	-	-	1,478	20,362	80,078	26,359	128,277
Other liabilities	58,763	4,792	41,728	900	14,287	-	120,470
Total financial liabilities	570,439	518,511	255,257	245,757	242,396	26,798	1,859,158
Assets held for managing liquidity risk	636,439	32,425	24,974	31,221	161,053	70,198	956,310
Loan commitments	3,752	-	-	-	-	-	3,752
Letters of credit and other credit related obligations	18,043	22,518	12,303	102,473	551	-	155,888

BANK	**0 - 30 days N 'millions**	**31 - 90 days N 'millions**	**91 - 180 days N 'millions**	**181 - 365 days N 'millions**	**Over 1 year but less than 5 yrs N 'millions**	**Over 5 years N 'millions**	**Total N 'millions**
31 December 2012							
Financial liabilities							
Deposits from banks		19,008	-	-	-	-	19,008
Deposits from customers	2,018,962	133,875	29,068	27,362	4	-	2,209,270
Financial liabilities held for trading	-	61	616	40	561	-	1,278
Borrowings		51,607	2,210	3,478	25,187		82,481
Other liabilities	2,990	6,868	62,648	-	14,533	-	87,039
Total financial liabilities	2,021,952	211,419	94,541	30,880	40,285	-	2,399,077
Assets held for managing liquidity risk	657,109	96,902	31,604	60,678	94,432	312,452	1,253,177
Letters of credit and other credit related obligations	2,838	8,862	43,891	140,676	-	-	196,267

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3.3.1 Liquidity risk

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

31 December 2011							
Financial liabilities							
Deposits from banks	-	52,820	-	-	-	-	52,820
Deposits from customers	147,832	243,761	213,830	271,223	913,201	-	1,789,847
Financial liabilities held for trading	14	281	84	50	714	-	1,143
Borrowings	-	10,047	5,999	5,312	84,394	-	105,752
Other liabilities	14,653	72,691	19,309	4,795	1,806	3,683	116,938
Total financial liabilities	162,499	379,600	239,222	281,380	1,000,115	3,683	2,066,500
Assets held for managing liquidity risk	432,985	45,456	82,817	118,664	165,798	257,529	1,103,249
Letters of credit and other credit related obligations	11,755	15,356	17,975	108,609	-	-	153,695
1 January 2011							
Financial liabilities							
Deposits from banks	-	56,860	-	-	-	-	56,860
Deposits from customers	478,559	306,171	198,467	223,228	127,702	-	1,334,127
Financial liabilities held for trading	13	-	-	-	1,187	439	1,639
Borrowings	-	-	1,478	20,362	80,078	26,359	128,277
Other liabilities	21,806	4,792	43,350	900	13,385	-	84,233
Total financial liabilities	500,378	367,823	243,295	244,490	222,352	26,798	1,605,136
Assets held for managing liquidity risk	444,229	32,255	20,139	25,061	161,053	64,523	747,260
Letters of credit and other credit related obligations	18,043	21,018	10,803	101,473	-	-	151,337

Assets held for managing liquidity risk

The Group holds a diversified portfolio of cash and high-quality securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
At 31 December 2012

3.3.1 Liquidity risk
Derivative liabilities
Derivatives settled on a net basis

The interest rate swap and the accumulator forex contract will be settled on a net basis.

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

GROUP	Up to 1 month N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
At 31 December 2012							
Derivative liabilities							
Interest rate swap		(61)	-	-	-	-	(61)
Accumulator-Forward FX contract		-	-	-	(260)	-	(260)
	-	(61)	-	-	(260)	-	(321)
Derivative assets							
Interest rate swap	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	(61)	-	-	(260)	-	(321)
At 31 December 2011 (N' million)							
Derivative liabilities							
Interest rate swap	-	(282)	-	-	(158)	-	(439)
Accumulator-Forward FX contract	-	-	-	-	(556)	-	(556)
	-	(282)	-	-	(714)	-	(995)
Derivative assets							
Interest rate swap	-	665	-	-	-	-	665
Accumulator-Forward FX contract	138	-	-	-	-	-	138
	138	665	-	-	-	-	802
	138	383	-	-	(714)	-	(193)
At 1 January 2011 (N' million)							
Derivative liabilities							
Interest rate swap		-	-	-	(834)		(834)
Accumulator-Forward FX contract		-	-	(354)	(439)		(792)
		-	-	(354)	(1,273)	-	(1,626)
Derivative assets							
Interest rate swap		-	-	-	1,927	-	1,927
Accumulator-Forward FX contract		-	-	-	-	-	-
	-	-	-	-	1,927	-	1,927
		-	-	(354)	654	-	300

3.3.1 Liquidity risk
Derivative liabilities continued

Derivatives settled on a net basis
BANK

	Up to 1 month N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
At 31 December 2012							
Derivative liabilities							
Interest rate swap		(61)	-	-	-	-	(61)
Accumulator-Forward FX contract		-	-	-	(260)	-	(260)
	-	(61)	-	-	(260)	-	(321)
	-	(61)	-	-	(260)	-	(321)
At 31 December 2011							
Derivative liabilities							
Interest rate swap	-	(282)	-	-	(158)	-	(440)
Accumulator-Forward FX contract	-	-	-	-	(556)	-	(556)
	-	(282)	-	-	(714)	-	(996)
Derivative assets							
Interest rate swap	-	665	-	-	-	-	665
Accumulator-Forward FX contract	138	-	-	-	-	-	138
	138	665	-	-	-	-	803
	138	383	-	-	(714)		(193)
At 1 January 2011							
Derivative liabilities							
Interest rate swap	-	-	-	-	(834)	-	(834)
Accumulator-Forward FX contract	-	-	-	(354)	(439)	-	(793)
	-	-	-	(354)	(1,273)	-	(1,627)
Derivative assets							
Interest rate swap	-	-	-	-	1,927	-	1,927
	-	-	-	-	1,927	-	1,927
	-	-	-	(354)	654		300

Derivatives settled on a gross basis.

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

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2012 (N' million)							
Derivatives held for trading							
Foreign exchange derivatives:	4	105	(41)	13	-	-	81
Put options	-	-	-	-	329	-	329
	4	105	(41)	13	329	-	410

3.3.1 Liquidity risk
Derivatives settled on a gross basis continued

	Up to 1 month N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
GROUP							
At 31 December 2011							
Derivatives held for trading							
Foreign exchange derivatives:	11	(1,574)	(84)	(50)	-	-	(1,697)
Put options	-	-	-	-	-	157	157
	11	(1,574)	(84)	(50)	-	157	(1,540)
At 1 January 2011							
Derivatives held for trading							
Foreign exchange derivatives:	31	(9)	-	-	-	-	22
	31	(9)	-	-	-	-	22
BANK							
At 31 December 2012							
Derivatives held for trading							
Foreign exchange derivatives:	4	-	(41)	13	-	-	(24)
Put options	-	-	-	-	329	-	329
	4	-	(41)	13	329	-	305
At 31 December 2011							
Derivatives held for trading							
Foreign exchange derivatives:	11	10	(84)	(50)	-	-	(113)
Put options	-	-	-	-	157	-	157
	11	10	(84)	- 50	157	-	44
At 1 January 2011							
Derivatives held for trading							
Foreign exchange derivatives:	31	(9)	-	-	-	-	22
	31	(9)	-	-	-	-	22

3.4 Market risk

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

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

3.4.1 Management of market risk

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

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

3.4.2 Market risk measurement techniques

As part of the management of market risk, the Group enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

(a) Value at risk (VAR)

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

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

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

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

The table and graph below shows the trading VaR of the Bank. The major contributors to the trading VaR are Bonds and Foreign Exchange due to high volatility in those instruments impacting positions held by the Bank during the period. The yield on various maturities for Bonds rose by over 500 basis points on the average; while the naira depreciated by about 5% in the interbank market.

3.4.2 Market risk measurement techniques continued

VAR summary

	BANK 12 months to 31 December 2012 Average	High	Low
Foreign exchange risk	176	1,267	2
Interest rate risk	264	1,303	5
Total VAR	**440**	**2,570**	**7**

VAR summary

	BANK 12 months to 31 December 2011 Average	High	Low
Foreign exchange risk	76	276	1
Interest rate risk	57	214	0
Total VAR	**133**	**490**	**1**

VAR summary

	BANK 1 January 2011 Average	High	Low
Foreign exchange risk	53	492	2
Interest rate risk	295	1,196	22
Total VAR	**348**	**1,688**	**24**

(b) Stress tests

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

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

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

Non-trading portfolio

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

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

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

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

Hedged non-trading market risk exposures

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

3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2012, 31 December 2011 and 1 January 2011. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2012						
Financial assets						
Cash and balances with Central Banks	277,976	8,291	1,110	786	9,861	298,024
Loans and advances to banks	36,213	265,384	71,602	9,325	10,601	393,125
Loans and advances	945,656	364,671	225,694	8,245	18,739	1,563,005
Investment securities	632,271	-	50,389	-	574	683,234
Asset pledged as collateral	50,109	-	-	-	-	50,109
Financial assets held for trading	680	1,262	623	-	-	2,565
Other assets	13,894	17,714	198	37	1,890	33,733
	1,956,799	657,322	349,616	18,393	41,665	3,023,795
Financial liabilities						
Customer deposits	1,721,106	531,591	113,633	3,436	36,092	2,405,858
Deposits from banks	17,799	654	69,088	10	-	87,551
Financial liabilities held for trading	-	1,278	518	-	-	1,796
Borrowings	19,401	52,772	12	3,352	4	75,541
Other liabilities	17,681	63,661	26,818	5,500	4,405	118,065
	1,775,987	649,956	210,069	12,298	40,501	2,688,811
31 December 2011						
Financial assets						
Cash and balances with Central Banks	182,417	14,289	1,593	925	4	199,228
Loans and advances to banks	250,255	180,409	13,538	16,413	2,241	462,856
Loans and advances	891,118	250,685	110,659	-	-	1,252,462
Investment securities	670,624	-	23,645	-	-	694,269
Asset pledged as collateral	72,129	-	-	-	-	72,129
Financial assets held for trading	3,903	1,931	130	-	-	5,964
Other assets	19,686	42,201	204	171	10	62,272
	2,090,132	489,515	149,769	17,509	2,255	2,749,180
Financial liabilities						
Customer deposits	1,368,657	397,838	172,278	12,456	2	1,951,231
Deposits from banks	50,124	1,161	132,194	18	3	183,500
Financial liabilities held for trading	-	1,143	1,714	-	-	2,857
Borrowings	35,381	65,033	186	3,873	-	104,473
Other liabilities	32,122	78,673	41,597	3,245	3,135	158,772
	1,486,284	543,848	347,969	19,592	3,140	2,400,833
1 January 2011						
Financial assets						
Cash and balances with Central Banks	65,223	7,164	2,058	1,068	4	75,517
Loans and advances to banks	280,162	96,495	180,463	17,949	398	575,467
Loans and advances	824,288	222,523	113,469	11	2	1,160,293
Investment securities	245,584	-	9,124	-	-	254,708
Asset pledged as collateral	122,009	-	-	-	-	122,009
Financial assets held for trading	14,674	1,962	-	-	-	16,636
Other assets	8,040	30,902	249	82	9	39,282
	1,559,980	359,046	305,363	19,110	413	2,243,912
Financial liabilities						
Customer deposits	1,151,322	288,573	4,126	3,577	2	1,447,600
Deposits from banks	148,336	-	-	13	3	148,352
Financial liabilities held for trading	-	1,639	-	-	-	1,639
Borrowings	41,111	79,511	254	5,474	-	126,350
Other liabilities	47,458	58,336	1,578	12,636	462	120,470
	1,388,227	428,059	5,958	21,700	467	1,844,411

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3.4.3 Foreign exchange risk continued
BANK

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2012						
Financial assets						
Cash and balances with Central Banks	277,942	8,291	1,102	786	4	288,125
Loans and advances to banks	31,040	264,608	23,267	9,325	880	329,120
Loans and advances	943,446	364,671	45	8,245	-	1,316,407
Investment securities	631,211	-	-	-	-	631,211
Asset pledged as collateral	50,109	-	-	-	-	50,109
Financial assets held for trading	680	1,262	-	-	-	1,942
Other assets	10,960	19,592	198	37	12	30,799
	1,945,388	658,424	24,612	18,393	896	2,647,713
Financial liabilities						
Customer deposits	1,629,748	531,591	7,030	3,436	2	2,171,807
Deposits from banks	17,799	654	-	10	-	18,463
Financial liabilities held for trading	-	1,278	-	-	-	1,278
Borrowings	25,847	52,772	12	3,352	4	81,987
Other liabilities	17,098	63,661	369	5,500	411	87,039
	1,690,492	649,956	7,411	12,298	417	2,360,574
31 December 2011						
Financial assets						
Cash and balances with CBN	182,416	14,289	1,457	925	4	199,091
Loans and advances to banks	9,746	180,409	13,538	16,413	2,241	222,347
Loans and advances	893,650	250,685	126	-	-	1,144,461
Investment securities	670,624	-	-	-	-	670,624
Asset pledged as collateral	72,129	-	-	-	-	72,129
Financial assets held for trading	621	1,931	-	-	-	2,552
Other assets	1,148	42,201	204	171	10	43,734
	1,830,334	489,515	15,325	17,509	2,255	2,354,938
Financial liabilities						
Customer deposits	1,368,657	397,838	5,537	12,456	2	1,784,490
Deposits from banks	50,124	1,161	-	18	3	51,306
Financial liabilities held for trading	-	1,143	-	-	-	1,143
Borrowings	35,381	65,033	-	3,873	-	104,287
Other liabilities	31,211	78,673	674	3,245	3,135	116,938
	1,485,373	543,848	6,211	19,592	3,140	2,058,164
1 January 2011						
Financial assets						
Cash and balances with Central Bank	65,223	7,164	1,435	1,068	4	74,894
Loans and advances to banks	257,560	96,495	11,478	17,949	398	383,880
Loans and advances	824,288	222,523	101	11	2	1,046,925
Investment securities	245,494	-	-	-	-	245,494
Asset pledged as collateral	122,009	-	-	-	-	122,009
Financial assets held for trading	9,523	1,962	-	-	-	11,485
Other assets	2,102	30,902	249	82	9	33,344
	1,526,199	359,046	13,263	19,110	413	1,918,031
Financial liabilities						
Customer deposits	1,151,322	169,191	4,126	3,577	2	1,328,218
Deposits from banks	55,205	-	-	13	3	55,221
Financial liabilities held for trading	-	1,639	-	-	-	1,639
Borrowings	41,111	79,511	-	5,474	-	126,096
Other liabilities	11,221	58,336	1,578	12,636	462	84,233
	1,258,859	308,677	5,704	21,700	467	1,595,407

The Group believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the Group's functional currency. If all other variables are held constant, the tables below present the impacts on the Group profit or loss if these currency movements had occurred.

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3.4.3 Foreign exchange risk continued

GROUP **As at 31 December 2012**	**US Dollar** **N millions**	**GBP** **N millions**	**EUR** **N millions**	**Other currencies** **N millions**
Net foreign currency exposures	7,366	139,547	6,095	1,164
Impact of 5% increase in the Naira	(368)	(6,977)	(305)	(58)
Impact of 5% strenthening in the FC	368	6,977	305	58

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

The following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar and EURO. Management believe that a 5% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and EURO denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 10% against the US dollar and EURO. For a 5% weakening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

		BANK	
	31 Dec 2012	**31 Dec 2011**	**1Jan 2011**
Naira strengthens by 5% against the US dollar Profit/(loss)	(368)	2,717	3,451
Naira weakens by 5% against the US dollar Profit/(loss)	368	(2,717)	(3,451)
Naira strengthens by 5% against the EURO Profit/(loss)	(305)	104	130
Naira weakens by 5% against the EURO Profit/(loss)	305	(104)	(130)

3.4.4 Interest rate risk

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

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

	Carrying amount **N millions**	**Variable interest** **N millions**	**Fixed interest** **N millions**	**Non interest-bearing** **N millions**
GROUP				
31 December 2012				
Financial assets				
Cash and balances with Central Banks	298,024	-	-	298,024
Loans and advances to banks	393,125	-	53,967	338,452
Loans and advances	1,563,005	1,563,005	-	-
Investment securities	682,234	-	634,736	47,498
Assets pledged as collateral	50,109	-	50,109	-
Financial assets held for trading	2,565	-	680	1,885
Other assets	25,274	-	-	25,274
	3,014,336	**1,563,005**	**739,492**	**711,133**
Financial liabilities				
Customer deposits	2,405,858	1,894,823	501,371	9,664
Deposits from banks	87,551	-	87,551	
Financial liabilities held for trading	1,796	-	61	1,735
Borrowings	75,541	2,560	72,981	-
Other liabilities	118,066	-	-	118,066
	2,688,812	**1,897,383**	**661,964**	**129,465**
Interest rate mismatch		**(334,377)**	**77,528**	**581,669**

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3.4.4 Interest rate risk continued

GROUP

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2011				
Financial assets				
Cash and balances with Central Banks	199,228	-	-	199,228
Loans and advances to banks	462,856	-	237,947	224,909
Loans and advances	1,252,462	1,252,462	-	-
Investment securities	694,269	-	642,176	52,093
Assets pledged as collateral	72,129	-	72,129	-
Financial assets held for trading	5,964	-	1,558	4,406
Other assets	52,996	-	-	52,996
	2,739,904	**1,252,462**	**953,810**	**533,632**
Financial liabilities				
Customer deposits	1,951,321	1,659,610	289,064	2,647
Deposits from banks	183,500	-	183,500	-
Financial liabilities held for trading	2,857	-	439	2,418
Liability on investment contracts	49,440	-	49,440	-
Borrowings	104,473	36,855	67,618	-
Other liabilities	158,773	-	-	158,773
	2,450,364	**1,696,465**	**590,061**	**163,838**
Interest rate mismatch		**(444,003)**	**363,749**	**369,794**

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
1 January 2011				
Financial assets				
Cash and balances with Central Bank of Nigeria	75,517	-	-	75,517
Loans and advances to banks	575,467	-	379,609	195,858
Loans and advances	1,160,293	1,160,293		-
Investment securities	254,708	-	171,832	82,876
Assets pledged as collateral	122,009	-	122,009	-
Financial assets held for trading	16,636	1,927	9,523	5,186
Other assets	30,699	-	-	30,699
	2,235,329	**1,162,220**	**682,973**	**390,136**
Financial liabilities				
Customer deposits	1,447,600	1,172,557	273,755	1,288
Deposits from banks	148,352	-	148,352	-
Financial liabilities held for trading	1,639	1,187	-	452
Liability on investment contracts	76,446	-	76,446	-
Borrowings	126,350	60,482	65,868	-
Other liabilities	120,470	-	-	120,470
	1,920,857	1,234,226	564,421	122,210
Interest rate mismatch		**(72,006)**	**118,552**	**267,926**

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3.4.4 Interest rate risk continued

The table below summarises the Bank's interest rate gap position

BANK

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2012				
Financial assets				
Cash and balances with Central Bank of Nigeria	288,125	-	-	288,125
Loans and advances to banks	329,120	-	41,425	287,695
Loans and advances	1,316,407	1,316,407	-	-
Investment securities	631,211	-	408,547	1,131
Assets pledged as collateral	50,109	-	50,109	-
Financial assets held for trading	1,942	-	680	1,262
Other assets	25,108	-	-	25,108
	2,642,022	1,316,407	500,761	603,321
Financial liabilities				
Customer deposits	2,171,807	1,841,245	320,898	9,664
Deposits from banks	18,463	-	18,463	-
Financial liabilities held for trading	1,278	61	-	1,218
Borrowings	81,987	2,560	79,427	-
Other liabilities	87,039	-	-	87,039
	2,360,574	1,843,866	418,788	97,921
Interest rate mismatch		**(527,459)**	**81,973**	**505,400**
31 December 2011				
Financial assets				
Cash and balances with Central Bank of Nigeria	199,091	-	-	199,091
Loans and advances to banks	222,347	-	13,544	208,803
Loans and advances	1,144,461	1,144,461	-	-
Investment securities	670,624	-	606,530	42,144
Assets pledged as collateral	72,129	-	72,129	-
Financial assets held for trading	2,552	-	2,223	329
Other assets	36,152	-	-	36,152
	2,347,356	1,144,461	694,426	486,519
Financial liabilities				
Customer deposits	1,784,490	1,615,637	166,206	2,647
Deposits from banks	51,306	-	51,306	-
Financial liabilities held for trading	1,143	-	439	704
Borrowings	104,287	36,855	67,432	-
Other liabilities	116,938	-	-	116,938
	2,058,164	1,652,492	285,383	120,289
Interest rate mismatch		**(508,031)**	**409,043**	**366,230**
1 January 2011				
Financial assets				
Cash and balances with Central Bank of Nigeria	74,894	-	-	74,894
Loans and advances to banks	383,880	-	256,337	127,543
Loans and advances	1,046,925	1,046,925	-	-
Investment securities	245,494	-	172,442	73,052
Assets pledged as collateral	122,009	-	122,009	-
Financial assets held for trading	11,485	1,927	9,523	35
Other assets	27,406	-	-	27,406
	1,912,093	1,048,852	560,311	302,930
Financial liabilities				
Customer deposits	1,328,218	1,138,825	188,105	1,288
Deposits from banks	55,221	-	55,221	-
Financial liabilities held for trading	1,639	1,187	-	452
Borrowings	126,096	60,482	65,614	-
Other liabilities	84,233	-	-	84,233
	1,595,407	1,200,494	308,940	85,973
Interest rate mismatch		**(151,642)**	**251,371**	**216,957**

3.4.5 Equity risk

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

As at 31 December 2012, the market value of quoted securities held by the Group is N1.13 billion (2011: N4.4 billion). If the all share index of the NSE moves by 100 basis points from the 28,078.81 position at 31 December 2012, the effect on the fair value of these quoted securities and other comprehensive income would have been N11.25 million.

The Group holds a number of investments in unquoted securities with a market value of N46.3billion (2011: N47.7billion) of which investments in Airtel Nigeria Ltd (49%), African Finance Corporation (31%) and Interswitch Ltd (3%) are the significant holdings. These investments were valued at N25.97 billion (cost N2.9 billion); N16.55 billion (cost N12.7 billion) and N1.56 billion (cost N31 million) respectively as at 31 December 2012. AFC is a private sector led investment bank and development finance institution which has the Central Bank as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. The AFC operates a US dollar denominated balance sheet and provides finance in this currency. As at 31 December 2011 the corporation had a balance sheet size of $1.26 billion. Interswitch is an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and payment infrastructure to banks, government and corporate organisations.

	At 31 December 2012	
	Favourable changes N 'millions	**Unfavourable changes N 'millions**
Unquoted investment security - Arican Finance Corporation [1]	18,209	14,898
Unquoted investment security - Airtel (1)	28,567	23,374
Unquoted investment security - Interswitch(1)	1,711	1,400

[1] The sensitivity was based on 10% increase or decrease in indicative values. The changes in value noted above will impact on equity.

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

3.5 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value:

GROUP

	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Financial assets						
Cash and balances with Central banks	298,024	298,024	199,228	199,228	75,517	75,517
Loans and advances to banks	393,125	393,125	462,856	462,856	575,467	575,467
Loans and advances to customers						
- Overdrafts	266,555	266,555	173,591	173,591	151,178	151,178
- Term loans	1,102,513	1,199,086	871,863	984,915	779,534	885,012
- Staff loans	5,346	5,848	6,343	7,226	6,307	7,223
- Commercial papers	125,883	143,045	183,973	220,605	112,328	135,445
- Project finance	59,014	64,109	12,081	13,877	103,623	131,153
- Advances under finance lease	3,694	3,393	4,611	4,216	7,323	7,925
Investment securities (held to maturity)	330,860	338,377	337,336	304,606	31,886	32,250
Asset pledged as collateral	31,063	26,275	39,743	30,084	12,909	12,839
Other assets	33,733	33,733	62,272	62,272	39,282	39,282
TOTAL	**2,649,810**	**2,771,570**	**2,353,897**	**2,463,476**	**1,895,354**	**2,053,291**
Financial liabilities						
Deposits from banks	87,551	87,551	183,500	183,500	148,352	148,352
Deposits from customers	2,405,858	2,405,858	1,951,321	1,951,321	1,447,600	1,447,600
Other liabilities	118,066	118,066	158,773	158,773	120,470	120,470
Borrowings	75,541	75,541	104,473	104,473	126,350	126,350
TOTAL	**2,687,016**	**2,687,016**	**2,398,067**	**2,398,067**	**1,842,772**	**1,842,772**

BANK

	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Financial assets						
Cash and balances with Central banks	288,125	288,125	199,091	199,091	74,894	74,894
Loans and advances to banks	329,120	329,120	222,347	222,347	383,880	383,880
Loans and advances to customers			-			
- Overdrafts	259,065	259,065	199,050	199,050	125,192	125,192
- Term loans	863,926	939,601	738,869	834,676	692,145	785,798
- Staff loans	5,144	5,627	5,751	6,551	6,307	7,223
- Commercial papers	125,883	143,044	183,973	220,053	112,328	135,445
- Project finance	58,695	63,763	12,207	14,022	103,624	131,154
- Advances under finance lease	3,694	3,393	4,611	5,253	7,323	7,925
Investment securities (held to maturity)	330,860	338,377	307,397	276,366	31,886	25,309
Asset pledged as collateral	31,063	26,275	39,743	30,084	12,909	12,839
Other assets	33,733	33,733	43,734	43,734	33,344	33,344
TOTAL	**2,329,308**	**2,430,123**	**1,956,773**	**2,051,227**	**1,583,832**	**1,723,003**
Financial liabilities						
Deposits from banks	18,463	18,463	51,306	51,306	55,221	55,221
Deposits from customers	2,171,807	2,171,807	1,783,274	1,783,274	1,328,218	1,328,218
Other liabilities	87,039	87,039	116,938	116,938	84,233	84,233
Borrowings	81,987	81,987	104,287	104,287	126,096	126,096
TOTAL	**2,359,296**	**2,359,296**	**2,055,805**	**2,055,805**	**1,593,768**	**1,593,768**

(b) Fair valuation methods and assumptions

(i) Cash and balances with central banks
Cash and balances with central bank represent cash held with central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Loans and advances to banks
Loans and advances to banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The carrying amount is a reasonable approximation of fair value because they are short term in nature.

(iii) Loans and advances to customers
Loans and advances are carried at amortised cost net of provision for impairment. The fair value of loans and advances represent an estimation of the value of the loans using average benchmarked lending rates which were adjusted to specific entity risks based on history of losses. The rates used were obtained from the industry rates published by the Central Bank of Nigeria.

(iv) Investment securities (including pledged assets)
The held to maturity financial assets (including pledged assets) are based on market prices, or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(v) Deposits from banks and due to customers
Deposits from banks include interbank takings as well as deposits from customers are short termed in nature. The estimated fair value of deposits from banks and customers is the amount repayable on demand.

(vi) Other assets, liabilities and borrowings
Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount. Amount outstanding as other liabilities and borrowings are assumed to approximate their respective fair values

(c) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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(c) Financial instruments measured at fair value continued

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

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2012				
Financial assets				
Financial assets held for trading				
Debt Securities	679	-	-	679
Derivatives	623	1,262	-	1,885
Available-for-sale financial assets				
Investment securities - debt	208,531	95,342	-	303,873
Investment securities - unlisted equity	-	46,311	59	46,370
Investment securities - listed equity	1,131	-	-	1,131
Assets pledged as collateral	19,046	-	-	19,046
Financial liabilities held for trading				
Derivatives	518	1,278	-	1,796
31 December 2011				
Financial assets held for trading				
Debt Securities	1,558	-	-	1,558
Listed Equity Securities	3,284	-	-	3,284
Derivatives	-	1,123	-	1,123
Available-for-sale financial assets				
Investment securities - debt	223,138	81,702	-	304,840
Investment securities - unlisted equity	-	16,966	31,122	48,088
Investment securities - listed equity	4,007	-	-	4,007
Assets pledged as collateral	32,386	-	-	32,386
Financial liabilities held for trading				
Derivatives	-	2,857	-	2,857
1 January 2011				
Financial assets held for trading				
Listed Debt Securities	9,523	-	-	9,523
Listed Equity Securities	5,151	-	-	5,151
Derivatives	-	1,962	-	1,962
Available-for-sale financial assets				
Investment securities - debt	120,262	19,954	-	140,216
Investment securities - unlisted equity	-	52,447	23,963	76,410
Investment securities - listed equity	6,196	-	-	6,196
Assets pledged as collateral	109,100	-	-	109,100
Financial liabilities held for trading				
Derivatives	-	1,639	-	1,639

Reconciliation of level 3 items

At 1 January 2011	23,963
Total Gains/(losses) recognised through OCI	7,159
At 31 December 2011	31,122
Purchases	-
Sales	-
Total Gains/(losses) recognised through OCI	-
Impairment allowance	
Transfer out of Level 3 due to change in observability of market data	(31,063)
At 31 December 2012	59

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

(c) Financial instruments measured at fair value continued

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

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2012				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	680	-	-	680
Derivatives	-	1,262	-	1,262
Available-for-sale financial assets				
Investment securities - debt	157,568	95,342	-	252,910
Investment securities - unlisted equity	-	46,311	-	46,311
Investment securities - listed equity	1,131	-	-	1,131
Assets pledged as collateral	19,046	-	-	19,046
Financial liabilities held for trading				
Derivatives	-	1,278	-	1,278
31 December 2011				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	1,558	-	-	1,558
Derivatives	-	994	-	994
Available-for-sale financial assets				
Investment securities - debt	221,862	76,761	-	298,623
Investment securities - unlisted equity	-	16,961	22,698	39,659
Investment securities - listed equity	2,486	-	-	2,486
Assets pledged as collateral	32,385			32,385
Financial liabilities held for trading				
Derivatives	-	1,143	-	1,143
1 January 2011				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	9,523	-	-	9,523
Derivatives	-	1,962	-	1,962
Available-for-sale financial assets				
Investment securities - debt	106,603	21,504	-	128,107
Investment securities - unlisted equity	-	47,674	21,251	68,925
Investment securities - listed equity	4,132	-	-	4,132
Assets pledged as collateral	109,100	-	-	109,100
Financial liabilities held for trading				
Derivatives	-	1,639	-	1,639

Reconciliation of level 3 items

At 1 January 2011	21,251
Total Gains/(losses) recognised through OCI	1,447
Impairment allowance	-
At 31 December 2011	22,698
Purchases	-
Sales	-
Total Gains/(losses) recognised through OCI	-
Impairment allowance	-
Transfer out of Level 3 due to change in observability of market data	(22,698)
At 31 December 2012	-

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

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(b) Financial instruments measured at fair value continued

Sensitivity analysis of Level 3 items

The following table shows the sensitivity of level 3 measurements to reasonably possible alternative assumptions:

	At 31 December 2012		At 31 December 2011		At 1 January 2011	
	Favourable changes N 'millions	Unfavourable changes N 'millions	Favourable changes N 'millions	Unfavourable changes N 'millions	Favourable changes N 'millions	Unfavourable changes N 'millions
Financial assets						
Unquoted investment security - Arican Finance Corporation [1]	-	-	23,739	19,423	22,595	18,487
Unquoted investment security - Capital Alliance Property Investment Company (1)	-	-	1,229	1,005	781	639

[1] The sensitivity was based on 10% increase or decrease in indicative values.

3.6. Measurement basis of financial assets and liabilities.

GROUP

	Fair Value through P/L Held for trading *N'million*	Fair Value through OCI Available for sale *N'million*	Amortised Cost *N'million*	Total *N'million*
31 December 2012				
Financial assets				
Cash and balances with Central Banks	-	-	298,024	298,024
Loans and advances to banks	-	-	393,125	393,125
Loans and advances to customers	-	-	1,563,005	1,563,005
Investment securities		351,374	330,860	682,234
Asset pledged as collateral		19,046	31,063	50,109
Financial assets held for trading	2,565	-	-	2,565
Other assets	-	-	33,733	33,733
Total Financial Assets	2,565	370,420	2,649,810	3,022,795
Financial liabilities				
Customer deposits	-	-	2,405,858	2,405,858
Deposits from banks	-	-	87,551	87,551
Financial liabilities held for trading	1,796	-	-	1,796
Borrowings	-	-	75,541	75,541
Other liabilities	-	-	101,018	101,018
Total Financial Liabilities	1,796	-	2,669,968	2,671,764
31 December 2011				
Financial assets				
Cash and balances with Central Banks	-	-	199,228	199,228
Loans and advances to banks	-	-	462,856	462,856
Loans and advances to customers	-	-	1,252,462	1,252,462
Investment securities		356,933	337,336	694,269
Asset pledged as collateral		32,386	39,743	72,129
Financial assets held for trading	5,964	-	-	5,964
Other assets	-	-	62,272	62,272
Total Financial Assets	5,964	389,319	2,353,897	2,749,180
Financial liabilities				
Customer deposits	-	-	1,951,321	1,951,321
Deposits from banks	-	-	183,500	183,500
Financial liabilities held for trading	2,857	-	-	2,857
Borrowings	-	-	104,473	104,473
Other liabilities			147,284	147,284
Total Financial Liabilities	2,857	-	2,386,578	2,389,435

3.6. Measurement basis of financial assets and liabilities continued

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
	N'million	*N'million*	*N'million*	*N'million*
1 January 2011				
Financial assets				
Cash and balances with Central Banks		-	75,517	75,517
Loans and advances to banks		-	575,467	575,467
Loans and advances to customers		-	1,160,293	1,160,293
Investment securities		222,822	31,886	254,708
Asset pledged as collateral		109,100	12,909	122,009
Financial assets held for trading	16,636	-	-	16,636
Other assets		-	39,282	39,282
Total Financial Assets	16,636	331,922	1,895,354	2,243,912
Financial liabilities				
Customer deposits	-	-	1,447,600	1,447,600
Deposits from banks	-	-	148,352	148,352
Financial liabilities held for trading	1,639	-	-	1,639
Borrowings	-	-	126,350	126,350
Other liabilities			114,457	114,457
Total Financial Liabilities	1,639	-	1,836,759	1,838,398
BANK				
31 December 2012				
Financial assets				
Cash and balances with Central Banks	-	-	288,125	288,125
Loans and advances to banks	-	-	329,120	329,120
Loans and advances to customers	-	-	1,316,408	1,316,408
Investment securities	-	300,351	330,860	631,211
Asset pledged as collateral	-	19,046	31,063	50,109
Financial assets held for trading	1,942	-	-	1,942
Other assets	-	-	30,799	30,799
Total Financial Assets	1,942	319,397	2,326,375	2,647,714
Financial liabilities				
Customer deposits	-	-	2,171,807	2,171,807
Deposits from banks	-	-	18,463	18,463
Financial liabilities held for trading	1,278	-	-	1,278
Borrowings	-	-	81,987	81,987
Other liabilities	-	-	70,521	70,521
Total Financial Liabilities	1,278	-	2,342,778	2,344,056
31 December 2011				
Financial assets				
Cash and balances with Central Banks	-	-	199,091	199,091
Loans and advances to banks	-	-	222,347	222,347
Loans and advances to customers	-	-	1,144,461	1,144,461
Investment securities		340,767	329,857	670,624
Asset pledged as collateral		32,386	39,743	72,129
Financial assets held for trading	2,552	-	-	2,552
Other assets	-	-	43,734	43,734
Total Financial Assets	2,552	373,153	1,979,233	2,354,938
Financial liabilities				
Customer deposits	-	-	1,784,490	1,784,490
Deposits from banks	-	-	51,306	51,306
Financial liabilities held for trading	1,143	-	-	1,143
Borrowings	-	-	104,287	104,287
Other liabilities	-	-	107,125	107,125
Total Financial Assets	1,143	-	2,047,208	2,048,351

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3.6. Measurement basis of financial assets and liabilities continued

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
1 January 2011				
Financial assets				
Cash and balances with Central Banks	-	-	74,894	74,894
Loans and advances to banks	-	-	383,880	383,880
Loans and advances to customers	-	-	1,046,925	1,046,925
Investment securities	-	201,163	44,331	245,494
Asset pledged as collateral	-	109,100	12,909	122,009
Financial assets held for trading	11,485	-	-	11,485
Other assets		-	33,344	33,344
Total Financial Assets	11,485	310,263	1,596,283	1,918,031
Financial liabilities				
Customer deposits	-	-	1,328,218	1,328,218
Deposits from banks	-	-	55,221	55,221
Financial liabilities held for trading	-	-	1,639	1,639
Borrowings	-	-	126,096	126,096
Other liabilities	-	-	80,219	80,219
Total Financial Liabilities	-	-	1,591,393	1,591,393

4. Capital management

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

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

The Group’s strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors.

The Group's capital is divided into two tiers:

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

• Tier 2 capital: qualifying subordinated loan capital, preference shares, collective impairment allowances, debenture stock, non controlling interest and unrealised gains arsing on the fair valuation of equity instruments held as available for sale.

The Central Bank of Nigeria prescribed a minimum limit of 15% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The total risk weighted assets reflects only credit and counterparty risk.

The Bank achieved a capital adequacy ratio of 21.53% at the end of the year, compared to 25.50% and 30.20% recorded for the period ended December 2011 and December 2010 respectively. This is attributable to the intra-group capital movement on accounts of the emergence of FBN Holdings Plc, a significant growth in risk weighted assets during the year and reduction of Tier 2 capital as tranche A of the EIB loan moved closer to maturity. The Bank, as a policy, works to maintain adequate capital cover for its trading activities, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

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4. Capital management continued

The table below summarises the composition of regulatory capital and the ratios of the Bank only for the years presented below. During those three years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	Bank '31 Dec 2012 N 'millions	Bank '31 Dec 2011 N 'millions	Bank '1 Jan 2011 N 'millions
Tier 1 capital			
Share capital	16,316	16,316	16,316
Share premium	189,241	254,524	254,524
Statutory reserve	42,422	31,753	28,294
SMEEIS reserves	6,076	6,076	6,309
Retained earnings	77,342	49,649	33,310
Less: Intagible assets	(1,302)	(734)	(265)
Total qualifying for tier 1 capital	330,095	357,584	338,488
Tier 2 capital			
Fair value reserve	24,678	9,160	48,636
Statutory credit reserve	16,101	9,766	28,220
Other borrowings	2,560	4,677	7,036
Total qualifying for tier 2 capital	43,339	23,603	83,892
Total regulatory capital	373,434	381,187	422,380
Risk-weighted assets			
On balance sheet	1,534,858	1,349,749	1,276,360
Off balance sheet	199,581	144,918	122,363
Total risk-weighted assets	1,734,439	1,494,667	1,398,723
Risk-weighted Capital Adequacy Ratio (CAR)	21.53%	25.50%	30.20%

5 Significant accounting judgments, estimates and assumptions

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

a Impairment charges on financial assets

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

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

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

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

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

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 3.5 for additional sensitivity information for financial instruments

c Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

d Retirement benefit obligation

For defined benefit pension plans, the measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 40, "Retirement benefits obligation," for a description of the defined benefit pension plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

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6. Interest income

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Investment securities	74,866	35,455	73,126	39,846
Placements and short term funds	2,795	20,183	2,148	10,822
Loans and advances	199,134	151,381	182,051	147,161
	276,795	207,019	257,325	197,829

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is analysed as follows: Group N5.3 billion (2011:N2.6 billion) and Bank N5.3billion (2011:N2.5 billion)

7. Interest expense

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Current accounts	16,606	7,665	16,237	10,604
Savings account	4,350	3,866	4,188	3,838
Time deposits	24,492	11,534	18,860	5,374
Domiciliary deposits	4,591	3,840	4,591	3,840
Interbank takings	6,451	5,514	6,445	3,996
Borrowed funds	2,021	2,308	1,457	2,954
	58,511	34,727	51,778	30,606

8. Impairment charge for credit losses

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Loans and advances to customers (refer note 20)				
Increase/(Decrease) in collective impairment	3,199	(2,712)	2,093	(4,446)
Increase in specific impairment	13,530	41,037	11,571	37,010
Income received on loans previously written off	(3,817)	(3,812)	(3,817)	(3,125)
Discontinued operations	-	(198)	-	-
Other assets (refer note 33.)				
Increase in impairment	-	3,696	-	2,726
	12,912	38,011	9,847	32,165

9. Fee and commission income

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Credit related fees	2,532	4,406	1,588	1,253
Commission on turnover	28,935	18,477	20,937	18,477
Letters of credit commissions and fees	4,748	5,719	4,736	4,547
Other fees and commissions	18,647	14,989	20,310	17,637
	54,862	43,591	47,571	41,914

10. Foreign exchange income

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Foreign exchange trading income	2,456	7,497	924	7,502

11. Net gains/(losses) on investment securities

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Net results on disposal of Financial assets	(2,150)	1,046	(1,826)	439
Impairment of available for sale financial assets	981	(944)	560	(1,533)
Others	309	356	309	356
	(860)	458	(957)	(738)

12. Net gains / (losses) from financial assets classified as held for trading

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Equity securities	-	4,586	-	762
Derivatives	1,717	(470)	133	(470)
Debt securities	35	(1,288)	35	(1,288)
	1,752	2,828	168	(996)

13. Loss on sale of loan to AMCON

During 2011, the Asset Management Company of Nigeria purchased Eligible bank assets (EBA) from First Bank of Nigeria and issued bonds at a discount in exchange for value. Of the EBA sold, N99 billion was in respect of performing loans of Seawolf Oilfield services with a discounted value of N88 billion, resulting in a loss of N11 billion.

	GROUP	BANK
	December 2011	
	N 'millions	N 'millions
Face value of AMCON bonds	189,469	189,469
Unearned income	(56,145)	(56,145)
Discounted value	133,324	133,324
Net value of loans sold	(148,825)	(148,825)
Total loss on loan sold	**(15,501)**	**(15,501)**

14. Other operating income

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Other income	3,398	12	1,535	-
	3,398	12	1,535	-

15. Operating expenses

	GROUP		BANK	
	31 December 2012 N 'millions	**31 December 2011 N 'millions**	**31 December 2012 N 'millions**	**31 December 2011 N 'millions**
Personnel expenses	65,808	53,072	60,447	48,374
Depreciation	9,895	8,975	9,169	8,517
Amortisation	645	1,199	556	1,082
Auditors' remuneration	251	193	210	135
Directors' emoluments	2,910	3,294	2,910	3,294
(Profit)/Loss on sale of property, plant and equipment	(1,760)	107	(1,760)	120
Deposit insurance premium	9,159	6,504	9,159	6,504
Banking sector resolution cost	7,391	5,872	7,391	5,872
Maintenance, rent and insurance	25,338	21,853	24,951	21,560
Advert and Corporate Promotions	8,577	5,329	8,577	5,329
Legal and Professional fees	3,703	3,311	2,482	2,352
Other operating expenses	50,412	26,959	44,816	30,229
	182,329	136,668	168,908	133,368

a) Personnel expenses

Wages and salaries	45,572	44,919	40,541	40,602
Pension costs:				
- Defined contribution plans	2,404	3,737	2,404	3,356
- Defined benefit plans (Note 40)	17,832	4,416	17,502	4,416
	65,808	53,072	60,447	48,374

b) Operating lease rentals:

At 31 December 2012 the Group was committed to making the following future payments in respect of operating leases for land and buildings. The lease is expected to expire in June 2016.

Within one year	224	216	-	-
Between two and five years	552	729	-	-
	776	945	-	-

16. Taxation

	GROUP		BANK	
	31 December 2012 N 'millions	**31 December 2011 N 'millions**	**31 December 2012 N 'millions**	**31 December 2011 N 'millions**
Corporate tax	5,323	4,161	2,165	2,188
Contingent tax	9,577	5,644	9,577	5,644
Education tax	493	264	433	183
Technology tax	833	537	808	520
Capital gains tax	524	-	525	-
Under provision in prior years	(5)	221	-	221
Current income tax - current period	16,745	10,827	13,508	8,756
Origination and reversal of temporary deferred tax differences	(1,656)	1,637	(1,363)	-
Prior period adjustment on deferred tax	(171)	6,400	-	7,864
Income tax expense	**14,918**	**18,864**	**12,145**	**16,620**

Profit before income tax	86,177	39,166	83,289	39,672
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	25,853	11,750	24,987	11,902
Effect of tax rates in foreign jurisdictions			-	-
Non-deductible expenses	7,357	10,328	5,358	7,323
Effect of education tax levy	493	236	433	183
Effect of Information technology	833	537	808	520
Effect of capital gains tax	524	-	524	-
Effect of minimum tax	-	2,188	-	2,188
Effect of contingenet tax	9,577	5,644	9,577	5,644
Tax exempt income	(27,890)	(20,899)	(27,214)	(18,759)
Effect of disposal of items of PPE	(544)	-	(544)	-
Effect of disposal of subsidiary	(1,047)	-	(1,047)	-
Effect of change in PBT due to IFRS adjustments	-	5,318	(498)	3,857
Tax incentives	(238)	(159)	(238)	(159)
Tax loss effect	1	3,921	-	3,921
Total income tax expense in income statement	14,918	18,864	12,145	16,620

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16. Taxation continued

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
The movement in the current income tax liability is as follows:				
At start of the period	23,844	20,052	21,354	15,118
Tax paid	(21,448)	(6,614)	(17,637)	(2,517)
Witholding tax credit utilised	-	(10)	-	-
Prior period under provision	2,543	-	2,544	-
AFS Securities Revaluation Tax charge/(credit)	690	-	-	-
Income tax charge	16,745	10,826	13,507	8,753
At 31 December	22,374	24,254	19,768	21,354
Current	22,374	24,254	19,768	21,354

17. Cash and balances with central banks

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Cash	53,083	45,293	33,155
Balances with central banks excluding mandatory reserve deposits	53,432	50,038	31,231
	106,515	95,331	64,386
Mandatory reserve deposits with the Central Bank of Nigeria	191,509	103,897	11,131
	298,024	199,228	75,517
BANK			
Cash	47,238	45,187	32,533
Balances with central banks other than mandatory reserve deposits	53,432	50,038	31,231
	100,670	95,225	63,764
Mandatory reserve deposits with the Central Bank of Nigeria	187,455	103,866	11,130
	288,125	199,091	74,894

18. 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.

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Cash (Note 17)	53,083	45,293	33,155
Balances with central banks other than mandatory reserve deposits (Note 17)	53,432	50,038	31,231
Loans and advances to banks excluding long term placements (Note 19)	392,419	462,856	575,467
Treasury bills included in financial assets held for trading (Note 21)	680	1,316	496
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.1 & 22.2)	121,247	149,488	10,365
	620,861	708,991	650,714
BANK			
Cash (Note 17)	47,238	45,187	32,533
Balances with central banks other than mandatory reserve deposits (Note 17)	53,432	50,038	31,231
Loans and advances to banks excluding long term placements (Note 19)	315,856	222,347	385,096
Treasury bills included in financial assets held for trading (Note 21)	680	1,316	496
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.3 & 22.4)	108,127	148,658	10,195
	525,333	467,546	459,551

19. Loans and advances to banks

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Current balances with banks within Nigeria	15,749	11,291	86,841
Currrent balances with banks outside Nigeria	322,703	213,618	109,017
Placements with banks and discount houses	53,967	237,947	379,609
	392,419	462,856	575,467
Long term placement	706	-	-
Carrying amount	393,125	462,856	575,467
BANK			
Current balances with banks within Nigeria	1,433	9,746	17,629
Placements and Currrent balances with banks outside Nigeria	272,998	199,057	109,914
Current balances and placements with banks and discount houses within Nigeria	41,425	13,544	256,337
	315,856	222,347	383,880
Long term placement	13,264	-	-
Carrying amount	329,120	222,347	383,880

Balances with banks outside Nigeria include Group N48.9 billion (Group December 2011: N61 billion, 1 January 2011: N41.9billion) which represents the naira value of foreign currency bank balance held on behalf of customers in respect of Letters of Credit transactions. The corresponding liability is included in other liabilities (see note 43). The amount is not available for the day-to-day operations of the Group.

Included in loans to banks are non current placements of N13.26 billion (2011 - Nil, 2010 - Ni) which does not qualify as cash and cash equivalent. All other loans to banks are due within 3 months.

20 Loans and advances to customers

GROUP	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2012					
Overdrafts	276,839	6,882	3,402	10,284	266,555
Term loans	1,129,103	10,251	16,339	26,590	1,102,513
Staff loans	5,947	-	600	600	5,346
Commercial papers ('CP')	126,916	-	1,033	1,033	125,883
Project finance	59,746	-	732	732	59,014
	1,598,551	17,133	22,106	39,239	1,559,311
Advances under finance lease	3,781	-	87	87	3,694
	1,602,332	17,133	22,193	39,326	1,563,005
31 December 2011					
Overdrafts	178,410	1,671	3,148	4,819	173,591
Term loans	896,997	11,263	13,871	25,134	871,863
Staff loans	6,575	-	232	232	6,343
Commercial papers ('CP')	186,170	-	2,197	2,197	183,973
Project finance	12,555	-	474	474	12,081
	1,280,707	12,934	19,922	32,856	1,247,851
Advances under finance lease	4,697	-	86	86	4,611
	1,285,404	12,934	20,008	32,942	1,252,462
1 January 2011					
Overdrafts	169,370	12,294	5,898	18,192	151,178
Term loans	807,990	12,680	15,776	28,456	779,534
Staff loans	6,887	-	580	580	6,307
Commercial papers ('CP')	114,522	-	2,194	2,194	112,328
Project finance	105,045	423	999	1,422	103,623
	1,203,814	25,397	25,447	50,844	1,152,970
Advances under finance lease	8,282	634	325	959	7,323
	1,212,096	26,031	25,772	51,803	1,160,293

BANK	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2012					
Overdrafts	269,252	6,585	3,602	10,187	259,065
Term loans	888,265	8,222	16,117	24,339	863,926
Staff loans	5,744		600	600	5,144
Commercial papers ('CP')	126,916	-	1,033	1,033	125,883
Project finance	59,427	-	732	732	58,695
	1,349,604	14,807	22,084	36,891	1,312,713
Advances under finance lease	3,781	-	87	87	3,694
	1,353,385	14,807	22,171	36,978	1,316,407
31 December 2011					
Overdrafts	203,869	1,671	3,148	4,819	199,050
Term loans	758,943	6,133	13,941	20,074	738,869
Staff loans	5,983	-	232	232	5,751
Commercial papers ('CP')	186,170	-	2,197	2,197	183,973
Project finance	12,681	-	474	474	12,207
	1,167,646	7,804	19,992	27,796	1,139,850
Advances under finance lease	4,697	-	86	86	4,611
	1,172,343	7,804	20,078	27,882	1,144,461

20. Loans and advances to customers continued

BANK

	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
1 January 2011					
Overdrafts	143,384	12,294	5,898	18,192	125,192
Term loans	719,365	12,680	14,534	27,214	692,151
Staff loans	6,887	-	580	580	6,307
Commercial papers ('CP')	114,522	-	2,194	2,194	112,328
Project finance	105,046	423	999	1,422	103,624
	1,089,204	25,397	24,205	49,602	1,039,602
Advances under finance lease	8,282	634	325	959	7,323
	1,097,486	26,031	24,530	50,561	1,046,925

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Current	592,842	357,564	263,506
Non-current	970,163	897,430	896,787
	1,563,005	1,254,994	1,160,293
BANK			
Current	585,422	378,809	237,520
Non-current	730,985	765,652	809,405
	1,316,407	1,144,461	1,046,925

Reconciliation of impairment allowance on loans and advances to customers:

GROUP

	Overdrafts N 'millions	Term loans N 'millions	CP N 'millions	Finance lease N 'millions	Other N 'millions	Total N 'millions
At 1 January 2011						
Specific impairment	12,294	12,680	-	634	423	26,031
Collective impairment	5,898	15,776	2,194	325	1,579	25,772
	18,192	28,456	2,194	959	2,002	51,803
Additional provision						
Specific impairment	10,315	34,941	-	(496)	(423)	44,337
Collective impairment	(2,750)	(2,153)	3	(239)	(875)	(6,014)
Loans written off	(20,938)	(36,108)	-	(138)	-	(57,184)
Specific impairment	1,671	11,265	-	-	-	12,936
Collective impairment	3,148	13,871	2,197	86	704	20,006
At 31 December 2011	4,819	25,136	2,197	86	704	32,942
Additional provision						
Specific impairment	5,624	7,667	-	-	239	13,530
Collective impairment	454	3,282	(1,164)	1	626	3,199
Discontinued operations	-	(5,193)	-	-	-	(5,193)
Loans written off	(612)	(4,301)	-	-	(239)	(5,152)
						-
Specific impairment	6,882	10,251	-	-	-	17,133
Collective impairment	3,402	16,339	1,033	87	1,332	22,193
At 31 December 2012	10,284	26,590	1,033	87	1,332	39,326

20. Loans and advances to customers continued

BANK

	Overdrafts N 'millions	Term loans N 'millions	CP N 'millions	Finance lease N 'millions	Other N 'millions	Total N 'millions
At 1 January 2011						
Specific impairment	12,294	12,680	-	634	423	26,031
Collective impairment	5,898	14,534	2,194	325	1,579	24,530
	18,192	27,214	2,194	959	2,002	50,561
Additional provision						
Specific impairment	7,825	29,608	-	- -	423	37,010
Collective impairment	(260)	(2,582)	3	(735)	(873)	(4,446)
Loans written off	(20,938)	(34,166)	-	(138)	-	(55,242)
Specific impairment	1,671	6,133	-	-	-	7,804
Collective impairment	3,148	13,941	2,197	86	706	20,078
At 31 December 2011	4,819	20,074	2,197	86	706	27,882
Additional provision						
Specific impairment	5,197	6,374	-	-	-	11,571
Collective impairment	454	2,176	(1,164)	1	626	2,093
Loans written off	(283)	(4,285)	-	-	-	(4,568)
Specific impairment	6,585	8,222	-	-	-	14,807
Collective impairment	3,602	16,117	1,033	87	1,332	22,171
At 31 December 2012	10,187	24,339	1,033	87	1,332	36,978

Loans and advances to customers include finance lease receivables as follows:

GROUP	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Gross investment in finance lease, receivable			
- No later than 1 year	729	1,156	3,583
- Later than 1 year and no later than 5 years	3,282	4,390	6,679
- Later than 5 years	84	-	-
	4,095	5,546	10,262
Unearned future finance income on finance leases	(314)	(849)	(1,980)
Impairment allowance on leases	(87)	(86)	(959)
Net investment in finance lease, receivable	3,694	4,611	7,323
Net investment in finance lease, receivable is analysed as follows			
- No later than 1 year	416	979	2,892
- Later than 1 year and no later than 5 years	3,194	3,632	4,431
- Later than 5 years	84	-	-
	3,694	4,611	7,323

20. Loans and advances to customers continued

BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Gross investment in finance lease, receivable			
- No later than 1 year	729	1,156	3,583
- Later than 1 year and no later than 5 years	3,282	4,390	6,679
- Later than 5 years	84	-	-
	4,095	5,546	10,262
Unearned future finance income on finance leases	(314)	(849)	(1,980)
Impairment allowance on leases	(87)	(86)	(959)
Net investment in finance lease, receivable	3,694	4,611	7,323
Net investment in finance lease, receivable is analysed as follows			
- No later than 1 year	416	979	2,892
- Later than 1 year and no later than 5 years	3,194	3,632	4,431
- Later than 5 years	84	-	-
	3,694	4,611	7,323

20.1 Nature of security in respect of loans and advances:

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Secured against real estate	457,582	252,347	130,101
Secured by shares of quoted companies	14,713	28,496	27,938
Otherwise secured	1,019,792	745,322	774,968
Unsecured	110,245	259,239	279,089
	1,602,332	1,285,404	1,212,096

BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Secured against real estate	416,302	252,347	130,101
Secured by shares of quoted companies	14,653	28,496	27,938
Otherwise secured	825,370	632,261	660,352
Unsecured	97,243	259,239	279,089
	1,353,568	1,172,343	1,097,480

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

21. Financial assets held for trading

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Treasury bills included in cash equivalents	680	1,316	496
Government bonds	-	242	9,027
Total debt securities	680	1,558	9,523
Listed equity securities	-	3,282	5,151
Total equity securities	-	3,282	5,151
Derivative assets	1,885	1,124	1,962
Total assets held for trading	2,565	5,964	16,636

21. Financial assets held for trading continued
BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Treasury bills included in cash equivalents	680	1,316	496
Government bonds	-	242	9,027
Total debt securities	680	1,558	9,523
Derivative assets	1,262	994	1,962
Total assets held for trading	1,942	2,552	11,485

The Group did not designate any financial assets as fair value through profit or loss on initial recognition.
The Group uses the following derivative strategies:

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

Interest rate risk in USD $175million subordinated debt was fully hedged with the aid of interest rate swap contracts. The contracts enabled the Group to exchange streams of future interest payments for another based on a specified notional amount. In some of the contracts the Group has exchanged fixed payment for a floating payment that is linked to the London Interbank offer Rate (LIBOR) and vice versa. Beside the use of the interest rate swaps to limit or manage exposure to fluctuations in interest rates, the Group has been able to obtain a marginally lower interest rate than it would have been able to get without the swap.

Exchange rate risk in EURO borrowing disbursed in US$ is being managed by the use of Forward FX Contracts that allows a notional accrual of Euros that will close the open position over the life of the borrowing.

Customers Risk Hedge Needs
The Group offers its customers derivatives in connection with their risk-management objectives to transfer modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through offsetting trade activities with credible counterparties, calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to senior management.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

	GROUP 31 Dec 2012			BANK 31 Dec 2012		
	Notional contract amount	Fair values		Notional contract amount	Fair values	
	N 'millions	Asset N 'millions	Liability N 'millions	N 'millions	Asset N 'millions	Liability N 'millions
Interest rate derivatives						
Interest rate swaps	13,198	-	(61)	13,198	-	(61)
Foreign exchange derivatives						
Forward FX contract	5,302	626	(860)	4,733	3	(342)
Currency swap	10,750	54	-	10,750	54	-
Put options	41,581	1,205	(875)	41,581	1,205	(875)
	70,831	1,885	(1,796)	70,262	1,262	(1,278)
Current	5,302	680	(660)	4,733	57	(142)
Non Current	65,529	1,205	(1,136)	65,529	1,205	(1,136)

21. Financial assets held for trading continued

	GROUP 31 Dec 2011			BANK 31 Dec 2011		
	Notional contract amount	Fair values Asset	Fair values Liability	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Interest rate derivatives						
Interest rate swaps	68,728	665	439	68,728	665	439
Foreign exchange derivatives						
Forward FX contract	10,636	165	1,728	10,059	35	14
Currency swap	7,915	137	690	7,915	137	690
Put options	14,839	157	-	14,839	157	-
	102,118	1,124	2,857	101,541	994	1,143
Current	10,636	165	1,728	10,059	35	14
Non Current	91,482	959	1,129	91,482	959	1,129
	102,118	1,124	2,857	101,541	994	1,143

	GROUP 1 Jan 2011			BANK 1 Jan 2011		
	Notional contract amount	Fair values Asset	Fair values Liability	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Interest rate derivatives						
Interest rate swaps	69,875	1,927	(1,187)	69,875	1,927	(1,187)
Foreign exchange derivatives						
Forward FX contract	1,516	35	(13)	1,516	35	(13)
Currency swap	5,992	-	(439)	5,992	-	(439)
	77,383	1,962	(1,639)	77,383	1,962	(1,639)
Current	1,516	35	(13)	1,516	35	(13)
Non Current	75,867	1,927	(1,626)	75,867	1,927	(1,626)
	77,383	1,962	(1,639)	77,383	1,962	(1,639)

22. Investment Securities
GROUP

	31 December 2012	31 December 2011	1 January 2011
	N 'millions	N 'millions	N 'millions
22.1 Securities available for sale			
Debt securities – at fair value:			
– Treasury bills	121,247	149,489	3,368
– Government bonds	182,629	155,351	136,578
Equity securities – at fair value:			
– Listed	1,131	4,417	6,196
Equity securities – at fair value:			
– Unlisted	46,367	47,676	76,680
	351,374	356,933	222,822

22. Investment Securities continued

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Assets pledged as collateral			
Debt securities - at fair value			
– Treasury bills	17,531	22,195	-
– Government bonds	1,515	10,191	109,100
	19,046	32,386	109,100
Total securities classified as available for sale	370,420	389,319	331,922
22.2 Securities held to maturity			
Debt securities – at amortised cost:			
– Treasury bills	-	-	6,997
– Listed debt	155,636	337,336	-
– Unlisted debt	175,224	-	24,889
	330,860	337,336	31,886
Assets pledged as collateral			
Debt securities - at amortised cost			
– Treasury bills	-	-	12,909
– Government bonds	31,063	39,743	-
	31,063	39,743	12,909
Total securities classified as held-to-maturity	361,923	377,079	44,795
Total investment securities	732,343	766,398	376,717
BANK			
22.3 Securities available for sale			
Debt securities – at fair value:			
– Treasury bills	108,127	148,658	3,368
– Government bonds	144,784	149,965	124,743
Equity securities – at fair value:			
– Listed	1,131	2,486	4,132
Equity securities – at fair value:			
– Unlisted	46,309	39,658	68,920
	300,351	340,767	201,163
Assets pledged as collateral			
Debt securities – at fair value:			
– Treasury bills	17,531	22,195	-
– Government bonds	1,515	10,191	109,100
	19,046	32,386	109,100
Total securities classified as available for sale	319,397	373,153	310,263
22.4 Securities held to maturity			
Debt securities – at amortised cost:			
– Treasury bills	-	-	6,827
– Listed	155,636	307,907	-
– Unlisted	175,224	21,950	37,504
	330,860	329,857	44,331
Assets pledged as collateral			
Debt securities – at amortised cost:			
– Treasury bills	-	-	12,909
– Government bonds	31,063	39,743	-
	31,063	39,743	12,909
Total securities classified as held-to-maturity	361,923	369,600	57,240
Total investment securities	681,320	742,753	367,503

23. Asset pledged as collateral

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

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

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Available for sale debt securities (note 22.1)	19,046	32,386	109,100
Held to maturity debt securities (note 22.2)	31,063	39,743	12,909
	50,109	72,129	122,009
Current	19,046	32,386	109,100
Non current	31,063	39,743	12,909
	50,109	72,129	122,009

BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Available for sale debt securities (note 22.3)	19,046	32,386	109,100
Held to maturity debt securities (note 22.4)	31,063	39,743	12,909
	50,109	72,129	122,009
Current	19,046	32,386	109,100
Non current	31,063	39,743	12,909
	50,109	72,129	122,009

24. Investment in subsidiaries

24.1 Principal subsidiary undertakings

Following the restructuring which occurred during the year ended 31 December 2012, the Group transferred its entire interest in some subsidiaries to FBN Holdings Plc.- see Note 26 for listing of the affected entities

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
FBN Bank (UK) Limited (Note 24 (i))	30,695	18,441	18,441
FBN Capital Limited (Note 26)	-	4,300	4,300
First Pension Custodian Limited (Note 24 (ii))	2,000	2,000	2,000
First Trustees Nigeria Limited (Note 26)	-	23	23
FBN Mortgages Limited (Note 24 (iii))	2,100	2,100	2,100
FBN Insurance Brokers Limited (Note 26)	-	15	15
First Registrars Nigeria Limited (Note 26)	-	10	10
FBN Bureau de Change Limited (Note 24 (iv))	50	500	500
FBN Microfinance Bank Limited (Note 26)	-	1,000	1,000
First Funds Limited (Note 26)	-	2,050	2,050
FBN Life Assurance (Note 26)	-	2,000	-
Banque Internationale de Crédit (Note 24 (v))	5,503	-	-
	40,348	32,439	30,439
Impairment of investments in subsidiaries	-	(23)	(23)
	40,348	32,416	30,416

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the company owned the total issued shares in all its subsidiary undertakings except FBN Life Assurance in which it owned 65% and Banque Internationale de Crédit in which it owned 75%.

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At 31 December 2012

24. Investment in subsidiaries continued

24.1 Principal subsidiary undertakings

Subsidiary	Principal activity	Country of incorporation	Statutory year end
FBN Bank (UK) Limited (Note 24 (i))	Banking	United Kingdom	31 December
FBN Capital Limited (Note 26)	Investment banking	Nigeria	31 December
First Pension Custodian Limited (Note 24 (ii))	Pension fund Assets custodian	Nigeria	31 December
First Trustees Nigeria Limited (Note 26)	Trusteeship	Nigeria	31 December
FBN Mortgages Limited (Note 24 (iii))	Mortgage banking	Nigeria	31 December
FBN Insurance Brokers Limited (Note 26)	Insurance brokerage	Nigeria	31 December
First Registrars Nigeria Limited (Note 26)	Share register administration	Nigeria	31 December
FBN Bureau de Change Limited (Note 24 (iv))	Bureau De Change	Nigeria	31 December
FBN Microfinance Bank Limited (Note 26)	Microfinance banking	Nigeria	31 December
First Funds Limited (Note 26)	Venture Capital	Nigeria	31 December
FBN Life Assurance (Note 26)	Life Insurance	Nigeria	31 December
Banque Internationale de Crédit (DRC) (Note 24 (v))	Banking	Democratic republic of Congo	31 December

i FBN Bank (UK) Limited

FBN Bank (UK) Ltd ('FBNUK') is a company incorporated in the United Kingdom under the Companies Act 1985 as a UK registered bank authorised by the Financial Services Authority to accept deposits and undertake banking business.
FBNUK was incorporated in November 2002. It is a wholly owned subsidiary of First Bank of Nigeria Plc. The bank has a branch in Paris.

During the current year, the Group invested additional capital in FBN UK in compliance with the regulatory requirement imposed by the Financial Services Authority to re-capitalise the company,

ii First Pension Custodian Limited

First Pension Custodian Limited was incorporated on 12 August 2005 and granted an approval in principle by the National Pension Commission on 1 August 2005 while the operating licence was obtained on the 7 December 2005. The principal activity of the company is to act as a Custodian of Pension Fund Assets in accordance with the Pension Reform Act, 2004.

iii FBN Mortgages Limited

The Company was incorporated on 17 March 2003 and commenced operations on 1 May 2004. Its principal activities include acceptance of deposits, provision of mortgage finance for customers and investment in properties.

iv FBN Bureau de Change Limited

This represents the Bank's 100% holding in FBN Bureau de Change Limited. The Bank obtained approval from the Central Bank of Nigeria to operate a bureau de change on 8 August 2006. In 2010, the Central Bank of Nigeria (CBN) withdrew the license of all class 'A' Bureau De Change and advised them to apply for class 'B' in order to continue in business. The Class B license was issued in the current year and the Bank obtained a refund of N450 million for the excess capital requirement.

v Banque Internationale de Crédit (DRC)

Banque Internationale de Crédit (BIC), is a company incorporated in the Democratic Republic of Congo (DRC) on 6th April 1994, following the approval granted by the Central Bank of Congo on September 24, 1993.
First Bank Nigeria Limited has a holding of 75% in the equity of BIC.

25. Acquisition of Subsidiary

In October 2011, First Bank of Nigeria Plc paid for the acquisition of a 75% interest in Thorens Limited, which owns 99.9% interest in Banque Internationale de Crédit (BIC) in Democratic Republic of Congo (DRC). The transaction was approved by the Central Banks in Nigeria and the DRC, subject to subsequent restructuring of the investment by the Bank to achieve direct ownership of BIC. As part of the restructuring, the Bank gained effective control of BIC on 31 March 2012 by controlling 75% of its shares and voting interest and thus accounted for the acquisition on that date. The consideration transferred by the Bank in October 2011 was N5.5 billion.

The acquired company contributed interest income of N2,123 million and fee commision of N2,251 to the group for the period 1 April 2012 to 31 December 2012 as well as profit of N671million . If the acquisition had occurred on 1 January 2012, the group interest income would show N277,705 million, group fee and commission would be N54,123 and group profit before tax would have been N86,400.

This acquisition is expected to increase the Group's profile across Sub Saharan Africa, create a greater earning diversification and increased shareholder value through higher returns on equity.

The following table summarises the consideration paid for BIC, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	March 31 2012
Consideration	
	N'm
Cash	5,503
Contingent Consideration	-
	5,503
Recognised amounts of identifiable assets acquired and liabilities assumed	
	Provisional Fair value
Cash and balances with central banks	10,081
Treasury bills	44
Loans and advances to banks	6,841
Loans and advances to customers	16,046
Inventory	145
Deferred tax asset	1,045
Other assets	1,975
Property, plant and equipment	2,669
Deposits	(27,521)
Other liabilities	(6,182)
Total identifiable net assets	5,143
Non controlling interest	1,286
Goodwill	1,646

Cash and cash equivalents acquired from the subsidiary is made up of the following:

Cash and balances with central banks	10,081
Treasury bills	44
Loans and advances to banks	6,841
	16,966

The goodwill of N 1.6 billion arises from a number of factors such as expected synergy’s through combining a highly skilled workforce and obtaining economies of scale and unrecognised assets such as customer listing,brand and workforce

There were no contingent consideration. So the fair value of the contingent consideration arrangement was deemed nil.

The treasury bills were not marked to market as at 31 March 2012.The treasury bills are highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. The maturity of the treasury bills ranges between 7 days and 28 days. The amount represents its fair value.

The carrying amount of cash and balances with central bank and loans and advances to banks represents their respective fair value.

The contractual amount for loans and advances to customers is N 6.6 billion which is net of a loan loss provision of N2.2 billion.

The value of the other assets is N1.975 billion, this include an account receivable of N0.987 billion. This full amount is deemed recoverable. No provision has been made on the other asset

The value of the acquired property plant and equipment of N2.7 billion is provisional pending, receipt of the final valuations for the assets.

The non-controlling interest has been recognised as a proportion of net assets acquired.

26. Discontinued operations

(i) Transfer of subsidiaries resulting from Business restructuring

Following the directive of the Central Bank of Nigeria on the new banking model in Nigeria issued on 4 October, 2010, the Group opted for the Holding company structure. The Holding company structure led to the reorganisation of the group reporting and business structure. On 1 December 2012, FBN Holdings Plc became the Parent company of the FBN group. As a result of the reorganisation, FBN Nigeria Limited is the parent company of the commercial banking subsidiaries and transferred its interest in the underlisted subsidiaries to its ultimate parent company - FBN Holdings Plc or FBN Capital Limited as detailed below. In line with the accounting policy on common control transactions, predecessor accounting was applied and the assets and liabilities of these entities were transferred at the existing book value. Thus, no gain or loss was recorded on the transfer of these subsidiaries to the Holding company.

FBN Holdings Plc
FBN Capital Limited
FBN Insurance Brokers Limited
FBN Microfinance Bank Limited
FBN Life Assurance

FBN Capital Limited
First Trustees Nigeria Limited
First Funds Limited

(ii) Disposal of First Registrars Limited

On 28th December 2012, FBN Limited disposed of 100% of the share capital of its subsidiary - First Registrars. The company contributed profit of N1.5 billion to the Group from 1 Januay 2012 to 28 December 2012 (N986m for prior year in First Registrars Nigeria Limited.

A) Discontinued operations contributed profit of N3.5 billion to the Group (2011: (N1.7b).
The results of the discontinued operations up till point of disposal is included within "Discontinued operations" in the current year and their full year result for prior year is also shown. The results of discontinued operations as shown below, includes the following:

Results of the subsidiaries transferred to FBN Holdings Plc for the 11 months to November 2012
Results of First Registrars Nigeria Limited up to date of sale - 28th December 2012
Results of the property development portfolio of FBN mortgages which was classified as Held for Sale during the year.
Gain recognised from the sale of First Registrars Nigeria Limited:

	Group	
	12 months to Dec 2012 N'millions	12 months to Dec 2011 N'millions
Interest income	9,987	5,956
Interest expense	(3,742)	(2,057)
Net interest income	6,245	3,899
Impairment charge/write back on credit losses	(253)	(198)
Net interest income after impairment charge for credit losses	5,992	3,701
Insurance premium revenue	1,524	1,295
Insurance premium revenue ceded to reinsurers	(110)	(31)
Net insurance premium revenue	1,414	1,264
Net fee and commission income	4,706	3,993
Net gains/(losses) on investment securities	-	212
Net gains/(losses) from financial assets classified as held for trading	-	(3,824)
Dividend	-	225
Other operating income	2,072	406
Net insurance benefits and claims	(456)	(81)
Operating expenses	(8,257)	(9,199)
Operating profit	5,471	(3,303)
Profit before tax	5,471	(3,303)
Income tax expense	(1,921)	1,637
Profit/(Loss) from discontinued operations	3,550	(1,666)
Pre tax gain from disposal of operations	288	-
Tax	-	-
After tax gain from disposal of operations	288	-
Total Profit on discontinued operations	3,838	(1,666)
Profit attributable to:		
Owners of the parent	3,849	(1,490)
Non-controlling interests	(11)	(176)

B) Asset, Liabilities and Reserves of the discontinued operations at the point of transfer/disposal are shown below:

	Entities transferred to Holdco	First registrars Limited
	30 November	**28 December**
	N'million	N'million
Assets		
Cash and balances with central banks	1,261	-
Loans and advances to banks	28,611	30,619
Loans and advances to customers	1,706	148
Financial assets held for trading	18,396	-
Insurance receivables	517	-
Investment securities		
-Available-for-sale investments	5,213	-
-Held to maturity investments	27,610	3,001
Assets pledged as collateral	3,135	-
Other assets	5,825	233
Inventory	25,366	
Investment properties	4,055	-
Intangible assets	63	-
Property, plant and equipment	967	565
Deferred tax	149	81
Total assets	**122,873**	**34,647**
Liabilities		
Deposits from banks	3,146	-
Deposits from customers	1,340	-
Liability on investment contracts	44,388	-
Liability on insurance contracts	2,250	-
Borrowings	57,731	-
Retirement benefit obligations	329	-
Current income tax liability	180	-
Deferred tax	260	-
Other liabilities	10,808	31,435
Total liabilities	**120,432**	**31,435**
Equity and reserves		
Share capital	6,162	500
Share premium	18,436	-
Retained earnings	(22,252)	2,712
Other reserves		
Statutory reserve	56	-
AFS Fair value reserve	-	-
Contingency Reserve	40	-
Total equity and reserves	**2,441**	**3,212**

C) Asset classified as Held for Sale

The assets and liabilities held for sale relate to the property development portfolio of First Mortages Limited which is being presented as held for sale following the commitment to its sale by the Group's management in compliance with the Central Bank of Nigeria's (CBN) Regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which require banks in Nigeria to concentrate on banking businesses. In August 2012, as part of the capital restructuring scheme of the FirstBank Group, shareholders approved the full divestment by FirstBank , of all the property development business of FBN Mortages, prior to the Central Bank of Nigeria cut off date of June 2013. The sale is expected to be completed by May 2013.

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

	31 Dec 2012
	N'million
Assets classified as held for sale	
Inventory	5,637
Accounts receivable	7,341
	12,978
Liabilities classified as held for sale	
Accounts payable - Deposit for property	**2,836**
Net Asset	**10,142**

D) Cash flows attributable to discontinued operations.

i) Transferred subsidiaries

	2012	2011
Net cash flow from Operating activities	(9,998)	(9,393)
Net cash flow from investing activities	(28)	(27,187)
Net cash flow from financing activities	3,149	(13,336)
Net cash outflow/inflow	(6,877)	(49,916)

27. Investment in associates (equity method)

First Bank of Nigeria Plc has 40% shareholding in Kakawa Discount House (KDH).

KDH is a company incorporated in Nigeria and is involved in trading in, holding and provision of discount and re-discount facilities for treasury bills, commercial bills and other eligible financial instruments normally purchased by banks, corporate bodies and the investing public. KDH is not publicly traded and there is no published price information

As part of the Business restructuring which occurred during the period, the Bank transferred its 42% shareholding interest in Seawolf to FBN Holdings Plc. The transfer was made at Book value. During the period, FBN Registrar's interest in Kakawa Discount House was also transferred to FBN capital Limited at book value.

Seawolf is a company incorporated in Nigeria and is involved in the Oil and Gas sector. The Company is not publicly traded and there is no publised price information

First Bank Nigeria Limited has 34.17% in FBN Heritage Funds. The principal activity of the Fund is the subscription of funds from the members of' the public and the investment of' such funds in quoted equities. government securities, and other financial instruments as determined by the Fund Manager in accordance with the Trust Deed. The Fund is listed on the Nigerian Stock Exchange. The Bank transferred its holdings in the Fund to FBN Holdings Plc as part of the business restructuring during the period.

	GROUP		BANK	
	2012 N 'millions	2011 N 'millions	2012 N 'millions	2011 N 'millions
Balance at beginning of period	7,489	8,996	14,099	14,099
Transferred to FBN Holdings Plc	(1,652)	-	(11,875)	-
Transferred to FBN Capital	(660)	-	-	-
Dividend received	(576)	(504)		
Share of profit / (loss)	1,008	(1,003)	-	-
At end of period	5,609	7,489	2,224	14,099

27. Investment in associates (equity method)

Summarised financial information of the Group's principal associates are as follows:

	Total Assets N 'millions	Total Liabilities N 'millions	Net assets /liabilities N 'millions	Gross earnings N 'millions	Profit or loss before tax N 'millions
31 December 2012					
KDH	119,437	106,028	13,409	17,112	2,424
Heritage Fund	4,292	154	4,138	227	172
31 December 2011					
KDH	121,995	108,338	13,657	10,976	2,618
Seawolf	185,847	207,464	(21,617)	11,454	(4,639)
Heritage Fund	4,131	107	4,024	93	14
1 January 2011					
KDH	161,347	148,293	13,054	10,244	3,147
Seawolf	221,060	237,219	(16,519)	10,323	(1,227)
Heritage Fund	4,681	146	4,535	155	78

KDH and FBN Heritage Fund do not have any commitment or contingent liabilities as at 31st December 2012 (2011 : Nil, 2010 : Nil).

28. Investment properties

	GROUP 2012 N 'millions	2011 N 'millions
Cost		
At 1 January	4,055	2,440
Additions resulting from acquisitions		52
Additions resulting from subsequent expenditure	30	1,563
Discontinued operations	(4,085)	-
At 31 December	-	4,055

This represents the Group's investment in land held for the purpose of capital appreciation. It is the company's policy not to depreciate land . The Bank has no investment property.

Investment properties did not generate any income or direct operating expenses during the period. Following the group restructure, the investment properties have been transferred to the new Holding Company.

The fair value of investment properties is N4,339 million in 2011 and was determined based on valuations performed by inhouse consultants.The fair value of the properties have been determined using on transactions observable in the market.

29. Inventory

	GROUP		
	2012 N 'millions	Dec 2011 N 'millions	Jan 2011 N 'millions
Work in progress	8,366	11,807	14,881
Interest capitalised	7,711	5,459	5,165
Stock of properties	9,646	8,343	3,035
Discontinued operations	(25,723)	-	-
At 31 December	-	25,609	23,081
Current	-	8,343	3,035
Non current	-	17,266	20,046
	-	25,609	23,081

Inventory relates to properties under development by FBN Mortgages Limited as well the real estate development of Rainbow Town Development Limited. This FBN Mortgages property development portfolio was classified as Asset Held for Sale during the period. see note 29 for a detailed note. The Bank has no inventory balance.

30. Property, plant and equipment

Refer to FA sheet

30. Property, plant and equipment

Refer to FA sheet

31. Intangible assets

GROUP	Goodwill	Computer software	**Total**
Cost			
At 1 January 2011	-	1,925	1,925
Additions	-	1,711	1,711
At 31 December 2011	-	3,636	3,636
Additions	-	1,494	1,494
Disposals	-	(191)	(191)
Write off		(237)	(237)
Acquisition of subsidiary	1,646	-	1,646
Exchange difference		20	20
At 31 December 2012	1,646	4,722	6,368
Amortisation and impairment			
At 1 January 2011	-	1,431	1,431
Ammortisation	-	1,197	1,197
At 31 December 2011	-	2,628	2,628
Amortisation charge	-	645	645
Write off		(237)	(237)
Disposals	-	(99)	(99)
Exchange difference	-	14	14
At 31 December 2012	-	2,951	2,951
Net book value			
At 31 December 2012	1,646	1,771	3,417
At 31 December 2011	-	1,008	1,008
At 1 January 2011	-	494	494

BANK	**Computer software**	**Total**
Cost		
At 1 January 2011	1,229	1,229
Additions	1,551	1,551
At 31 December 2011	2,780	2,780
Additions	1,124	1,124
At 31 December 2012	3,904	3,904
Ammortisation and impairment		
At 1 January 2011	964	964
Ammortisation	1,082	1,082
At 31 December 2011	2,046	2,046
Ammortisation	556	556
At 31 December 2012	2,602	2,602
Net book value		
At 31 December 2012	1,302	1,302
At 31 December 2011	734	734
At 1 January 2011	265	265

The amortisation charge for the period is included in Other operating expenses in the Statement of comprehensive income.

31. Intangible assets continued

Impairment tests for goodwill

Goodwill is allocated to cash generating units at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.
Goodwill of N200 million (31 December 2011: Nil) relates to the acqusition of BIC.

At 31 December 2012, the calculation of the recoverable amount of goodwill is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit (CGU). The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and directors judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the current period and the cash flows for the next five years are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth. A declining growth rate of 5% from the sixth year up to the 10th year was assumed.

Discount rate
The discount rate applied in the case of this CGU was 22.88% , which is the pre tax weighted average cost of capital for BIC. This reflects the risk the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonable changes in key assumptions used to determine the recoverable amounts of the BIC goodwill would not result in any material impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
At 31 December 2012

32. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2009: 30%, 2008: 30%).

	GROUP		
	31 December 2012	**31 December 2011**	**1 January 2011**
	N 'millions	**N 'millions**	**N 'millions**
Deferred income tax assets and liabilities are attributable to the following items:			
Deferred tax assets			
Property and equipment	9,253	9,178	5,187
Allowance for loan losses	3,159	1,741	128
Tax losses carried forward	-	927	3,687
Other assets	527	1,126	-
Equity securities at fair value	(10,286)	(10,420)	-
Defined benefit obligation	5,301	4,402	3,272
	7,955	6,954	12,274
Deferred tax liabilities			
Other liabilities	6	1,067	901
	6	1,067	901
Deferred tax assets			
- Deferred tax asset to be recovered after more than 12 months	7,428	5,828	12,274
- Deferred tax asset to be recovered within 12 months	527	1,126	-
	7,955	6,954	12,274
Deferred tax liabilities			
- Deferred tax liability to be recovered after more than 12 months	-	-	-
- Deferred tax liability to be recovered within 12 months	6	1,067	-
	6	1,067	-

	BANK		
	31 December 2012	**31 December 2011**	**1 January 2011**
	N 'millions	**N 'millions**	**N 'millions**
Deferred income tax assets and liabilities are attributable to the following items:			
Deferred tax assets			
Property and equipment	9,254	9,178	5,187
Allowance for loan losses	1,762	-	-
Tax losses carried forward	-	927	3,687
Other assets	526	1,108	-
Equity securities at fair value	(10,286)	(10,420)	
Defined benefit obligation	5,447	4,402	3,272
	6,703	5,195	12,146
Deferred tax assets			
- Deferred tax asset to be recovered after more than 12 months	6,177	4,087	12,146
- Deferred tax asset to be recovered within 12 months	526	1,108	-
	6,703	5,195	12,146

32. Deferred tax continued

Group

	1 Jan 2012 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2012 N 'millions
Movements in Deferred tax assets during the year:				
Property and equipment	9,178	75	-	9,253
Allowance for loan losses	1,741	1,418	-	3,159
Tax losses carried forward	927	(927)	-	-
Other assets	1,126	(599)	-	527
Other liabilities	(10,420)	134	-	(10,286)
Defined benefit obligation	4,402	753	146	5,301
	6,954	855	146	7,955

	1 Jan 2011 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2011 N 'millions
Movements in Deferred tax assets during the year:				
Property and equipment	5,187	3,991	-	9,178
Allowances for loan losses	128	1,613	-	1,741
Tax losses carried forward	3,688	(2,761)	-	927
Other assets	-	1,126	-	1,126
Other liabilities	-	(10,420)	-	(10,420)
Defined benefit obligation	3,272	218	913	4,402
	12,274	(6,233)	913	6,954

	1 Jan 2012 N 'millions	Discontinued Operations N 'millions	Recognised in P&L N 'millions	31 Dec 2012 N 'millions
Movements in Deferred tax liabilities during the year:				
Other liabilities	1,067	(260)	(801)	6

	1 Jan 2011 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2011 N 'millions
Movements in Deferred tax liabilities during the year:				
Other liabilities	901	166	-	1,067

Bank

	1 Jan 2012 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2012 N 'millions
Movements in temporary differences during the year:				
Property and equipment	9,178	76	-	9,254
Allowance for loan losses	-	1,762	-	1,762
Tax losses carried forward	927	(927)	-	-
Other assets	1,108	(581)	-	527
Other liabilities	(10,420)	134	-	(10,287)
Defined benefit obligation	4,402	899	146	5,447
	5,195	1,363	146	6,703

	1 Jan 2011 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2011 N 'millions
Movements in temporary differences during the year:				
Property and equipment	5,187	3,992	-	9,178
Tax losses carried forward	3,688	(2,761)	-	927
Other assets	-	1,108	-	1,108
Other liabilities	-	(10,420)	-	(10,420)
Defined benefit obligation	3,271	218	913	4,402
	12,146	(7,864)	913	5,195

Deferred income tax assets are recognised for tax loss carry-forwards only to the extend that the realisation of the related tax benefit is probable.

33. Other assets

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Prepayments	8,459	9,276	8,583
Accounts receivable	17,330	32,802	22,790
Insurance receivables	-	111	-
Other receivables	14,182	27,118	11,890
	39,971	69,307	43,263
Less specific allowances for impairment	(6,238)	(7,035)	(3,981)
	33,733	62,272	39,282

BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Prepayments	7,351	7,582	5,938
Accounts receivable	18,721	21,705	18,540
Other receivables	12,611	20,671	12,313
	38,683	49,958	36,791
Less specific allowances for impairment	(6,224)	(6,224)	(3,447)
	32,459	43,734	33,344

Reconciliation of impairment account	GROUP		BANK	
	2012 N 'millions	2011 N 'millions	2012 N 'millions	2011 N 'millions
At start of period	7,035	3,981	6,224	3,447
Increase in impairment	-	3,696	-	2,726
Amounts written off	-	(693)	-	
Reclassification	-	51	-	51
Discontinued operations	(797)	-	-	-
At end of period	6,238	7,035	6,224	6,224

All other assets on the statement of financial position of the Group and Bank had a remaining period to contractual maturity of less than 12 months.

34. Deposits from banks

GROUP

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Interbank takings	66,344	97,661	148,115
Due to bank	21,207	85,839	237
	87,551	183,500	148,352

34. Deposits from banks continued

BANK

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Interbank takings	6,074	50,588	54,984
Due to bank	12,389	718	237
	18,463	51,306	55,221

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

35. Deposits from customers

GROUP	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Current	805,222	746,118	607,252
Savings	548,391	495,777	387,808
Term	501,371	289,064	273,755
Domiciliary	541,210	417,715	177,497
Electronic purse	9,664	2,647	1,288
	2,405,858	1,951,321	1,447,600
Current	2,405,854	1,950,991	1,379,978
Non-current	4	330	67,622
	2,405,858	1,951,321	1,447,600

BANK	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Current	755,738	702,847	574,415
Savings	544,807	495,075	386,913
Term	320,898	166,206	188,105
Domiciliary	540,700	417,715	177,497
Electronic purse	9,664	2,647	1,288
	2,171,807	1,784,490	1,328,218
Current	2,171,803	1,784,313	1,206,425
Non-current	4	177	121,793
	2,171,807	1,784,490	1,328,218

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

36. Financial liabilities held for trading

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Fair value of derivatives held for trading	1,796	2,857	1,639
BANK			
Fair value of derivatives held for trading	1,278	1,143	1,639

Financial liabilities held for trading amounting to N1,136 million (2011: N1,129 million) are due after more than 12 months for both the group and bank

37. Borrowings

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
GROUP			
Long term borrowing comprise:			
Due to FBN Capital Finance Company, Cayman Islands **(i)**	-	28,009	27,043
Due to European Investment Bank **(ii)**	2,560	4,677	7,036
Due to Standard Chartered Bank **(iii)**	-	32,178	53,445
On-lending facilities from financial institutions **(iv)**	25,846	29,497	18,807
Borrowing from correspondence banks **(v)**	47,135	10,112	20,019
	75,541	104,473	126,350
Current	54,004	55,329	21,491
Non-current	21,537	49,144	104,859
	75,541	104,473	126,350
BANK			
Long term borrowing comprise:			
Due to FBN Capital Finance Company, Cayman Islands **(i)**	-	28,009	27,043
Due to European Investment Bank **(ii)**	2,560	4,677	7,036
Due to Standard Chartered Bank **(iii)**	-	32,178	53,446
On-lending facilities from financial institutions **(iv)**	25,846	29,496	18,807
Borrowing from correspondence banks **(v)**	53,581	9,927	19,764
	81,987	104,287	126,096
Current	54,004	55,143	21,491
Non-current	27,983	49,144	104,605
	81,987	104,287	126,096

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2011: nil).

(i) Facility represents dollar notes issued by FBN Capital Finance Company, Cayman Islands on 30 March 2007 for a period of 10 years. Interest on the notes is payable at 9.75% per annum. The loan is repayable at six monthly intervals over a period of five years commencing from 29 March 2012. The loan is subordianted debt and was non-callable in the first five years.The loan was repaid in March 2012

(ii) 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.

(iii) Facility represents a medium-term loan (dollar notes) secured from Standard Chartered Bank in February 2010 for a period of three years with a moratorium of 18 months. The interest on the loan is payable half yearly at 4.25% above the LIBOR rate. The loan was repaid on August 2012

(iv) Included in on-lending facilities from financial institutions are disbursements from banks which are guaranteed by FBN for specific customers. These facilities include the BOI funds and CACS intervention funds.

37. Borrowings continued

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N 200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, the Bank of Industry (BOI) disbursed an additional N 1.8 billion (2011: N 1.13 billion) to First Bank of Nigeria Limited.
The fund disbursed is for a period of 15 years effective from the disbursement date and subject to 1% p.a. management fee.

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 N 5.9 billion (2011: N 7.64 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.

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

38. Liability on investment contracts

GROUP	**31 December 2012 N 'millions**	**31 December 2011 N 'millions**	**1 January 2011 N 'millions**
Long term clients	-	38,304	20,804
Short term clients	-	11,132	23,693
Guaranteed fixed income	-	4	31,949
	-	**49,440**	**76,446**
Current	-	11,132	23,693
Non-current	-	38,308	52,753
	-	49,440	76,446

39. Retirement benefit obligations

	31 December 2012 N 'millions	**31 December 2011 N 'millions**	**1 January 2011 N 'millions**
GROUP			
Post employment benefit	132	-	-
Defined contribution scheme	-	391	225
Defined Benefits Plan			
Gratuity Scheme (1)	14,158	7,685	6,298
Defined benefits - Pension (ii)	4,358	7,005	4,903
	18,648	15,081	11,426
BANK			
Defined contribution scheme	-	1	171
Defined Benefits Plan			
Gratuity Scheme (1)	13,792	7,669	6,001
Defined benefits - Pension (ii)	4,364	7,006	4,903
	18,156	14,676	**11,075**

Defined contribution scheme

The group and its employees make a joint contribution of 15% basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

Total contributions to the scheme for the period were as follows:

Gratuity scheme (1)

The Group has 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 Bank. Amounts recognised in the statement of financial position are as follows:

	GROUP N 'millions	**BANK N 'millions**
Defined benefit obligations at 1 January 2011	6,298	6,001
Service cost	3,882	3,146
Interest cost	789	789
Actuarial losses/gains (Net)	221	221
Benefits paid (in the year)	(3,505)	(2,488)
Defined benefit obligations at 31 December 2011	7,685	7,669
Service cost	1,345	1,033
Interest cost	1,055	1,037
Actuarial losses/gains (Net)	2,956	2,936
Benefits paid (in the year)	(13,496)	(13,495)
Curtailment (Gains)/losses	9,031	9,031
Plan amendments	5,582	5,582
Defined benefit obligations at 31 December 2012	**14,158**	**13,793**

Included in the benefits paid of N 13.5 billion is N 12.5 billion paid to staff that were disengaged during the year.

39. Retirement benefit obligations continued

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Amounts recognised in the income statement are as follows:				
Current service cost	(1,345)	(3,146)	(1,033)	(3,146)
Interest on obligation	(1,055)	(789)	(1,037)	(789)
Curtailment (Gains)/losses	(9,031)	-	(9,031)	-
Plan amendments	(5,582)	-	(5,582)	-
Total employee benefits expense	(17,013)	(3,935)	(16,683)	(3,935)
Amount recognised in other comprehensive income are as follows:				
Actuarial losses/(gains)	(2,936)	(221)	(2,936)	(221)

3 Year record from first application of IAS 19

	2012 N 'millions	2011 N 'millions	2010 N 'millions
		GROUP	
Present value of defined benefit obligation	14,158	7,685	6,298
Fair value of plan assets	-	-	-
Deficit/(surplus) in the plan	14,158	7,685	6,298
Experience adjustments on plan liabilities	(3,007)	(649)	(213)
Experience adjustments on plan assets	-	-	-
		BANK	
Present value of defined benefit obligation	13,792	7,669	6,001
Fair value of plan assets	-	-	-
Deficit/(surplus) in the plan	13,792	7,669	6,001
Experience adjustments on plan liabilities	(3,007)	(649)	(213)
Experience adjustments on plan assets	-	-	

Defined benefit - Pension (ii)
The Bank 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, and has elected to do this over the next five years commencing January 2010 with an annual contribution of N1.2 billion.

The movement in the defined benefit obligation over the year is as follows:

	GROUP N 'millions	BANK N 'millions
Defined benefit pension obligations at 1 January 2011	13,550	13,550
Interest cost	1,285	1,285
Actuarial losses/gains (Net)	868	868
Benefits paid (in the year)	(1,410)	(1,410)
Defined benefit pension obligations at 31 December 2011	14,293	14,293
Interest cost	1,479	1,479
Actuarial losses/gains (Net)	(536)	(536)
Benefits paid (in the year)	(1,640)	(1,640)
Defined benefit pension obligations at 31 December 2012	13,596	13,596

The movement in the fair value of plan assets of the year is as follows:
Plan Assets

Fair value of plan assets at 1 January 2011	8,647	8,647
Expected return on plan assets	804	804
Actuarial gains/losses	(1,953)	(1,953)
Employer contributions	1,200	1,200
Benefits paid	(1,410)	(1,410)
Closing fair value of plan assets at 31 December 2011	7,288	7,288
Expected return on plan assets	660	660
Actuarial gains/losses	1,915	1,915
Employer contributions	1,010	1,010
Benefits paid	(1,640)	(1,640)
Closing fair value of plan assets at 31 December 2012	**9,233**	**9,233**
Net obligations at 1 January 2011	4,903	4,903
Net obligations at 31 December 2011	7,005	7,005
Net obligations at 31 December 2012	**4,363**	**4,363**

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39. Retirement benefit obligations continued
Amounts recognised in the income statement are as follows:

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Interest on obligation	(1479)	(1285)	(1479)	(1285)
Expected return on plan assets	660	804	660	804
Total, included in staff costs (Note 15a)	(819)	(481)	(819)	(481)

The actual return on plan assets was N2,575 million (2011: N789 million).

Amount recognised in other comprehensive income are as follows:

	GROUP		BANK	
	2012 N 'millions	2011 N 'millions	2012 N 'millions	2011 N 'millions
Actuarial gains/losses (Obligations)	536	(868)	536	(868)
Actuarial gains/losses (Plan assets)	1,915	(1,953)	1,915	(1,953)
Total actuarial gains/losses	2,451	(2,821)	2,451	(2,821)

	GROUP/BANK		
Composition of Plan assets	2012 N 'millions	2011 N 'millions	2010 N 'millions
Quoted Stock	3,625	3,020	5,610
Money market investments	2,093	234	566
Government Securities	3,103	1,857	862
Money on call	303	749	373
Guaranteed commercial papers	-	1,061	1,230
Others	108	367	7
Total	9,232	7,288	8,648

3 Year record from first application of IAS 19			
Present value of defined benefit obligation	13,596	14,293	13,550
Fair value of plan assets	(9,233)	(7,288)	(8,647)
Deficit/(surplus) in the plan	4,363	7,005	4,903
Experience adjustments on plan liabilities	536	1,835	538
Experience adjustments on plan assets	-	-	

The principal actuarial assumptions were as follows:	GROUP/BANK		
	31 Dec 2012	31 Dec 2011	At 1 Jan 2011
Discount rate on gratuity scheme	14%	14%	14%
Discount rate on pension plan	13%	11%	11%
Inflation rate	10%	10%	10%
Expected return on plan assets	9.28%	9.28%	9.28%
Future salary increases	12%	13%	13%
Future pension increases	0%	0%	0%

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in table below:

	Assumption	Defined Benefit Obligation N'millions	Impact on Liability
	13%	13,793	0.0%
	12.5%	14,333	3.9%
Discount rate	13.5%	13,285	-3.7%
	10%	13,793	0.0%
	9.5%	13,793	0.0%
Inflation rate	10.5%	13,793	0.0%
	12%	13,793	0.0%
	11.5%	13,249	-3.9%
Salary growth rate	12.5%	14,378	4.2%
	Base	13,793	0.0%
	Improved by 1 year	13,932	1.0%
Life expectancy	Decreased by 1 year	13,643	-1.1%

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40. Other liabilities

GROUP	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Customer deposits for letters of credit	47,401	61,102	41,885
Accounts payable	11,116	26,481	18,920
Provisions and accruals	17,048	11,489	6,013
Bank cheques	14,004	13,112	14,268
Collection on behalf of third parties	7,131	4,375	4,193
Other payables	21,366	42,214	35,191
	118,066	158,773	120,470

BANK			
Customer deposits for letters of credit	25,028	44,552	41,885
Accounts payable	11,563	15,323	13,552
Provisions and accruals	16,518	9,813	4,014
Bank cheques	14,004	13,112	14,267
Collection on behalf of third parties	5,704	4,375	4,193
Other payables	14,222	29,763	6,322
	87,039	116,938	84,233

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

41. Share capital

Authorised	31 December 2012	31 December 2011	1 January 2011
50 billion ordinary shares of 50k each (2009: 30 billion)	25,000	25,000	25,000

Issued and fully paid

Movements during the period:	Number of shares In millions	Ordinary shares N 'millions
At 1 January 2011	32,632	16,316
At 31 December 2011	32,632	16,316
At 31 December 2012	32,632	16,316

42. Share premium and reserves

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

Share premium: Premiums from the issue of shares are reported in share premium. A share capital reserve reduction scheme was approved by Shareholders and regulators during the period. This led to a reduction in share premium by N65 billion.

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 the Bank 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.

AFS Fair value reserve: The AFS fair value reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

SSI reserve: This reserve is maintained to comply with the 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.

42. Share premium and reserves continued

Contigency 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. Following the business restructuring in December 2012, this reserve has been transferred to the new Holding company.

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 reserve: The Group buys and sells its own shares in the normal course of its equity trading and market activities. 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: Records exchange movements on the Group's net investment in foreign subsidiaries.

43. Reconciliation of profit before tax to cash generated from operations

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Profit before tax from continuing operations	86,177	39,166	83,289	39,672
Profit before tax from discontinued operations	5,471	(3,303)	-	-
Profit before tax	91,648	35,863	83,289	39,672
Adjustments for:				
– Depreciation and amortisation	10,808	10,174	9,721	9,601
– Profit/(loss) from disposal of property and equipment	(1,760)	107	(1,760)	120
– Foreign exchange losses / (gains) on operating activities	(2,456)	(7,497)	(924)	(7,502)
– Profit/(loss) from disposal of subsidiaries	(288)	-	(3,490)	-
– Profit/(loss) on sale of assets to AMCON	-	15,501	-	15,501
– Profit/(loss) from disposal of investment securties	1,226	(1,046)	1,826	(439)
– Net gains/(losses) from financial assets classified as held for trading	(1,752)	996	(168)	996
– Impairment on loans and advances	16,729	38,127	13,664	32,564
– Change in provision in other assets	-	3,696	-	2,726
– Change in provision for impairment of investments	(981)	944	(560)	1,533
– Change in employee benefits provisions	19,107	8,570	18,615	7,499
– Share of loss/(profit) from associates	(432)	1,507	-	-
– Dividend income	(518)	(4,400)	(3,766)	(5,801)
– Net interest income	(224,529)	(176,191)	(205,548)	(167,223)
– Provision for banking sector resolution cost	-	5,872	-	5,872
Increase/(decrease) in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(87,612)	(92,766)	(83,589)	(92,736)
– Inventories	1,826	(2,528)	-	-
– Loans and advances to banks	(706)	-	(13,264)	-
– Loans and advances to customers	(310,696)	(144,207)	(212,132)	(144,806)
– Financial assets held for trading	1,086	10,496	142	8,757
– Other assets	21,718	(26,686)	14,775	(13,116)
– Pledged assets	22,020	49,879	22,020	49,881
Increase/(decrease) in operating liabilities:				
– Deposits from banks	(89,873)	35,216	(32,694)	(3,775)
– Deposits from customers	430,146	510,323	385,688	449,670
– Financial liabilities	(1,061)	1,218	135	(496)
– Liability on investment contracts	-	(27,006)	-	-
– Liability on insurance contracts	-	824	-	-
– Other liabilities	(39,069)	38,301	(32,347)	32,705
Cash (used in) /generated from operations	(145,419)	285,287	(40,367)	221,203

44. Contingent liabilities and commitments

44.1 Capital commitments

	31 December 2012 N 'millions	31 December 2011 N 'millions	1 January 2011 N 'millions
Authorised and contracted			
Group	1,300	2,600	3,300
Bank	1,300	2,600	3,300

The expenditure will be funded from the group’s internal resources.

44.2 Litigation

The Group is a party to a number of legal actions arising out of its normal business operations
The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate.

44.3 Other contingent commitments

In the normal course of business the group is a party to financial instruments which carry off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Performance bonds and guarantees	344,079	230,200	320,655	228,357
Letters of credit	220,388	228,880	196,267	153,695
	564,467	459,080	516,922	382,052

44.4 Loan Commitments

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Undrawn irrevocable loan commitments	27,111	13,481	-	-

45. Related party transactions

The Group is controlled by FBN Holdings Plc incorporated in Nigeria, which owns 99.9% of the ordinary shares.
FBN Holdings Plc is the parent company of FBN Nigeria Limited as well as the ultimate controlling party.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

45.1 Loans and advances to related parties

The Bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Group. The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

	Parent	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2012					
Loans and advances to customers					
Loans outstanding at 1 January	-	16,556	74,381	8,267	22,417
Loans issued during the year	-	6,407	32,018	-	-
Loan repayments during the year	-	-	(23,851)	(8,267)	(22,417)
Loans outstanding at 31 December	-	22,963	82,548	-	-

45.1 Loans and advances to related parties continued

	Parent	Entities controlled by Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2011					
Loans and advances to customers					
Loans outstanding at 1 January	-	-	44,174	95,280	37,192
Loans issued during the year	-	-	36,670	-	1,781
Loan repayments during the year	-	-	(6,463)	(95,280)	-
Loans outstanding at 31 December	-	-	74,381	-	38,973

The loans to directors and other key maangement personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates of 18%.

The loans to subsidiaries are non collaterised loans advanced at below market rates ranging from 8% to 14%. These loans have been eliminated on consolidatoin and do not form part of the reported group loans and advances to customers

45.2 Deposits from related parties

	Parent	Entities controlled by Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2012					
Due to customers					
Deposits at 1 January	-	5,828	189	780	5,828
Deposits received during the year	-	669,443	1,841	73,805	1,009,064
Deposits repaid during the year	-	(666,331)	(1,846)	(74,283)	(934,372)
	-				
Deposits at 31 December	-	8,940	184	302	80,520
31 December 2011					
Due to customers					
Deposits at 1 January	-	-	189	780	5,828
Deposits received during the year	-	-	-	51,844	669,443
Deposits repaid during the year	-	-	-	(51,532)	(666,331)
Deposits at 31 December	-	-	69	1,092	8,940
	-	-	258	2,184	17,880

45.3 Other transactions with related parties

	Parent	Entities controlled by Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2012					
Interest income	-	3	-	-	1,057
Interest expense	-	-	-	-	(424)
Fee and commission income	-	2	-	-	-
Other operating income	-	-	-	-	-
Operating expenses	-	(190)	-	-	(667)
31 December 2011					
Interest income	-	-	-	-	2,480
Interest expense	-	-	-	-	(455)
Fee and commission income	-	-	-	-	25
Other operating income	-	-	-	-	-
Operating expenses	-	-	-	-	(705)

45.4 Key management compensation

	GROUP		BANK	
	31 December 2012 N 'millions	31 December 2011 N 'millions	31 December 2012 N 'millions	31 December 2011 N 'millions
Salaries and other short-term employee benefits	399	383	399	383
Post-employment benefits	-	-	-	-
Other long term benefits	1,716	161	1,716	161
Termination benefits	796	1,472	796	1,472
	2,911	2,016	2,911	2,016

46. Employees

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

	GROUP		BANK	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
Executive directors	7	5	7	5
Management	161	219	66	58
Non-management	8,451	8,202	7,849	7,738
	8,619	8,426	7,922	7,801

See note 15 for compensation for the above staff

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

N300,000 - N2,000,000	158	393	31	47
N2,000,001 - N2,800,000	197	664	19	568
N2,800,001 - N3,500,000	566	202	482	146
N3,500,001 - N4,000,000	62	39	2	1
N4,000,001 - N5,500,000	2,917	2,629	2,855	2,610
N5,500,001 - N6,500,000	1,531	1,327	1,491	1,307
N6,500,000 - N7,800,000	927	209	892	192
N7,800,001 - N9,000,000	215	871	189	857
N9,000,001 and above	2,039	2,087	1,954	2,068
	8,612	8,421	7,915	7,796

47. Directors' emoluments

Remuneration paid to the Group's directors (excluding certain allowances) was:

	GROUP	
	31 December 2012 N 'millions	**31 December 2011 N 'millions**
Fees and sitting allowances	79	162
Executive compensation	319	520
Compensation for loss of office	-	316
Retirement benefit costs	796	1,326
Other director expenses	1,716	970
	2,910	3,294

Fees and other emoluments disclosed above include amounts paid to:

Chairman	24	19
Highest paid director	100	71

47. Directors' emoluments continued

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number GROUP 31 Dec 2012	31 Dec 2011
Below N1,000,000	-	3
N1,000,000 -N2,000,000	-	-
N2,000,001 -N3,000,000		16
N5,500,001 and above	18	36
	18	55

48. Compliance with banking regulation

a A penalty of N20 million was paid by the bank for contravening section 20 (1) of BOFIA 1991 as amended for providing unsecured loans to related parties.

b A penalty of N2 million was paid on the bank for investing in long term subordinated debt capital of FBN Bank UK without prior consent from CBN.

c The Bank contravened Section 10 of the Money Laundering Prohibition Act 2011 and paid a penalty of N7.5 million

d The Bank contravened Section 701(1) of the Federal Government Financial Regulation and paid a penalty of N2 million.

e The Bank paid a penalty of N30 million for not exercising sufficient due dilligence in the opening and operations of the accounts of the beneficiaries of the funds from the pension accounts of the bank which is in contravention of Section 6(1)-(8) of the Money Laundering Prohibition Act 2011 and Section 1.15.1 of CBNs AML/CFT regulations.

49. Events after statement of financial position date

The Bank has no events after the financial position date.

50. Dividends per share

The dividends paid by the bank in 2012 and 2011 were N26,105 million (80k per share) and N19,580 million (60k per share) respectively.

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30. Property, plant and equipment

GROUP	Improvement &buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Plant & machinery N million	Work in progress N million	Total N million
Cost									
At 1 January 2011	28,742	10,702	9,189	27,600	12,222	5,333	22	5,552	99,362
Additions	1,270	2,908	1,937	2,249	1,987	719	2	457	11,529
Reclassifications	(35)		-	(2)	3	37	-	(3)	-
Disposals			(1,100)	(974)	(93)	(459)	-	-	(2,626)
At 31 December 2011	29,977	13,610	10,026	28,873	14,119	5,630	24	6,006	108,265
Accumulated depreciation									
At 1 January 2011	2,745	-	6,024	13,884	9,716	3,342	17	-	35,728
Charge for the year	596	-	1,521	4,547	1,618	689	2	-	8,973
Reclassifications	(27)	-	-	-	-	27	-	-	-
Disposals	-	-	(789)	(971)	(92)	(458)	-	-	(2,310)
At 31 December 2011	3,314	-	6,756	17,460	11,242	3,600	19	-	42,391
Net book amount at 31 December 2011	**26,663**	**13,610**	**3,270**	**11,413**	**2,877**	**2,030**	**5**	**6,006**	**65,874**
Cost									
At 1 January 2012	29,977	13,610	10,026	28,873	14,119	5,630	24	6,006	108,265
Additions	2,421	2,658	3,181	6,296	2,025	1,459	-	595	18,635
Acquisition of subsidiary	1,546		297	576	983	616		420	4,438
Write offs	(101)	-	-	-	(85)	(49)	-	-	(235)
Disposals	(292)		(1,916)	(1,386)	(369)	(181)		(8)	(4,152)
Discontinued operations	(199)	(368)	(879)	(266)	(668)	(339)	(24)		(2,743)
At 31 December 2012	33,352	15,900	10,709	34,093	16,005	7,136	-	7,013	124,208
Accumulated depreciation									
At 1 January 2012	3,314	-	6,756	17,460	11,242	3,600	19	-	42,391
Acquisition of subsidiary	79		242	445	640	363		-	1,769
Discontinued operations	(14)	-	(355)	(171)	(483)	(245)	(21)		(1,289)
Charge for the year	674		1,760	4,860	2,017	855	2	-	10,168
Write offs	(101)	-	-	-	(85)	(49)	-	-	(235)
Disposals	(96)		(1,509)	(943)	(354)	(148)	-	-	(3,050)
At 31 December 2012	3,856	-	6,894	21,651	12,977	4,376	-	-	49,754
Net book amount at 31 December 2012	**29,496**	**15,900**	**3,815**	**12,442**	**3,028**	**2,760**	**-**	**7,013**	**74,454**
Net book amount at 31 December 2011	**26,663**	**13,610**	**3,270**	**11,413**	**2,877**	**2,030**	**5**	**6,006**	**65,874**
Net book amount at 1 January 2011	**25,997**	**10,702**	**3,165**	**13,716**	**2,506**	**1,991**	**5**	**5,552**	**63,634**

Capital Work in progress represents construction cost and improvements in respect of offices.

30. Property, plant and equipment

BANK	Improvement &buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Work in progress N million	Total N million
Cost								
At 1 January 2011	28,012	10,702	8,378	27,364	11,495	4,861	5,541	96,353
Additions	5,784	2,946	1,529	3,444	1,755	675	(5,541)	10,592
Reclassifications		(35)	-	-	-	35	-	-
Disposals		(3)	(875)	(969)	(80)	(455)	-	(2,382)
At 31 December 2011	33,796	13,610	9,032	29,839	13,170	5,116	-	104,563
Accumulated depreciation								
At 1 January 2011	2,586	-	5,595	13,742	9,135	3,043	-	34,101
Charge for the year	561	-	1,325	4,497	1,506	628	-	8,517
Reclassifications	(27)	-	-	-	-	27	-	-
Disposals	-	-	(609)	(967)	(80)	(455)	-	(2,111)
At 31 December 2011	3,120	-	6,311	17,272	10,561	3,243	-	40,507
Net book amount at 31 December 2011	**30,676**	**13,610**	**2,721**	**12,567**	**2,609**	**1,873**	**-**	**64,056**
Cost								
At 1 January 2012	33,796	13,610	9,032	29,839	13,170	5,116	-	104,563
Additions	2,273	2,658	2,704	6,188	1,761	1,297	-	16,881
Disposals	(292)	-	(1,746)	(1,385)	(353)	(176)	-	(3,952)
At 31 December 2012	35,777	16,268	9,990	34,642	14,578	6,237	-	117,492
Accumulated depreciation								
At 1 January 2012	3,120	-	6,311	17,272	10,561	3,243	-	40,507
Charge for the year	607		1,442	4,741	1,664	711		9,165
Disposals	(96)		(1,356)	(942)	(353)	(157)		(2,904)
At 31 December 2012	3,631	-	6,397	21,071	11,872	3,797	-	46,768
Net book amount at 31 December 2012	**32,146**	**16,268**	**3,593**	**13,571**	**2,706**	**2,440**	**-**	**70,724**
Net book amount at 31 December 2011	**30,676**	**13,610**	**2,721**	**12,567**	**2,609**	**1,873**	**-**	**64,056**
Net book amount at 1 January 2011	**25,426**	**10,702**	**2,783**	**13,622**	**2,360**	**1,818**	**5,541**	**62,252**

Capital Work in progress represents construction cost and improvements in respect of offices.

Direct credit assets to Directors

Name Of Company/Individual	Relationship to Reporting	Outstanding Credit Performing (N)	Outstanding Credit Non Performing (N)	TOTAL (N)	Status	Nature of security and security status
Honeywell Flour Mill Ltd (Srf)	Ex-Chairman/Non.Ed	35,851,849,917	-	35,851,849,917	Performing	LM on pty.CG of Pivot and Honeywell Oil & Gas PG of Oba Otudeko. All asset Deb of HFM
Honeywell Oil & Gas Ltd	Ex-Chairman/Non.Ed	8,644,910,584	-	8,644,910,584	Performing	Lien, Debenture, PG and CG.
Pivot Engineering Ltd	Ex-Chairman/Non.Ed	4,336,440,319	-	4,336,440,319	Performing	CG of Honeywell Flour Mill, debenture
Anchorage Liesure Ltd	Ex-Chairman	2,838,993,177	-	2,838,993,177	Performing	Deb., lm on pty, domiciliation, CG of honeywell group
Fan Milk Plc	Ex-Chairman	909,967,695	-	909,967,695	Performing	Mortg. Deb. over Kano & Ibadan factory.
Khalil & Dibbo Transport Ltd.	Ex-Chairman	186,822,909	-	186,822,909	Performing	Mortg. Deb. on Ibadan Factory, lm on pty,lien.
Incar Nigeria Plc	Ex-Chairman	5,535,693,944	-	5,535,693,944	Performing	L/M on pty at Ijora, Lagos and Abuja
Seatrucks Nigeria Ltd	Ex-Chairman	2,757,680,052	-	2,757,680,052	Performing	PG of J. Roomans, CG of Sea Trucks Group, L/M on refinanced vessels.
Deanshanger Projects Ltd	Ex-Chairman	5,984,019,116	-	5,984,019,116	Performing	Mortg. Debenture on rice factory
Dpl katampe project debt service reserve account	Ex-Chairman	294,000,000	-	294,000,000	Performing	
Jaiz Bank Plc	Ex-Chairman	113,585,122	-	113,585,122	Performing	Cash collateral of N200 million to be pledged as security by the customer. The collateral should be 110% coverage at all time.
Mahey Rafindadi Rasheed	Non ED	89,129	-	89,129		
Premium Poultry Farms Ltd	Non ED	256,314,754	-	256,314,754	Performing	All assets debenture on assets of Premium Farms valued at N138.5M
P. W. Nig. Ltd (B&G)	Non.ED	5,525,600,311.36	-	5,525,600,311	Performing	All Assets Deb. L/M STC N859m
Lister Flour Mills (Nigeria) Ltd	Non-ED	7,080,042,777	-	7,080,042,777	Performing	Mortgage Debenture on Lister Flour Mills.Legal Mortgage
Al-Fil Petroleum Company Ltd	Non-ED	-	174,431,442	174,431,442	non-Performing	Charge on asset financed.
Alhaji Abdul-Azeez Arisekola Alao	Non-ED	60,974,725	-	60,974,725	Performing	Mortgage debenture on property valued at N1.6billion
Lawal Kankiya Ibrahim	Non-ED	6,423,425	-	6,423,425	Performing	L/M on pty financed
Rasheed Mahey Rafindadi	Non-ED	89,129	-	89,129	Performing	Domiciliation of salary
Feese Ambrose Asula	Non-ED	1,602,438	-	1,602,438	Performing	Domiciliation of salary
Alao Khadijat Straub	Non-ED	2,456,386	-	2,456,386	Performing	Domiciliation of salary
Kehinde Lawanson	ED.	64,696,738	-	64,696,738	Performing	Domiciliation of salary
Remi Odunlami	ED.	88,649,242	-	88,649,242	Performing	Domiciliation of salary
Adelabu Adebayo Adekola	ED.	19,514,772	-	19,514,772	Performing	Domiciliation of salary
Design Group	ED.	50,000,000	-	50,000,000	Performing	Domiciliation of proceeds
Maccido Bello Mohammed	ED.	4,462	-	4,462	Performing	Domiciliation of salary
Adesola Bola	EX-ED.	118,574,514	-	118,574,514	Performing	L/M on pty at Plot 1, Block 6, Ogidi crescent, Lekki.
Maccido Bello Mohammed	ED.	4,462	-	4,462	Performing	Domiciliation of salary

24.2 Condensed results of consolidated entities from continuing operations

31 December 2012	**BANK**	**FBN UK**	**BIC**	**MORTGAGES**	**PENSION**	**BDC**	**TOTAL**	**ADJUSTMENTS**	**BANKING GROUP**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Condensed Income Statement									
Operating income	260,384	11,752	7,866	1,789	2,559	202	284,552	(4,142)	280,410
Operating expenses	(168,908)	(5,089)	(5,866)	(678)	(1,243)	(137)	(181,921)	(408)	(182,329)
Provision expense	(9,847)	(109)	(1,106)	(37)			(11,099)	(1,813)	(12,912)
Operating profit	81,629	6,554	894	1,074	1,316	65	91,532	(6,363)	85,169
Associate	-	-	-	-	-	-	-	1,008	1,008
Profit before tax									86,177
Tax	(12,145)	(1,624)	(591)		(532)	(25)	(14,918)	-	(14,918)
(Loss)/Profit for the year	69,484	4,930	303	1,074	784	40	76,614	(5,355)	**71,259**
Condensed Financial Position									
Assets									
Cash and balances with Central Bank	288,125	38	9,857	1	-	4	298,024	-	298,024
Due from other banks	329,120	229,426	10,496	720	4,208	246	574,216	(181,091)	393,125
Loans and advances	1,316,407	232,104	18,738	2,182	30	4	1,569,465	(6,460)	1,563,005
Financial Assets held for Trading (HFT)	1,942	623					2,565		2,565
Investment securities	723,892	50,390	574	59			774,915	(36,963)	737,952
Other assets	32,459	784	1,878	13,170	446	31	48,768	(15,035)	33,733
Deferred tax	6,703	10	1,242				7,955		7,955
Intangible Assets	1,302	449			20		1,771	1,646	3,417
Property and equipment	70,724	204	3,299	67	137	22	74,453		74,453
Assets held for sale								12,978	12,978
	2,770,674	514,027	46,085	16,199	4,841	307	3,352,133	(224,925)	**3,127,207**
Financed by									
Customer deposits	2,171,807	274,367	36,090	9,527			2,491,791	(85,934)	2,405,857
Due to other banks	18,463	151,697					170,160	(82,609)	87,551
Financial liabilities held for trading	1,278	518					1,796		1,796
Borrowed funds	81,987	12,559					94,546	(19,004)	75,542
Tax payable	19,768	1,192	605	72	708	29	22,374		22,374
Other liabilities	87,039	26,449	3,994	3,093	296	83	120,954	(2,889)	118,065
Retirement benefit obligatons	18,156	-	-	-	366		18,522	127	18,649
Deferred income tax liabilities				4	-	2	6		6
Liabilities held for sale								2,836	2,836
	2,398,498	466,782	40,689	12,696	1,370	114	2,920,149	(187,473)	**2,732,676**
Equity and reserves	372,176	47,245	5,396	3,503	3,471	193	431,985	(35,794)	**394,531**
Condensed cash flows									
Net cash from operating activities	190,556	2,297	2,703	(5,278)	1,240	527	192,045	(176,123)	15,922
Net cash from financing activities	(87,584)	12,555	(341)		-	(487)	(75,857)	(11,727)	(87,584)
Net cash from investing activities	(32,504)	(422)	(454)	(12)	(42)	(16)	(33,451)	27,647	(5,804)
At year start	467,546	4,407	7,949	5,451	3,010	226	488,589	210,065	698,655
Movement in cash and cash equivalent	70,345	14,430	1,908	(5,290)	1,198	24	82,615	(160,408)	(77,793)
At year end	537,891	18,837	9,857	160	4,208	250	571,204	49,657	620,861

51. Transition to IFRS

Explanation of transition to IFRS

As stated in note 2, these are the Bank's and Group's first IFRS annual financial statements. The Bank and Group have applied IFRS 1 in preparing these financial statements and the accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011, and in the preparation of an opening IFRS statement of financial position at 1 January 2011 (the date of the Group's transition to IFRS).

In preparing its opening statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board (“previous GAAP” or "NGAAP"). An explanation of how the transition from previous GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.
In preparing this financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Group are summarised below.

Exceptions from full retrospective application - followed by the Group

The Group applied the following mandatory exceptions from retrospective application:

Derecognition of financial assets and liabilities exception
Financial assets and liabilities derecognised before 1 January 2011 are not re-recognised under IFRS.

Hedge accounting exception
This exception requires the Group to apply hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The Group has not applied hedge accounting under IFRS.

Non-controlling interests exception
From 1 January 2011 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) from 1 January 2011.

The guidance contained in IFRS on accounting for the loss of control of a subsidiary is applied prospectively from 1 January 2011.

Classification and measurement of financial assets exception
The assessment of whether the Group’s financial assets meet the requirements to be measured at amortised cost, as set out in IAS 39, was performed at 1 January 2011.

Estimates exception
Estimates under IFRS at 1 January 2011 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

Government loan

The requirements of IAS 20 and IAS 39 would be applied prospectively to government loans existing at the date of transition to IFRS. As a result of this, all government loans were carried at their previous GAAP amount with no adjustment for day 1 gain or loss and have been classified as financial liabilities in accordance with IAS 32.

The Group applied the following optional exemptions from retrospective application

Business combinations
The Group has elected to apply the exemption on business combintations. As a result of this election the previous GAAP numbers were carried forward as none of its previous business combinations were restated. Consequently, no additional assets were recognised.

Foreign currency translation
FBN Plc has elected to apply the exemption to set the foreign currency translation reserve in respect of its FBN UK Limited subsidiary to zero. As a result of this exemption, the foreign currency translation reserve in the opening statement of financial position was reclassified to retained earnings.

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Explanation of transition to IFRS continued

Investments in subsidiaries, associates and joint ventures
FBN Plc has elected to apply the exemption to retain its previous GAAP numbers as the deemed cost of its investments in subsidiaries, joint ventures and associates in the company stand alone financial statements.

Employee Benefits
The Group has elected to apply the exemption relating to employee benefits by recognising all cumulative actuarial gains and losses at the date of transition to IFRS, and thus set the unrecognised actuarial gains and losses to zero.

Fair value measurement of financial asset or liabilities at initial recognition
The Group has elected to apply the exemption on "day 1" gain or loss recognition requirements per IAS 39 for financial instruments recorded at fair value. As a result of applying this exemption,the Group applies the "day 1" gain or loss recognition requirements in IAS 39 prospectively to transactions entered into after 1 January 2011.

Reconciliation of profit for the year

		31 Dec 2011		
Group	**Note**	**N-GAAP**	**Adjustments**	**IFRS**
Continuing operations				
Interest income	(b),(c),(k)	220,397	(13,378)	207,019
Interest expense	(n)	(36,950)	2,223	(34,727)
Net interest income		**183,447**	**(11,155)**	**172,292**
Impairment charge for credit losses	(c).	(44,814)	6,803	(38,011)
Net interest income after impairment charge for credit losses		**138,633**	**(4,352)**	**134,281**
Net fee and commission income	(b), (o)	61,721	(18,130)	43,591
Net loss from investment securities	(g)	-	458	458
Net gains from financial instruments held for trading	(g)	-	2,828	2,828
Foreign exchange income		7,549	(52)	7,497
Dividend income	(o)	4,950	(775)	4,175
Loss/Profit on sale of investments	(g)	(2,245)	2,245	-
Other income		3,812	(3,800)	12
Loss on sale of assets to AMCON	(d)	-	(15,501)	(15,501)
Other operating expenses	(k),(m),(o)	(147,358)	10,690	(136,668)
Operating profit		**67,062**	**(26,389)**	**40,673**
Exceptional items	(d)	(15,489)	15,489	-
Share of (loss)/Profit of associates	(q)	(1,507)	-	(1,507)
Profit before tax		**50,066**	**(10,900)**	**39,166**
Income tax expense		(5,281)	(13,583)	(18,864)
Profit for the year from continuing operations		**44,785**	**(24,483)**	**20,302**
Discontinued operations				
Profit for the year from discontinued operations	(o)		(1,666)	**(1,666)**
PROFIT FOR THE YEAR		**44,785**	(26,149)	**18,636**
Other comprehensive income				
Foreign currency translation differences		-	606	606
Unrealised net gains on AFS Financial Assets	(g)	-	(38,509)	(38,509)
Actuarial gains/(losses) on retired benefit obligation	(m)		(3,042)	(3,042)
Share of other comprehensive income of associates		-	-	
Tax effect of other comprehensive income			913	913
Other comprehensive income for the period net of income tax		-	(40,032)	(40,032)
Total comprehensive income for the year		**44,785**	**(66,181)**	**(21,396)**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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Reconciliation of profit for the period		31 Dec 2011		
Bank	**Note**	**N-GAAP**	**Adjustments**	**IFRS**
Continuing operations				
Interest income	(b),(c),	208,843	(11,014)	197,829
Interest expense		(30,772)	166	(30,606)
Net interest income		**178,071**	**(10,848)**	**167,223**
Impairment charge for credit losses	(c)	(41,902)	9,737	(32,165)
Net interest income after impairment charge for credit losses		**136,169**	**(1,111)**	**135,058**
Net fee and commission income	(b)	49,785	(7,871)	41,914
Net gains / (losses) from investment securities	(g)	-	(738)	(738)
Net gains / (losses) from financial held for trading	(g)	-	(996)	(996)
Foreign exchange income		7,502	-	7,502
Dividend income		-	5,801	5,801
(Loss)/Profit on sale of investments	(g)	6,234	(6,234)	-
Other operating income		3,125	(3,125)	-
Loss on sale of assets to AMCON	(d)		(15,501)	(15,501)
Other operating expenses	(m)	(134,786)	1,418	(133,368)
Operating profit		**68,029**	**(28,357)**	**39,672**
Exceptional item	(d)	(15,501)	15,501	-
Share of profit / (loss) of associates			-	
Profit before tax		**52,528**	**(12,856)**	**39,672**
Income tax expense		(5,066)	(11,554)	(16,620)
Profit for the year/period		**47,462**	**(24,410)**	**23,052**
Other comprehensive income				
Unrealised net gains on AFS Financial Assets	(g)	-	(39,476)	(39,476)
Actuarial gains/(losses) on retired benefit obligation	(m)	-	(3,042)	(3,042)
Tax effect of other comprehensive income		-	913	913
Other comprehensive income for the period net of income tax		-	(41,605)	(41,605)
Total comprehensive income for the year/period		**47,462**	**(66,015)**	**(18,553)**

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Notes to the reconciliation of equity and profit

(a) IFRS requires financial assets carried at amortised cost to be measured using the effective interest method. Under previous GAAP accrued interest was recognised as a separate asset, resulting in the gross disclosure of the underlying asset. The effect of applying the effective interest method resulted in a reclassification from other assets to:

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Investment securities	8,023	113	7,853	138
Loans and advances to customers	1,370	-	1,370	-
Loans and advances to banks	45,818	482	229	1,203
	55,211	595	9,452	1,341

In addition interest relating to accrued interest payable was transferred from other liabilities to:

Deposits from customers	3,517	2,495	713	2,495
Deposits from banks	55	66	55	56
Borrowings	11,190	1,478	1,277	-
	14,762	4,039	2,045	2,551

Furthermore, under the previous GAAP the amortised cost is calculated by amortising the unearned discount/premium on a debt instrument to income statement on a straightline basis, whereas under IFRS the unearned discount/premium are recognised as part of the instruments by applying the effective interest rate.The effect of applying the effective interest method resulted in a reclassification of unearned discount/premium from other assets or other liabilities as part of the debt instrument.

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Investment securities	12,563	(2,270)	12,563	(2,270)

(b) The effective interest rate calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. Under NGAAP interest income and expense are recognised in accordance with terms of the related instrument on an accrual basis and the related fees are earned in one period. The effect of applying the effective interest method resulted in a reclassification of N 7.8 bn for the bank and N 12.4 bn for the group (which represents a reasonable estimate of earned portion) from fees and commission income for the year ended 31 December 2011 (1 January 2011: N0.544bn) to interest income for the income that has been earned. The unearned portion of the fee and commission income of N 4.6 bn is deferred and released as and when due. N 5.4 bn of the fees and commissions has also been reclassified and reported as part of the profit from discontinued operations.

(c) For the periods presented in this reconcilliation, Interest and similar income on impaired loans and advances to customers suspended under the previous GAAP was recognised under IFRS, resulting in an increase in interest income (retained earnings for 1 January 2011) as follows:

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Interest in suspense	4,487	24,982	2,531	23,606

Under previous GAAP loans and advances are measured at cost net of impairment losses. A specific provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the Prudential Guideline. Also, a general reserve of at least 1% is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio. Under IFRS incurred loss model, an impairment loss can only be recognised if there is objective evidence that a loss has occurred after the initial recognition but before the reporting date.

The difference in the measurement basis of impairment loss between IFRS incurred loss model and the previous GAAP Prudential Guideline (provisions and interest in suspense) resulted in a net transfer of N1.06bn for 31 December 2011 (1 January 2011: N23.54bn). In line with the regulatory requirement, this reduction in impairment loss was transferred from retained earnings to a non distributatble reserve called the Statutory Credit Reserve (Central Bank of Nigeria Prudential Guideline 2011). These amounts relate to the Bank and the Group

The impairment charge for credit losses under the previous GAAP consisted of impairment of investment securities of N 7.9 bn which has been reclassified to net gains or losses from financial instruments held for trading under IFRS. Written off loan recoveries have also been reclassified from other operating income under the previous GAAP to impairment charge of credit losses under IFRS.

Notes to the reconciliation of equity and profit

(d) Under the previous GAAP, certain amounts were classified as exceptional items on the face on the income statement. On transitioning to IFRS, these amounts were reclassified as part of (loss)/gain from sale of assets to the Asset Management Company of Nigeria (AMCON) and disclosed on the face of the income statement based on the transaction's nature and materiality.

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Exceptional items	15,489	226	15,501	383

(e) Advances under finance lease are reported separately in the statement of financial position under Nigerian GAAP. Given the nature of this portfolio, management has reclassified the total balance of N4.697bn at 31 December 2011 (1 January 2011: N8.282bn) from advances under finance lease to Loans and advances to customers.
Under the previous GAAP, foreign currency loans (clean lines) were reported as off balance sheet loans . For the year ended 31 December 2011, a total balance of N11.22bn (1 January 2011: Nil) was reclassified to loans and advances to customers.

(f) Under the previous GAAP treasury bills were separately disclosed as a line item on the face of the statement of financial position as treasury bills and are stated at face value. Treasury bills portfolio has been reclassified into held to maturity and available-for-sale securities and were measured according to IAS 39 classification and measurement basis.

Additionally, an amount of N72.13bn as at 31 Dec 2011 (1 January 2011:N122.01bn) have been reclassified as assets pledged as collateral from investment securities and treasury bills. Under the previous GAAP, this amount was not seperately disclosed as a line item on the face of the statement of financial position.

(g) Under the previous GAAP, investment securities were either classified as short-term or long-term investments. Short-term investments are investments that are held temporarily in place of cash and which can be converted into cash when current financing needs make such conversion desirable. These investments are measured at net realisable value and gain/loss on revaluation is credited/charged to profit or loss during the period. Long-term investments are investments held by management over a long period of time to earn income. This may include debt and equities and carried at cost less impairments.

IFRS requires financial assets to either be classified as loans and receivables, held to maturity, fair value through profit or loss or available for sale. For financial assets measured at fair value (including derivatives), gains and losses are recognised in profit or loss except for classification and measurement basis per investments in equity instruments for which the Group has elected to present gains and losses in other comprehensive income.

(h) Under the previous GAAP revaluation was carried out for some items of property plants and equipment (PPE) which resulted in a revalution surplus in reserves. On transitioning to IFRS, the group elected the cost model to account for its items of PPE and the revaluation reserve was reclassified to retained earnings.This resulted in an amount of N2.37bn being transferred from revaluation reserve to retained earnings as at 1 January 2011. No amount existed for subsequent periods.

Under the previous GAAP some items of PPE that are available for use in their present location and condition were recognised as deferred acquisitiion cost in other assets. Under IFRS, items of PPE must be recognised once the item is available for management use.The amount of N8.07bn for 31 Dec 2011 (1 January 2011:N9.64bn) was reclassifed from other assets to form part of PPE. These amounts relate to Group and Bank.

(i) IFRS 1 Adjustments- The foreign currency translation reserve in respect of its subsidiary (FBN UK Limited) was set to zero. As a result of this exemption the opening balance of the foreign currency translation reserve of N2.3b was reclassified to retained earnings as shown in the table below.

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Foreign currency translation reserves	4,203	3,597	2,836	2,836
Revaluation reserve	2,379	2,379	2,379	2,379

Notes to the reconciliation of equity and profit

(j) Under IFRS, properties are recognised as inventories when the property is purchased for the specific purpose of resale, constructed for the specific purpose of resale (work in progress under the scope of IAS 18, 'Revenue') or transferred from investment property to inventories. On transition to IFRS, it was discovered that a portion of properties classified within investment properties and other assets met the classification for inventory and have thus been reclassified to inventories. For the periods presented in this reconciliation, the following amounts were reclassified and seperately disclosed as inventories;

	GROUP		BANK	
	31 Dec 2011	**1 Jan 2011**	**31 Dec 2011**	**1 Jan 2011**
	25,609	23,081	-	-
	25,609	23,081	-	-

(k) The group provides low interest rate loans to employees. These loans are recorded at amortised cost based on the contractual terms under the previous GAAP. On transitioning to IFRS, these loans were fair valued on initial recognition. The difference between the fair value and the contractual value is included in other assets as a prepaid expense and amortised over the expected repayment period of the loan. The effects are as follows:

	GROUP		BANK	
	31 Dec 2011 'N'million	**1 Jan 2011 'N'million**	**31 Dec 2011 'N'million**	**1 Jan 2011 'N'million**
Net decrease in loans and advances to customers	(2,687)	(1,578)	(2,687)	(1,578)
Net Increase in other assets (prepayment)	3,159	1,863	3,159	1,863
Net Increase in interest income	886	285	886	285
Net movement in employee benefits expense	(1,550)	(7,179)	(1,550)	(7,488)

(l) Under the previous GAAP, some of the entities within the First Bank Group had shares of First Bank Plc as part of their investment portfolio. These are treasury shares under IFRS. Under IFRS, when an entity purchases its own share (either directly or indirectly) , the amount paid for the treasury shares is deducted from equity as treasury shares. The amount of N1.94bn for 31 Dec 2011 (1 January 2011:N27.77bn) was debited to equity as treasury shares.

m) The Group has elected to apply the exemption relating to employee benefits by recognising all cumulative actuarial gains and losses at the date of transition to IFRS, and thus set the unrecognised actuarial gains and losses to zero. IFRS 1 allows entities to recognise all cumulative actuarial gains and losses at the date of transition on the balance sheet. Because the Group has taken the exemption, it has recognize the full net pension asset or liability on its balance sheet at the date of transition to IFRS. The defined benefit obligations were determined using facts and circumstances and appropriate actuarial assumptions at each reporting date. The exemption has been applied to all employee benefit plans within the group.

(n) An investment at the group level which qualified as an investment in subsidiary was accounted for leading to an increase in loans and advances to banks (31 December 2011: N 1.74 billion, 1 January 2011 : N 1.97 billion) a reduction of investment securities (31 December 2011: N 801 million, 1 January 2011: N 401 million) and an increase in other liabilities (31 December 2011: N 1 billion; 1 January 2011: N 1.59 billion).

As a result of the transiton to IFRS, liabilities under investment contracts recorded off balance sheet under the previous GAAP have been recognised on balance sheet. (31 December 2011: N 10.3 billion). As at 1 January 2011, liabilities under investment contracts of N 18.9 billion recognised on balance sheet under the previous GAAP have been derecognised as they do not meet the recognition criteria under IFRS leading to a corresponding reduction in the managed funds assets (N 15.4 billion) and investment securities (N 2.64 billion). Managed funds assets of N 21.6 billion and short term investments of N 711 million were also reclassified to loans and advances to banks

(o) Income statement balances relating to subsidiaries whose operations were discontinued or were sold have been reclassifed to the profit on discontinued operations as detailed in note 26 to the financial statements.

(p) The effect of deferred tax on financial instruments per IFRS
(q) The effect of equity accounting for associates per IFRS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
At 31 December 2012

Notes to the reconciliation of equity and profit

Explanation of material adjustments to the consolidated cash flow statements

Under IFRS, only call deposits, tresury bills and other short-term investments that are readily convertible to a known amount of cash and subject to insignificant risks of changes in value due to the short maturities thereof (three months or less from the date of acquisition) are classified as cash and cash equivalents. Under the previous GAAP, all treasury bills are classified as cash and cash equivalents. Under IFRS, only treasury bills with a maturity of three months or less (excluding those pledged as collaterals) are classified as cash and cash equivalents in the consolidated cash flow statements under IFRS.

On transitioning to IFRS, the net effect of IFRS on the cash flow statements are are as follows;

	GROUP		BANK	
	31 Dec 2011 'N'million	1 Jan 2011 'N'million	31 Dec 2011 'N'million	1 Jan 2011 'N'million
Net effect of IFRS on cash and cash equivalents	33,966	-	(11,624)	-
Net effect of IFRS on cash generated from/used in operations	(99,862)	-	33,611	-

FIRST BANK OF NIGERIA LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 51. Explanation of transition to IFRSs (continued)

		GROUP			GROUP		
		31 December 2011			1 January 2011		
	Note	N-GAAP	Adjustments	IFRS	N-GAAP	Adjustments	IFRS
ASSETS							
Cash and balances with central banks		199,228	-	199,228	75,517	-	75,517
Treasury bills	(f)	187,457	(187,457)	-	23,769	(23,769)	-
Loans and advances to banks	(a), (n)	404,959	57,897	462,856	550,414	25,053	575,467
Loans and advances to customers	(a), (c) (e), (k)	1,235,615	16,847	1,252,462	1,127,900	32,393	1,160,293
Advances under finance leases	(e)	4,642	(4,642)	-	7,581	(7,581)	-
Financial assets held for trading		-	5,964	5,964	-	16,636	16,636
Insurance Assets	(e)	111	(111)	-	-	-	-
Investments	(a), (g), (n)	572,853	(572,853)	-	337,181	(337,181)	-
Investment Securities - Available for sale	(f)	-	356,933	356,933	-	222,822	222,822
Investment Securities -Held to maturity	(f)	-	337,336	337,336	-	31,886	31,886
Pledged assets	(f)	-	72,129	72,129	-	122,009	122,009
Investment in subsidiaries		5,503	(5,503)	-	1,000	(1,000)	-
Managed funds	(n)	21	(21)	-	37,917	(37,917)	-
Investment in associates	(g)	8,209	(720)	7,489	9,716	(720)	8,996
Deferred tax asset	(l)	10,617	(3,663)	6,954	5,315	6,959	12,274
Other assets	(a), (h)	141,274	(79,002)	62,272	63,558	(24,276)	39,282
Investment Property		10,708	(6,653)	4,055	10,326	(7,886)	2,440
Inventory	(j)	-	25,609	25,609	-	23,081	23,081
Property, plant and equipment	(h)	57,171	8,703	65,874	53,998	9,636	63,634
Intangible assets		1,006	2	1,008	494	-	494
Total assets		**2,839,374**	**20,795**	**2,860,169**	**2,304,686**	**50,145**	**2,354,831**
LIABILITIES							
Deposits from banks	(a)	181,892	1,608	183,500	148,286	66	148,352
Deposits from customers	(a)	1,947,804	3,517	1,951,321	1,450,095	(2,495)	1,447,600
Borrowings	(a)	93,284	11,189	104,473	124,872	1,478	126,350
Financial liabilities held for trading		-	2,857	2,857		1,639	1,639
Current income tax liabilities		23,844	410	24,254	20,051	1	20,052
Other liabilities	(a), (n)	178,443	(19,670)	158,773	121,026	(556)	120,470
Provision for insurance contracts		824	-	824	-	-	-
Liability on investment contracts	(n)	39,104	10,336	49,440	95,352	(18,906)	76,446
Deferred income tax liability	(l)	1,067	-	1,067	901	-	901
Retirement Benefit obligations		7,628	7,453	15,081	4,898	6,528	11,426
Total liabilities		**2,473,889**	**17,699**	**2,491,590**	**1,965,481**	**(12,245)**	**1,953,236**

FIRST BANK OF NIGERIA LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
Explanation of transition to IFRSs (continued)

			GROUP			GROUP	
			31 December 2011			1 January 2011	
	Note	**N-GAAP**	**Adjustments**	**IFRS**	**N-GAAP**	**Adjustments**	**IFRS**
EQUITY							
Share capital		16,316	-	16,316	16,316	-	16,316
Share premium		254,524	-	254,524	254,524	-	254,524
Retained earnings	(h)	42,322	(735)	41,587	23,540	23,764	47,304
Other reserves				-			-
Statutory reserve		35,804	(3,660)	32,144	28,508	-	28,508
SMEEIS reserve		8,960	(2,884)	6,076	9,193	(2,884)	6,309
Contingency reserve	(h)	13	-	13			-
Revaluation reserve	(i)	2,379	(2,379)	-	2,379	(2,379)	-
Treasury reserve		-	(1,941)	(1,941)	-	(27,767)	(27,767)
Statutory credit reserve	©	-	9,766	9,766	-	28,220	28,220
Foreign currency translation reserve	(i)	4,203	(3,597)	606	3,597	(3,597)	-
AFS reserve		-	8,524	8,524	-	47,033	47,033
					-	-	-
Non-controlling interest		964	-	964	1,148	-	1,148
Total equity		**365,485**	**3,094**	**368,579**	**339,205**	**62,390**	**401,595**
Total equity and liabilities		**2,839,374**	**20,793**	**2,860,169**	**2,304,686**	**50,145**	**2,354,831**
		0	(2)	(0)	0	(0)	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
Explanation of transition to IFRSs (continued)

		BANK			BANK		
		31 December 2011			1 January 2011		
	Note	N-GAAP	Adjustments	IFRS	N-GAAP	Adjustments	IFRS
ASSETS							
Cash and balances with central banks		199,091	-	199,091	74,894	-	74,894
Treasury bills	(f)	186,626	(186,626)	-	23,599	(23,599)	-
Loans and advances to banks	(a)	222,118	229	222,347	383,893	(13)	383,880
Loans and advances to customers	(a), (c) (e), (k)	1,128,851	15,610	1,144,461	1,017,411	29,514	1,046,925
Advances under finance leases	(e)	4,642	(4,642)	-	7,581	(7,581)	-
Financial assets held for trading		-	2,552	2,552	-	11,485	11,485
Investments	(a) (g)	550,368	(550,368)	-	309,292	(309,292)	-
Investment Securities - Available for sale	(f)	-	340,767	340,767	-	201,163	201,163
Investment Securities -Held to maturity	(f)	-	329,857	329,857	-	44,331	44,331
Pledged assets	(f)	-	72,129	72,129	13,140	108,869	122,009
Managed funds		-	-	-	-	-	-
Investment in subsidiaries		37,919	(5,503)	32,416	31,416	(1,000)	30,416
Investment in associates	(g)	12,599	1,500	14,099	12,599	1,500	14,099
Deferred tax asset	(l)	8,877	(3,682)	5,195	5,187	6,959	12,146
Other assets	(a), (h)	56,366	(12,633)	43,734	43,691	(10,347)	33,344
Investment Property		-	-	-	-	-	-
Property, plant and equipment	(h)	55,352	8,704	64,056	52,616	9,636	62,252
Intangible assets		734	-	734	265	-	265
Total assets		**2,463,543**	**7,894**	**2,471,438**	**1,962,444**	**75,239**	**2,037,209**
LIABILITIES							
Deposits from banks	(a)	51,251	55	51,306	55,165	56	55,221
Deposits from customers	(a)	1,783,777	713	1,784,490	1,330,771	(2,553)	1,328,218
Borrowings	(a)	93,102	11,185	104,287	124,617	1,479	126,096
Financial liabilities held for trading		-	1,143	1,143		1,639	1,639
Current income tax liabilities		21,354	-	21,354	15,115	3	15,118
Other liabilities	(a)	133,265	(16,327)	116,938	86,309	(2,076)	84,233
Deferred income tax liability	(l)	-	-	-			-
Retirement Benefit obligations		7,222	7,454	14,676	4,545	6,530	11,075
Total liabilities		**2,089,971**	**4,223**	**2,094,194**	**1,616,522**	**5,078**	**1,621,600**

FIRST BANK OF NIGERIA LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
Explanation of transition to IFRSs (continued)

		BANK			BANK		
		31 December 2011			1 January 2011		
	Note	**N-GAAP**	**Adjustments**	**IFRS**	**N-GAAP**	**Adjustments**	**IFRS**
EQUITY							
Share capital		16,316	-	16,316	16,316	-	16,316
Share premium		254,524	-	254,524	254,524	-	254,524
Retained earnings	(h)	53,144	(3,495)	49,649	32,380	930	33,310
Statutory reserve		35,413	(3,660)	31,753	28,294	-	28,294
SMEEIS reserve		8,960	(2,884)	6,076	9,193	(2,884)	6,309
Revaluation reserve	(i)	2,379	(2,379)	-	2,379	(2,379)	-
Treasury reserve		-	-	-	-	-	-
Statutory credit reserve		-	9,766	9,766	-	28,220	28,220
Foreign currency translation reserve	(i)	2,836	(2,836)	-	2,836	(2,836)	-
AFS reserve		-	9,160	9,160	-	48,636	48,636
Total equity		**373,572**	**3,672**	**377,244**	**345,922**	**69,687**	**415,609**
Total equity and liabilities		**2,463,543**	**7,895**	**2,471,438**	**1,962,444**	**74,765**	**2,037,209**
		-	- 0	- 0	-	474	- 0

FIRST BANK OF NIGERIA LIMITED

Statement of Value Added - Group
Year ended 31 December 2012

Group	**31 December 2012 N'million**	**%**	31 December 2011 N'million	%
Gross income	**358,397**		256,804	
Interest expense	**(62,253)**		(36,784)	
	296,144		220,020	
Administrative overheads:				
- Local	**(108,783)**		(80,909)	
- Foreign	**(5,911)**		(1,793)	
Value added	**181,450**	**100**	137,318	100
Distribution				
Employees				
- Salaries and benefits	**65,808**	**36**	53,072	39
Government				
- Taxation	**16,839**	**9**	17,227	13
The future				
- Asset replacement (depreciation)				
- Local	**9,434**	**5**	8,923	6
- Foreign	**461**	**0**	52	0
- Asset replacement (amortisation)				
- Local	**518**	**0**	1,130	1
- Foreign	**127**	**0**	69	0
- Asset replacement (provision for losses)	**13,165**	**7**	38,209	28
- Expansion (transfers to reserves)	**75,097**	**41**	18,637	14
	181,450	**100**	137,318	100

FIRST BANK OF NIGERIA LIMITED

Statement of Value Added - Bank

Bank	31 December 2012 N'million	%	31 December 2011 N'million	%
Gross income	**313,821**		235,811	
Interest expense	**(51,778)**		(30,606)	
	262,043		205,205	
Administrative overheads	**(98,735)**		(75,395)	
Value added	**163,308**	**100**	129,810	100
Distribution				
Employees				
- Salaries and benefits	**60,447**	**37**	48,374	37
Government				
- Company income tax	**12,145**	**7**	16,620	13
The future				
- Asset replacement (depreciation)	**9,169**	**6**	8,517	7
- Asset replacement (amortisation)	**556**	**0**	1,082	1
- Asset replacement (provision for losses)	**9,847**	**6**	32,165	25
- Expansion (transfers to reserves)	**71,144**	**44**	23,052	18
	163,308	**100**	129,810	100

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS			*As reported under N-GAAP*	
	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 March 2009
	N'million	N'million	N'million	N'million	N'million
Assets:					
Cash and balances with central bank	**298,024**	199,228	75,517	70,332	140,403
Loans and advancs to banks	**393,125**	462,856	575,467	514,193	764,048
Loans and advances to customers	**1,563,005**	1,252,462	1,160,293	1,072,640	752,166
Financial assets held for trading	**2,565**	5,964	16,636	-	-
Investment securities	**682,234**	694,269	254,708	292,843	214,332
Assets pledged as collateral	**50,109**	72,129	122,009	-	-
Inventory	**-**	25,609	23,081		
Managed funds	**-**	-	-	84,630	36,894
Investment in associates	**5,609**	7,489	8,996	13,373	2,884
Investment in subsidiaries	**-**	-	-		1,510
Other assets	**33,733**	62,272	39,282	69,286	51,884
Investment property	**-**	4,055	2,440	8,466	6,098
Intangible assets	**3,417**	1,008	494	-	-
Property, plant and equipment	**74,454**	65,874	63,634	47,987	39,695
Deferred tax	**7,955**	6,954	12,274	-	-
Assets held for sale	**12,978**	-	-	-	-
	3,127,208	2,860,169	2,354,831	2,173,750	2,009,914
Financed by:					
Share capital	**16,316**	16,316	16,316	14,504	12,432
Share premium	**189,241**	254,524	254,524	254,524	254,524
Reserves	**187,623**	96,775	129,607	41,973	70,449
Non controlling interest	**1,353**	964	1,148	3,081	-
Deposits from banks	**87,551**	183,500	148,352	173,280	170,410
Deposits from customers	**2,405,858**	1,951,321	1,447,600	1,342,704	1,194,455
Financial liabilities held for trading	**1,796**	2,857	1,639	-	-
Liabilities on investment contracts	**-**	49,440	76,446	148,224	93,296
Liabilities on insurance contracts	**-**	824	-	-	-
Borrowings	**75,541**	104,473	126,350	35,729	35,042
Retirement benefit obligations	**18,648**	15,081	11,426	724	332
Current income tax	**22,374**	24,254	20,052	19,635	11,283
Other liabilities	**118,066**	158,773	120,470	128,760	154,057
Deferred income tax liabilities	**6**	1,067	901	10,612	13,634
Liabilities held for sale	**2,836**	-	-	-	-
	3,127,209	2,860,169	2,354,831	2,173,750	2,009,914

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	As reported under IFRS		*As reported under N-GAAP*		
	12 months ended 31 Dec 2012 N'million	12 months ended 31 Dec 2011 N'million	12 months ended 31 Dec 2010 N'million	9 months ended 31 Dec 2009 N'million	12 months ended 31 Mar 2009 N'million
Gross Earnings	**338,921**	265,580	232,079	193,932	218,287
Net operating income	**280,410**	230,853	178,062	127,662	160,730
Operating expenses	**(182,329)**	(136,668)	(119,274)	(77,574)	(90,141)
Group's share of associate's results	**1,008**	(1,507)	(3,657)	114	-
Impairment charge for credit losses	**(12,912)**	(38,011)	(21,590)	(38,174)	(16,790)
(Loss) on sale of assets to AMCON	**-**	(15,501)	-	-	-
Exceptional item	**-**	-	226	-	(26,113)
Profit before taxation	**86,177**	39,166	33,767	12,028	27,686
Taxation	**(14,918)**	(18,864)	(4,590)	(8,406)	(15,117)
Profit from continuing operations	**71,259**	20,302	29,177	3,622	12,569
Profit from discontinuing operations	**3,838**	(1,666)	-	-	-
Profit for the year	**75,097**	18,636	29,177	3,622	12,569
Profit attributable to:					
Owners of the parent	**75,040**	19,520	27,244	2,612	12,569
Non controlling interest	**57**	(884)	1,933	1,010	-
	75,097	18,636	29,177	3,622	12,569
Earnings per share in kobo (basic/diluted)	230	57	89	12	51

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS			*As reported under N-GAAP*	
	31 December 2012 N'million	31 December 2011 N'million	31 December 2010 N'million	31 December 2009 N'million	31 March 2009 N'million
Assets:					
Cash and balances with central bank	**288,125**	199,091	74,894	67,576	140,353
Loans and advancs to banks	**329,120**	222,347	383,880	255,903	510,722
Loans and advances to customers	**1,316,407**	1,144,461	1,046,925	1,033,321	695,876
Financial assets held for trading	**1,942**	2,552	11,485	-	-
Investment securities	**631,211**	670,624	245,494	285,469	203,471
Assets pledged as collateral	**50,109**	72,129	122,009	-	-
Investment in associates	**2,224**	14,099	14,099	2,224	2,224
Investment in subsidiaries	**40,348**	32,416	30,416	30,416	28,449
Other assets	**32,459**	43,734	33,344	51,245	48,007
Intangible assets	**1,302**	734	265	-	-
Property, plant and equipment	**70,724**	64,056	62,252	46,302	38,320
Deferred tax	**6,703**	5,195	12,146	-	-
	2,770,674	2,471,438	2,037,209	1,772,456	1,667,422
Financed by:					
Share capital	**16,316**	16,316	16,316	14,504	12,432
Share premium	**189,241**	254,524	254,524	254,524	254,524
Reserves	**166,619**	106,404	144,769	48,460	84,098
Deposits from banks	**18,463**	51,306	55,221	65,087	78,980
Deposits from customers	**2,171,807**	1,784,490	1,328,218	1,244,030	1,071,836
Financial liabilities held for trading	**1,278**	1,143	1,639	-	-
Borrowings	**81,987**	104,287	126,096	35,473	35,042
Retirement benefit obligations	**18,156**	14,676	11,075	544	718
Current income tax	**19,768**	21,354	15,118	14,948	7,238
Other liabilities	**87,039**	116,938	84,233	84,742	109,796
Deferred income tax liabilities	-	-	-	10,144	12,758
	2,770,674	2,471,438	2,037,209	1,772,456	1,667,422

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

INCOME STATEMENT

	As reported under IFRS		*As reported under N-GAAP*		
	12 months ended 31 Dec 2012	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	9 months ended 31 Dec 2009	12 months ended 31 Mar 2009
Gross Earnings	**313,822**	251,312	209,187	175,390	184,536
Net operating income	**258,554**	220,706	163,142	119,167	140,949
Gain from disposal of subsidiary	**3,490**	-	-	-	-
Operating expenses	**(168,908)**	(133,368)	(107,392)	(70,016)	(80,880)
Impairment charge for credit losses	**(9,847)**	(32,165)	(22,596)	(41,462)	(13,959)
(Loss) on sale of assets to AMCON	**-**	(15,501)	-	-	-
Exceptional item	**-**	-	383	-	-
Profit before taxation	**83,289**	39,672	33,537	7,689	46,110
Taxation	**(12,145)**	(16,620)	(1,414)	(6,414)	(11,036)
Profit after taxation	**71,144**	23,052	32,123	1,275	35,074
Earnings per share (basic)	218	71	98	4	141