First Bank of Nigeria Limited
Consolidated Financial Statements
for the year ended 31 December 2016

First Bank of Nigeria Limited
Index to the consolidated financial statements
for the year ended 31 December 2016

DIRECTORS AND ADVISORS

DIRECTORS	DATE OF APPOINTMENT/ RESIGNATION
Ibukun Awosika (Mrs) (Chairman)	Appointed Chairman, January 1, 2016
Adesola Adeduntan (Managing Director/CEO)	Appointed MD/CEO, January 1, 2016
Ambrose Feese	Appointed December 29, 2010
Dauda Lawal	Appointed September 11, 2012
Ebenezer Jolaoso	Retired December 31, 2016
Francis Shobo	Appointed September 11, 2012
Ibrahim Dahiru Waziri	Appointed December 29, 2010
Ijeoma Jidenma (Mrs)	Appointed March 24, 2014
Lawal K. Ibrahim	Appointed December 28, 2010
Obafemi A. Otudeko	Appointed December 29, 2010
Tunde Hassan-Odukale	Appointed December 29, 2010
Mrs. Olusola A. Oworu	Appointed January 21, 2016
Dr. Remi O. Oni	Appointed April 15, 2016
Lateef Bakare	Appointed July 21, 2016
Urum K Eke	Appointed January 21, 2016
Abiodun Odubola	Retired June 30, 2016
Adetokunbo Abiru	Retired March 31, 2016.

COMPANY SECRETARY:	Irene E. Otike-Odibi
REGISTERED OFFICE:	Samuel Asabia House 35, Marina Lagos
AUDITORS:	PriceWaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B Water Corporation Road, Victoria Island Lagos
VALUERS	HR Nigeria Limited Consultants and Actuaries 7th Floor, Aiico Plaza, Churchgate Street, Victoria Island Lagos FRC/2012/NAS/00000000738

FirstBank
Since 1894

Company Secretary's Department
Samuel Asabia House, 35 Marina,
P.O.Box 5216, Lagos, Nigeria
Telephone: +234 1 9050000, Ext. 2124, 9052124
Web: www.firstbanknigeria.com

FIRST BANK OF NIGERIA LIMITED
Directors' Report
For the Year Ended 31 December, 2016

The Directors present their report on the affairs of First Bank of Nigeria Limited ("the Bank") and its subsidiaries ("the Group"), together with the financial statements and auditors' report for the financial year ended 31 December, 2016.

a. *Legal Form*

The Bank which commenced operations in Nigeria on 31 March, 1894 as a branch of Bank of British West Africa Limited (BBWA) was incorporated as a private limited liability company in Nigeria in 1969. It was converted to a public company in March, 1970. The Bank's shares were listed on the floor of The Nigerian Stock Exchange by way of introduction in March, 1971.

b. *Principal Activity and Business Review*

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include: granting of loans and advances, corporate finance and money market activities.

The Bank has ten (10) subsidiaries namely: FBN Bank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, FBN Bank (Congo) Limited, FBN Bank (Ghana) Limited, FBN Bank (Guinea) Limited, FBN Bank (Gambia) Limited, FBN Bank (Sierra Leone) Limited, FBN Bank (Senegal) Limited and FBN Finance Company BV.

The Bank prepares consolidated financial statements.

c. *Operating Results*

Gross earnings of the Group increased by 15.6%, while Profit before Tax also increased by 9.7% over the previous year's.

BOARD OF DIRECTORS: Chairman: Ibukun A. Awosika, Managing Director/CEO: Adesola K. Adeduntan, Deputy Managing Director: Gbenga Shobo, Directors: Urum K. Eke (MFR), Ambrose Feese, Tunde Hassan-Odukale, Lawal K. Ibrahim, Ijeoma E. Jidenma, Ebenezer A. Jolaoso, Dauda Lawal, 'Remi O. Oni, Obafemi A. Otudeko, Olusola A. Oworu, Ibrahim D. Waziri

FIRST BANK OF NIGERIA LIMITED
Directors' Report
For the Year Ended 31 December, 2016

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

	31-Dec-16 N million	31-Dec-15 N million
Gross Earnings	535,539	463,271
Profit Before Tax	10,675	9,729
Taxation	1,093	(6,913)
Profit After Tax from Continuing Operations	11,768	2,816
Profit/(Loss) After Tax from Discontinued Operations	(1,318)	129
Non-Controlling Interest	(789)	394
Appropriations		
Transfer to Statutory Reserves	7,859	729
Transfer to/(from) Statutory Credit Reserves	10	(44,589)
Transfer to Retained Earnings Reserve	11,240	2,552

d. Directors' Rotation

In accordance with the Bank's Articles of Association, Mr. Dauda Lawal, Mr. Gbenga Shobo, Dr. (Mrs.) Ije E. Jidenma and Mallam Ibrahim D. Waziri would retire by rotation and being eligible, offer themselves for re-election.

e. Resignation / Retirement

During the year under review, Mr. Adetokunbo M. Abiru, Executive Director, resigned from the Board effective March 31, 2016, while Mr. Abiodun Odubola, Executive Director, and Mr. Ebenezer A. Jolaoso, Non-Executive Director, both retired from the Board effective June 30, 2016, and December 31, 2016, respectively.

f. Appointment of Directors

During the year under review, Mrs. Olusola A. Oworu and Mr. Lateef A. Bakare were appointed as Independent Non-Executive Directors. The Board also appointed Mr. Urum K. Eke, MFR, and Dr. Oluremi O. Oni, as Non-Executive Director, and Executive Director, respectively.

g. Directors' interests in contracts

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

h. Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the Accounts. In the Directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

i. Shareholding Analysis

The Bank is 99.9% owned by FBN Holdings Plc.

j. Human Resources

Employment of Disabled Persons

It is the policy of the Bank that there should be no discrimination in considering applications for employment, including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop. As at 31 December, 2016, 15 physically challenged persons were employed by the Bank.

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

k. Health, Safety and Welfare at Work

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

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

The company operates both Group Personal Accident and Workmen's Compensation insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004 (as amended).

l. Employee Involvement and Training

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

In accordance with the Bank's policy of continuous development, training facilities are provided in the Bank's well-equipped training school, First Academy. In addition, employees of the Bank are nominated to attend both local and international training courses. These are complemented by on the job training.

m. Diversity in Employment

The Bank is committed to maintaining a positive work environment and to conducting business in a positive, professional manner by consistently ensuring equal employment opportunity. As at December 31, 2016, the Bank had 27.3% females in top management positions. The table below shows the gender distribution of top management staff by grade:

TOP MANAGEMENT COMPLIMENT BY GENDER AS AT DECEMBER 31, 2016			
	Female	Male	Grand Total
Managing Director/Chief Executive	-	1	1
Executive Director	-	3	3
General Manager	3	6	9
Deputy General Manager	8	8	16
Assistant General Manager	7	30	37
Total	18	48	64
% Distribution	27.3	72.7	

FIRST BANK OF NIGERIA LIMITED
Directors' Report
For the Year Ended 31 December, 2016

n. Donations and Charitable Gifts

The Bank made contributions to charitable and non-political organizations amounting to ₦118.51 million (December, 2015: ₦436.18 million) during the year, as shown in the table below:

S/N	Activity / Beneficiary	Amount
1	State Security Trust Fund	75,000,000
2	Sustainability Centre Annual Subvention	30,000,000
3	Nigeria Economic Summit	22,250,000
4	Sponsorship of 2016 Fiesta of Flavour	20,000,000
5	Nigeria Investment Summit New York	6,220,000
6	Sponsorship of 2016 Annual Financial Reporting Council of Nigeria Dinner	5,110,000
7	2017 World Conference of Banking Institute	5,000,000
8	Heartbeat Musical Theatrical Production	4,000,000
9	15th WIMBIZ Annual Conference Sponsorship	3,825,000
10	Red Cross Clinic Support	3,000,000
11	Junior Achievement Nigeria	4,481,250
12	Child Development and Concern Foundation	1,000,000
13	International Conference & Workshop On Improving Agriculture	500,000
14	Others	8,127,929
	TOTAL	188,514,179

o. Auditors

The Auditors, Messrs. PriceWaterhouseCoopers, have indicated their willingness to act and continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, a resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Irene Otike-Odibi
Company Secretary
Lagos, Nigeria
March, 2017

FirstBank
Since 1894

Financial Control
Samuel Asabia House, 35 Marina, P.O.Box 5216, Lagos, Nigeria
Telephone: +234 1 9052000, 9052326, Ext. 2649, 9052649
Web: www.firstbanknigeria.com

March 27, 2017

The Director of Banking Supervision
Central Bank of Nigeria
Abuja

FIRST BANK OF NIGERIA LTD

Responsibility for Annual Financial Statements

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

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;
ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

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

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

The directors are of the opinion that the IFRS financial statements give a true and fair view of the state of the financial affairs of the Bank and Group and of the profit for the year.

BOARD OF DIRECTORS: Chairman: Ibukun A. Awosika, Managing Director/CEO: Adesola K. Adeduntan, Deputy Managing Director: Gbenga Shobo, Directors: Urum K. Eke (MFR), Ambrose Feese, Tunde Hassan-Odukale, Lawal K. Ibrahim, Ijeoma E. Jidenma, Ebenezer A. Jolaoso, Dauda Lawal, 'Remi O. Oni, Obafemi A. Otudeko, Olusola A. Oworu, Ibrahim D. Waziri, Lateef A. Bakare

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

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Irene Otike-Odibi	Adesola Adeduntan
Company Secretary	Managing Director/CEO

pwc

Independent auditor's reports

To the Members of First Bank of Nigeria Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of First Bank of Nigeria Limited ("the bank") and its subsidiaries (together "the group") as at 31 December 2016, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

The consolidated and separate financial statements of First Bank of Nigeria Limited comprise:

- the consolidated and separate statements of financial position as at 31 December 2016;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key Audit Matter

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

pwc

Key audit matter	How our audit addressed the Key audit matter
Impairment allowance on loans and advances to customers – N319.4 billion (refer to notes 5 and 20)	
Impairment of loans and advances to customers is a highly subjective area due to the level of judgement applied by management in the identification of impairment events and the measurement of impairment provisions. The nature and materiality of the loans and advances balance requires significant auditor's attention. The net loans and advances from customers in the financial statements at year end amounted to N2.1trillion which is material to the financial statements. This matter is considered a key audit matter in both the consolidated and separate financial statements.	We understood and evaluated the design effectiveness of controls, and tested the operating effectiveness of the controls over loan loss impairment assessment across the Group to determine the extent of substantive testing required. We understood and tested the basis for management's classification of loans and advances to customers into performing and non-performing in the significant and non-significant portfolio. For significant loans which management had not identified as impaired, we applied a risk based target testing approach in selecting a sample of customers for detailed checking of customer information and account history, and assessing whether events or changes have occurred that may affect the performance and classification of the loans. We assessed the reasonableness of the discount rate and discount period applied by management in the determination of the impairment for significant loans which were identified by management as impaired. We reviewed the collateral valuations provided by management to support the calculation of the impairment. We also assessed the competence, independence and objectivity of management valuation experts used for the valuation of collaterals. Where the fair value of the collateral of significant impaired loans exceeded the carrying value of the loan, we reviewed the impairment computation to determine that this category of facilities was assessed for collective impairment. We understood and assessed the collective impairment model used by management for non-significant facilities assessed for impairment on a portfolio modelled basis. We specifically focused on the principal assumptions such as the probability of default and the Loss Given Default (LGD). We evaluated the reasonableness of the LGD and probability of default by comparing it with the bank's historical data and supporting documents. We also checked the accuracy of the inputs into the model and recalculated the collective impairment amount based on the incurred loss model.

Valuation of Goodwill- N4.3billion (refer to notes 5 and 27)

Goodwill had arisen from a number of historical acquisitions. An assessment is required annually to determine if the goodwill balance is impaired. Goodwill impairment reviews require significant use of judgement because they involve inherently uncertain estimation of future cash flows and determination of the levels to which the cash flows are discounted.

The recoverable value of the cash generating units (CGU) to which the goodwill is allocated, was determined using the value in use method. The most significant assumptions in the value in use calculation relate to the discount rates and long term growth rate applied to future cash flow forecast of the CGU.

Due to the level of judgement involved in the goodwill impairment assessment, this is considered to be a key audit matter in the consolidated financial statements.

We obtained the goodwill impairment models for the CGU's with material goodwill balances. We assessed the principal assumptions underlying the goodwill impairment models. These principal assumptions are the discount rates applied in determining the recoverable value of the CGU and the long term growth rates applied in the determination of the future cash flows.

We tested the assumptions and methodologies used in the impairment models, in particular those relating to the discount rate and long term growth rates. To do this:

- Our valuation experts evaluated these key assumptions and compared them to externally derived data where possible, including market expectations of investment return and projected economic growth.
- We assessed the reasonableness of the cash flow forecasts.
- We checked the mathematical accuracy of the models.
- We assessed the adequacy of the Group's disclosure in respect of impairment assessment of goodwill.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of Directors' responsibility, Report of the Board Audit Committee, Statement of value added, Five year financial summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate governance report which is expected to be made available to us after that date.

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

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

When we read the Corporate governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Fund manager and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

pwc

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 40 to the financial statements; and

v) except for the contraventions disclosed in Note 43 to the financial statements, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

Tola Ogundipe

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria
Engagement Partner: Tola Ogundipe
FRC/2013/ICAN/ 00000000639

24 April 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1250473

FirstBank
Since 1894

Company Secretary's Department
Samuel Asabia House, 35 Marina,
P.O.Box 5216, Lagos, Nigeria
Telephone: +234 1 9050000, Ext. 2124, 9052124
Web: www.firstbanknigeria.com

REPORT OF THE BOARD AUDIT COMMITTEE

Based on self-regulation aligned to Section 359 of the Companies and Allied Matters Act, Cap C20 LFN 2004, pertaining to public limited liability companies, and in compliance with Section 5.2.5 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria, we have reviewed the draft Audited Financial Statements for the Commercial Banking Group for the year ended December 31, 2016, and hereby state as follows:

1) The scope and planning of the audit was adequate in our opinion.
2) The accounting and reporting policies of the Bank conformed with statutory requirements and agreed ethical practices.
3) The internal control was being constantly and effectively monitored.
4) The external auditors' Management Letter received satisfactory response from Management.
5) The external auditors are independent and did not engage in any of the services prohibited for statutory auditors under the Charter of the Committee.
6) The Committee reviewed the Audit Report on insider/ related party transactions, and is satisfied with their status, as required by the CBN.

Dated this 27th day of March, 2017.

Mr. Lateef A. Bakare
Chairman,
Board Audit Committee

Members of the Committee

Mrs. Olusola A. Oworu
Mr. Tunde Hassan-Odukale.

BOARD OF DIRECTORS: Chairman: Ibukun A. Awosika, Managing Director/CEO: Adesola K. Adeduntan, Deputy Managing Director: Gbenga Shobo, Directors: Urum K. Eke (MFR), Ambrose Feese, Tunde Hassan-Odukale, Lawal K. Ibrahim, Ijeoma E. Jidenma, Ebenezer A. Jolaoso, Dauda Lawal, 'Remi O. Oni, Obafemi A. Otudeko, Olusola A. Oworu, Ibrahim D. Waziri

First Bank of Nigeria Limited

INCOME STATEMENT

For the year ended 31 December	Note	GROUP 31 December 2016 N 'millions	GROUP 31 December 2015 N 'millions	BANK 31 December 2016 N 'millions	BANK 31 December 2015 N 'millions
Continuing operations					
Interest income	7	384,177	377,765	339,300	337,771
Interest expense	8	(89,893)	(118,809)	(79,733)	(109,896)
Net interest income		**294,284**	**258,956**	**259,567**	**227,875**
Impairment charge for credit losses	9	(224,948)	(125,672)	(159,841)	(120,046)
Net interest income after impairment charge for credit losses		**69,336**	**133,284**	**99,726**	**107,829**
Fee and commission income	10 (a)	61,980	55,987	50,934	45,481
Fee and commission expense	10 (b)	(10,984)	(9,403)	(11,465)	(9,441)
Net gains on Foreign exchange income	11	77,850	20,395	76,102	17,399
Net gains on investment securities	12	5,051	6,072	5,341	13,243
Net gains/(losses) from financial assets held for trading	13	3,102	(556)	3,102	(561)
Dividend income		730	1,354	3,108	7,340
Other operating income	14	2,649	2,254	345	554
Personnel Expenses	15 (b)	(76,081)	(72,542)	(63,391)	(63,672)
Amortisation of Intangible assets	27	(3,146)	(2,047)	(2,331)	(1,330)
Depreciation of Property, plant & equipment	26	(10,594)	(10,552)	(9,210)	(9,563)
Other operating expenses	15 (a)	(109,218)	(114,517)	(98,716)	(104,463)
Profit before tax		**10,675**	**9,729**	**53,545**	**2,816**
Income tax expense	16	1,093	(6,913)	(3,473)	(2,779)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**11,768**	**2,816**	**50,072**	**37**
Discontinued operations					
(Loss)/Profit for the year from discontinued operations	25	(1,317)	129	-	-
PROFIT FOR THE YEAR		**10,451**	**2,945**	**50,072**	**37**
Profit attributable to:					
Owners of the parent		11,240	2,551	50,072	37
Non-controlling interests		(789)	394	-	-
		10,451	**2,945**	**50,072**	**37**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share:	45				
From continuing operations		0.36	0.09	1.53	2.30
From discontinued operations		(0.04)	-	-	-
		0.32	0.09	1.53	2.30

The above consolidated income statement should be read in conjunction with accompanying notes.

First Bank of Nigeria Limited

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	GROUP 31 December 2016 N 'millions	GROUP 31 December 2015 N 'millions	BANK 31 December 2016 N 'millions	BANK 31 December 2015 N 'millions
PROFIT FOR THE YEAR		**10,451**	**2,945**	**50,072**	**37**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains /(loss) on available-for-sale financial assets					
-Unrealised net gains/(losses) arising during the year, before tax		(10,333)	41,376	(10,327)	39,547
-Net reclassification adjustments for realised net gains /(losses), before tax		(14,681)	(1,583)	(14,661)	(1,583)
Exchange difference on translation of foreign operations		26,725	630	-	-
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefits scheme	33	1,426	(1,382)	1,256	(1,301)
Income tax relating to components of other comprehensive income		-	(374)	-	-
Other comprehensive income for the year, net of tax		**3,137**	**38,667**	**(23,732)**	**36,663**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,588**	**41,612**	**26,340**	**36,700**
Total comprehensive income attributable to:					
Owners of the parent		14,377	41,218	26,340	36,700
Non-controlling interests		(789)	394	-	-
		13,588	**41,612**	**26,340**	**36,700**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		15,695	41,089	26,340	36,700
Discontinued operations	25	(1,317)	129	-	-
		14,377	**41,218**	**26,340**	**36,700**

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

First Bank of Nigeria Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December	**Note**	GROUP **31 December 2016 N 'millions**	GROUP **31 December 2015 N 'millions**	BANK **31 December 2016 N 'millions**	BANK **31 December 2015 N 'millions**
ASSETS					
Cash and balances with central banks	17	689,597	715,092	637,061	679,054
Loans and advances to banks	19	437,935	374,511	204,469	137,548
Loans and advances to customers	20	2,086,741	1,816,045	1,692,712	1,457,285
Financial assets held for trading	21	23,494	5,049	23,482	5,049
Investment securities					
-Available-for-sale investments	22	853,076	724,549	587,153	689,577
-Held to maturity investments	22	108,159	106,037	81,590	92,325
Asset pledged as collateral	23	161,133	102,217	151,090	100,086
Other assets	29	38,609	34,479	26,954	18,840
Investment in subsidiaries	24	-	-	71,297	74,415
Property, plant and equipment	26	83,357	82,351	72,495	72,810
Intangible assets	27	11,913	9,275	5,547	4,043
Deferred tax	28	8,296	2,923	1,343	1,343
		4,502,310	3,972,528	3,555,193	3,332,375
Asset held for sale	25	12,479	570	2,589	-
Total assets		**4,514,789**	**3,973,098**	**3,557,782**	**3,332,375**
LIABILITIES					
Deposits from banks	30	377,214	139,052	40,493	50,566
Deposits from customers	31	3,030,090	2,905,070	2,490,578	2,399,822
Financial liabilities held for trading	21	37,137	12,121	12,751	2,657
Current income tax liability	16	4,805	5,790	3,564	2,897
Other liabilities	34	217,553	152,877	152,924	123,020
Borrowings	32	316,792	249,892	369,428	290,620
Retirement benefit obligations	33	2,648	3,709	1,957	3,046
Deferred tax	28	2	63	-	-
		3,986,241	3,468,574	3,071,695	2,872,628
Liabilities held for sale	25	10,610	-	-	-
Total liabilities		**3,996,851**	**3,468,574**	**3,071,695**	**2,872,628**
EQUITY					
Share capital	35	16,316	16,316	16,316	16,316
Share premium	36	189,241	189,241	189,241	189,241
Retained earnings	36	147,768	163,651	153,924	130,787
Other reserves	36	163,648	133,387	126,606	123,403
Non-controlling interest		965	1,929	-	-
Total equity		**517,938**	**504,524**	**486,087**	**459,747**
Total equity and liabilities		**4,514,789**	**3,973,098**	**3,557,782**	**3,332,375**

The accompanying notes are an integral part of these consolidated and separate financial statements. The financial statements on pages 14 to 113 were approved and authorized for issue by the Board of Directors on 27 March 2017 and signed on its behalf by:

Ibukun Awosika (Mrs)	**Adesola Adeduntan**	**Patrick Iyamabo**
Chairman	Managing Director /CEO	Chief Financial Officer
FRC/2013/IODN/00000003479	FRC/2014/ICAN/00000010466	FRC/2013/ICAN/00000003316

CONSOLIDATED 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	FCTR	Total	Non-controlling 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
Balance at 1 January 2015	16,316	189,241	118,621	64,524	6,076	14,001	45,200	7,398	461,377	1,641	463,018
Profit for the year	-	-	2,551	-	-	-	-	-	2,551	394	2,945
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	630	630	-	630
Tax effects on revaluation of financial assets			-			(374)			(374)		(374)
Fair value movements on financial assets						39,793			39,793	-	39,793
Remeasurements on defined benefits scheme			(1,382)						(1,382)		(1,382)
Total comprehensive income	-	-	1,169	-	-	39,419	-	630	41,218	394	41,612
Transactions with equity holders, recorded directly in equity											
Dividends	-	-	-	-	-	-	-	-	0	(106)	(106)
Transfer between reserves	-	-	43,860	729		-	(44,589)	-	-	-	-
Total contributions by or distributions to equity holders	-	-	43,860	729	-	-	(44,589)	-	-	(106)	(106)
At 31 December 2015	16,316	189,241	163,650	65,253	6,076	53,420	611	8,028	502,595	1,929	504,524
Profit for the year	-	-	11,240	-	-	-	-	-	11,240	(789)	10,451
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	26,725	26,725	-	26,725
Fair value movements on financial assets						(25,014)			(25,014)	-	(25,014)
Remeasurements on defined benefits scheme	-	-	1,426	-	-	-	-	-	1,426	-	1,426
Income tax relating to components of other comprehensive income			-			-			-		-
Total comprehensive income	-	-	12,666	-	-	(25,014)	-	26,725	14,377	(789)	13,588
Transactions with equity holders, recorded directly in equity											
Dividends	-	-	-	-	-	-	-		-	(174)	(174)
Transfer between reserves	-	-	(28,549)	7,859	-	-	20,690	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(28,549)	7,859	-	-	20,690	-	-	(174)	(174)
At 31 December 2016	16,316	189,241	147,767	73,112	6,076	28,406	21,301	34,753	516,972	966	517,937

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 2015	16,316	189,241	87,200	63,231	6,076	16,126	44,857	423,047
Profit for the year	-	-	37	-	-	-	-	37
Other comprehensive income								
Fair value movements on financial assets						37,964		37,964
Remeasurements on defined benefits scheme	-	-	(1,301)	-	-	-	-	(1,301)
Total comprehensive income	-	-	(1,264)	-	-	37,964	-	36,700
Transactions with equity holders, recorded directly in equity								
Dividends	-	-	-	-	-	-	-	-
Transfer between reserves			44,851	6	-	-	(44,857)	-
Total contributions by or distributions to equity holders	-	-	44,851	6	-	-	(44,857)	-
At 31 December 2015	16,316	189,241	130,787	63,237	6,076	54,090	-	459,747
Profit for the year	-	-	50,072	-	-	-	-	50,072
Other comprehensive income								
Fair value movements on financial assets						(24,988)		(24,988)
Remeasurements on defined benefits scheme			1,256					1,256
Total comprehensive income	-	-	51,328	-	-	(24,988)	-	26,340
Transactions with equity holders, recorded directly in equity								
Transfer between reserves	-	-	(28,191)	7,511	-	-	20,680	-
Total contributions by or distributions to equity holders	-	-	(28,191)	7,511	-	-	20,680	-
At 31 December 2016	16,316	189,241	153,924	70,748	6,076	29,102	20,680	486,087

First Bank of Nigeria Limited

STATEMENT OF CASH FLOWS

	Note	GROUP		BANK	
		31 December		31 December	
		2016	2015	2016	2015
		N 'millions	N 'millions	N 'millions	N 'millions
Cash flows from operating activities					
Cash flow generated from/ (used in) operations	37	(106,624)	219,608	(412,948)	88,848
Income taxes paid		(5,062)	(11,157)	(2,806)	(6,440)
Interest received		367,992	369,734	318,526	327,485
Interest paid		(89,410)	(123,363)	(74,002)	(106,442)
Net cash flow generated from/ (used in) operating activities		166,896	454,822	(171,230)	303,451
Cash flows from investing activities					
Purchase of investment securities		(1,412,062)	(900,232)	(1,184,184)	(863,807)
Proceeds from the sale of investment securities		1,250,744	722,246	1,219,051	687,443
Cash and cash equivalent acquired from subsidiary		-	-	-	-
Additional investment in subsidiaries		-	-	(658)	(2,171)
Dividends received		730	1,348	3,108	7,340
Purchase of property, plant and equipment		(11,278)	(9,661)	(9,707)	(8,059)
Purchase of intangible assets		(4,409)	(4,168)	(3,837)	(3,101)
Proceeds on disposal of property, plant and equipment		700	258	693	255
Net cash used in investing activities		(175,575)	(190,209)	24,466	(182,100)
Cash flows from financing activities					
Dividend paid		-	(9,789)	-	(9,790)
Dividend paid to Non controlling interest		(174)	(106)	-	-
Proceeds from new borrowings		34,516	75,846	80,124	116,665
Repayment of borrowings		(53,082)	(179,705)	(95,885)	(218,435)
Net cash (used in)/generated from financing activities		(18,740)	(113,754)	(15,761)	(111,560)
Increase/ (Decrease) in cash and cash equivalents		(27,419)	150,859	(162,525)	9,791
Cash and cash equivalents at start of year	18	644,975	486,279	386,468	373,734
Effect of exchange rate fluctuations on cash held		101,612	7,837	16,031	2,943
Cash and cash equivalents at end of year	18	719,168	644,975	239,974	386,468

1 General information

These financial statements are the consolidated financial statements of First Bank of Nigeria Limited (the Bank), and its subsidiaries (hereafter referred to as 'the Group').
The Registered office address of the Bank is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.
The principal activities of the Bank is mainly retail and corporate banking. Retail banking provides banking services and products to individuals and small/medium scale enterprises, such as savings account, investment savings products, loans and money transfers. Corporate banking provides banking services and products to multinational and local corporations, as well as financial and governmental institutions, such as credit facilities and project finance.

The consolidated financial statements for the year ended 31 December 2016 were approved for issue by the Board of Directors on 27 March 2017.

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 2016 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.

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 Changes in accounting policy and disclosures

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period.
However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the standards

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

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

(i) ***IFRS 9, 'Financial Instruments' (effective for periods beginnning on or after 1 January 2018):***

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 continues to apply. However, entities will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The standard also provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group is making consultations to assess the full impact of the adoption of IFRS 9.The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

(ii) **IFRS 15 - Revenue from contracts with customers (effective annual periods beginning on or after 1 January 2017)**

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group is yet to assess the full effect of IFRS 15 and intends to adopt IFRS 15 not later than the accounting period beginning on or after January 2017.

(ii) **IFRS 16 - Leases (effective annual periods beginning on or after 1 January 2019)**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

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

2.3 **Consolidation**

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

a. *Subsidiaries*

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

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

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

2.3 Consolidation

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.
Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

b. *Disposal of subsidiaries*
This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

The group's investment in associates includes goodwill identified on acquisition.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within the income statement.

2.4 Segment reporting

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

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

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

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

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

2.6 Foreign currency translation *(continued)*

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

c. *Group companies*

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

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

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

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

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

2.7 Income taxation

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

2.8 Inventories

The Mortgage subsidiary of the group purchases and constructs properties for resale.

Thus the Group recognises Property as inventory under the following circumstances:

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

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

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

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

2.9 Financial assets and liabilities

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

2.9.1 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 held for trading*

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

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

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

b. *Loans and receivables*

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

(i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as 'Interest income'.
In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan, through the use of an allowance account and recognised in the profit or loss as 'impairment charge for credit losses'.

c. *Held-to-maturity financial assets*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:
(i) those that the Group upon initial recognition designates as held for trading;
(ii) those that the Group designates as available for sale; and
(iii) those that meet the definition of loans and receivables.

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

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

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

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

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

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

2.9.2 Financial liabilities
The Group's holding in financial liabilities is in financial liabilities held for trading and financial liabilities at amortised cost . Financial liabilities are derecognised when extinguished.

a. *Financial Liabilities held for trading*
A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

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

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

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

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

2.9.5 Determination of fair value

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, 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 procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

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

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group. This transfer is done on the date in which the market information becomes available.

2.9.6 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.

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. *Interest income and expense*

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

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

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

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

2. 11 Revenue recognition *(continued)*

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. 12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

To the extent that a loan is irrecoverable, it is written off against the related allowance for loan 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 decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the impairment account in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised

(b) Assets classified as available for sale (continued)

in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2. 13 Impairment of non-financial assets

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

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

2. 14 Collateral

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

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

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

2. 15 Discontinued operations

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

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

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arise.

2.16 Leases

Leases are divided into finance leases and operating leases.

a. *The group is the lessee*

(i) *Operating lease*

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

(ii) *Finance lease*

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

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

b *The group is the lessor*

(i) *Operating lease*

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

(ii) *Finance lease*

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

2. 17 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.

2. 17 Property, Plant and Equipment (continued)

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
Improvement & buildings	2%
Motor Vehicles	25%
Office Equipment	20%
Computer Equipment	33⅓%
Plant and Machinery	20%
Furniture, fittings & equipment	20%

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

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

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

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

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

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.
Any gain or loss arising on derecognitoin of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2. 18 Intangible assets

a. Goodwill

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

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

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

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

b. Computer software

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

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

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

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

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

2. 19 Cash and cash equivalents

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

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

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.

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

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

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.

2. 21 Provisions (continued)
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 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. 24 Share capital

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

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

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

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

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

2.24 Share capital continued

d. *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.

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

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

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

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

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

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

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

3. Financial risk management

3.1 Introduction and overview

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

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

Risk management is carried out by the 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 Chief Risk Officer (CRO).

3.2.1 Credit risk measurement

In measuring credit risk of loans 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 to meet its contractual obligations;
• Current exposures to the counterparty and its likely future development;
• Credit history of the counterparty; and
• The likely recovery ratio in case of default obligations – value of collateral and other ways out. 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 tools and their predictive powers with regard to default events.

3.2.1 **Credit risk measurement** *(continued)*

(a) 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. The obligor risk rating is mapped to the probability of default of the customer and the rating adopted depends on the type of customer and the nature of business to reflect the inherent risks associated with each customer. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that have been incurred. Each risk bucket may be denoted alphabetically and by range of scores as follows:

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

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

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

• The Collateral Risk Rating Grid indicates the acceptable collateral types and rated 1-8 from best to worst in order of liquidity, controllability and realizable value.

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

3.2.2 **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.

Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and counterparty are set by the Board of Directors on the recommendation of the Chief Risk Officer.

(a) **Portfolio limits**

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

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

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

3.2.2 Risk limit control and mitigation policies continued

(b) Geographical limits

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

(c) Single obligor limits

• The Group as a matter of policy does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.
• For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:
– No single retail loan should amount to more than 0.2% of total retail portfolio.

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

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

STANDARD CREDIT APPROVAL GRID FOR WHOLESALE AND RETAIL LENDING

	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	BOD	>25,000, 000 but not more than 15% of SHF or 75% of SOL/legal lending limit	>10,000,000 but not more than 5% of SHF
2	BCC	25,000,000	10,000,000
3	MCC	10,000,000	5,000,000
4	MD+ CRO+ Risk SCO1+Business SCO1 or Business SCO2	5,000,000	2,000,000
5	CRO + Risk SCO1+Risk SCO2 + Business SCO1 or Business SCO2	1,000,000	500,000
6	Risk SCO1+Risk SCO2+Business SCO1 or Business SCO2	250,000	100,000
7	Risk SCO2+Risk SCO3+Business SCO1 or Business SCO2	100,000	50,000
8	Risk SCO3+Risk SCO4+GH+BDM	50,000	25,000

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

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

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

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

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

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

3.2.4 **Exposure Management**

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

3.2.5 **Delinquency Management/Loan Workout**

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

3.2.6 **Credit Recovery**

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

3.2.7 **Management of concentration risk**

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

3.2.8 **Impairment and provisioning policies**

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

3.2.9 Measurement basis of financial assets and liabilities.

GROUP

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2016				
Financial assets				
Cash and balances with Central Banks	-	-	689,597	689,597
Loans and advances to banks	-	-	437,935	437,935
Loans and advances to customers				
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,691,198	1,691,198
- Staff loans	-	-	6,769	6,769
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Investment securities:				
Available-for-sale investments	-	853,076	-	853,076
Held to maturity investments	-	-	108,159	108,159
Asset pledged as collateral	-	77,454	83,679	161,133
Financial assets held for trading	23,494	-	-	23,494
Other assets	-	-	26,544	26,544
Total Financial Assets	23,494	930,530	3,432,655	4,386,679
Financial liabilities				
Customer deposits	-	-	3,030,090	3,030,090
Deposits from banks	-	-	377,214	377,214
Financial liabilities held for trading	37,137	-		37,137
Borrowings	-	-	316,792	316,792
Other liabilities	-	-	179,241	179,241
Total Financial Liabilities	37,137	-	3,903,337	3,940,474
31 December 2015				
Financial assets				
Cash and balances with Central Banks	-	-	715,092	715,092
Loans and advances to banks	-	-	374,511	374,511
Loans and advances to customers				
- Overdrafts	-	-	316,571	316,571
- Term loans	-	-	1,401,524	1,401,524
- Staff loans	-	-	7,703	7,703
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Investment securities:				
Available-for-sale investments	-	724,549	-	724,549
Held to maturity investments	-	-	106,037	106,037
Asset pledged as collateral	-	20,198	82,019	102,217
Financial assets held for trading	5,049	-	-	5,049
Other assets	-	-	13,206	13,206
Total Financial Assets	5,049	744,747	3,106,910	3,856,706
Financial liabilities				
Customer deposits	-	-	2,905,070	2,905,070
Deposits from banks	-	-	139,052	139,052
Financial liabilities held for trading	12,121	-		12,121
Borrowings	-	-	249,892	249,892
Other liabilities	-	-	146,427	146,427
Total Financial Liabilities	12,121	-	3,440,441	3,452,562

3.2.9 **Measurement basis of financial assets and liabilities** *(continued)*.

	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*
BANK				
31 December 2016				
Financial assets				
Cash and balances with Central Banks	-	-	637,061	637,061
Loans and advances to banks	-	-	204,469	204,469
Loans and advances to customers				
- Overdrafts	-	-	238,471	238,471
- Term loans	-	-	1,421,789	1,421,789
- Staff loans	-	-	4,676	4,676
- Project finance	-	-	26,472	26,472
- Advances under finance lease	-	-	1,304	1,304
Financial assets held for trading	23,482	-	-	23,482
Investment securities:				
Available-for-sale investments	-	587,153	-	587,153
Held to maturity investments	-	-	81,590	81,590
Asset pledged as collateral	-	77,454	73,636	151,090
Other assets	-	-	17,362	17,362
Total Financial Assets	23,482	664,607	2,706,830	3,394,919
Financial liabilities				
Customer deposits	-	-	2,490,578	2,490,578
Deposits from banks	-	-	40,493	40,493
Financial liabilities held for trading	12,751	-	-	12,751
Borrowings	-	-	369,428	369,428
Other liabilities	-	-	120,930	120,930
Total Financial Liabilities	12,751	-	3,021,429	3,034,180
31 December 2015				
Financial assets				
Cash and balances with Central Banks	-	-	679,054	679,054
Loans and advances to banks	-	-	137,548	137,548
Loans and advances to customers				
- Overdrafts	-	-	291,349	291,349
- Term loans	-	-	1,137,605	1,137,605
- Staff loans	-	-	6,134	6,134
- Project finance	-	-	20,230	20,230
- Advances under finance lease	-	-	1,967	1,967
Financial assets held for trading	5,049	-	-	5,049
Investment securities:				-
Available-for-sale investments	-	689,577	-	689,577
Held to maturity investments	-	-	92,325	92,325
Asset pledged as collateral	-	20,198	79,888	100,086
Other assets	-	-	7,289	7,289
Total Financial Assets	5,049	709,775	2,453,389	3,168,213
Financial liabilities				
Customer deposits	-	-	2,399,822	2,399,822
Deposits from banks	-	-	50,566	50,566
Financial liabilities held for trading	2,657	-	-	2,657
Borrowings	-	-	290,620	290,620
Other liabilities	-	-	120,893	120,893
Total Financial Liabilities	2,657	-	2,861,901	2,864,558

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

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

	31 Dec 2016 N'millions	31 Dec 2015 N'millions
GROUP		
Balances with central banks	588,346	638,784
Loans and advances to banks	437,935	374,511
Loans and advances to customers		
- Overdrafts	282,687	316,571
- Term loans	1,691,198	1,401,524
- Staff loans	6,769	7,703
- Project finance	104,783	88,280
- Advances under finance lease	1,304	1,967
Financial assets held for trading	23,494	5,049
Investment securities - Debt		
-Available-for-sale investments	801,284	675,068
-Held to maturity investments	108,159	106,037
Asset pledged as collateral	161,133	102,217
Other assets	26,544	13,206
	4,233,636	3,730,917
Credit risk exposures relating to off balance sheet assets are as follows:		
Loan commitments	14,203	33,342
Letter of credit and other credit related obligations	470,624	421,696
	484,827	455,038
TOTAL MAXIMUM EXPOSURE	4,718,463	4,185,955
BANK		
Balances with central banks	572,508	628,984
Loans and advances to banks	204,469	137,548
Loans and advances to customers		
- Overdrafts	238,471	291,349
- Term loans	1,421,789	1,137,605
- Staff loans	4,676	6,134
- Project finance	26,472	20,230
- Advances under finance lease	1,304	1,967
Financial assets held for trading	23,482	5,049
Investment securities		
-Available-for-sale investments	535,435	640,257
-Held to maturity investments	81,590	92,325
Asset pledged as collateral	151,090	100,086
Other assets	17,362	7,289
	3,278,648	3,068,823
Loan commitments	11,061	19,015
Letter of credit and other credit related obligations	453,258	421,157
	464,319	440,173
TOTAL MAXIMUM EXPOSURE	3,742,967	3,508,996

3.2.11 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2016 and 31 December 2015. 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 equity instruments.

GROUP

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Balances with central bank	572,508	-	-	15,526	312	-	588,346
Loans and advances to banks	171,678	-	-	40,494	168,381	57,382	437,935
Loans and advances to customers							-
- Overdrafts	153,682	67,650	19,408	40,462	620	865	282,687
- Term loans	1,215,813	190,685	57,318	102,969	13,180	111,233	1,691,198
- Staff loans	4,696	-	-	2,030	43	-	6,769
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets held for trading	21,459	-	-	449	1,586	-	23,494
Investment securities							
Available-for-sale investments	531,598	3,953	1,950	16,170	18,486	229,127	801,284
Held to maturity investments	87,159	3,184	-	17,816	-	-	108,159
Asset pledged as collateral	151,090	-	-	10,043	-	-	161,133
Other assets	13,245	3,746	919	5,100	3,534		26,544
31 December 2016	2,981,178	269,825	95,473	276,167	212,386	398,607	4,233,636

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

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Loan commitments	8,116	2,939	6	3,142	-	-	14,203
Letters of credit and other credit related obligations	300,441	122,341	15,410	6,931	11,735	13,766	470,624
31 December 2016	308,557	125,280	15,416	10,073	11,735	13,766	484,827

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Balances with central bank	625,707			8,160	428		634,295
Loans and advances to banks	78,391	-	2,717	21,905	271,640	55,400	430,053
Loans and advances to customers							
- Overdrafts	220,337	58,629	16,745	17,411	991		314,112
- Term loans	1,047,805	332,387	102,839	97,653	211,435		1,792,119
- Staff loans	6,173	-	-	798	42		7,013
- Project finance	38,310	803	9,563	25,896	2,986		77,558
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets held for trading	904	-	-	-	8,674	1,130	10,708
Investment securities							
Available-for-sale investments	376,523	3,235	799	9,065	10,583		400,205
Held to maturity investments	137,678	7,334	504	10,837	-		156,353
Asset pledged as collateral	63,158	-	-	1,369	-		64,527
Other assets	12,830	8,584	609	4,479	227		26,728
31 December 2015	2,609,854	411,655	133,815	197,573	507,006	56,530	3,916,433

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

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Loan commitments	28,888	3,286	9	1,060	100	-	33,342
Letters of credit and other credit related obligations	336,189	48,782	19,431	7,230	6,128	3,935	421,696
31 December 2015	365,077	52,068	19,440	8,290	6,228	3,935	455,038

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

BANK

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Balances with central bank	572,508	-	-	-	-	-	572,508
Loans and advances to banks	68,925	-	-	1,664	114,993	18,887	204,469
Loans and advances to customers							
- Overdrafts	151,413	67,650	19,408	-	-	-	238,471
- Term loans	1,173,786	190,685	57,318	-	-	-	1,421,789
- Staff loans	4,676	-	-	-	-	-	4,676
- Project finance	10,613	-	15,859	-	-	-	26,472
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets held for trading	21,459	-	-	449	1,574	-	23,482
Investment securities							
Available-for-sale investments	529,532	3,953	1,950	-	-	-	535,435
Held to maturity investments	78,406	3,184	-	-	-	-	81,590
Asset pledged as collateral	151,090	-	-	-	-	-	151,090
Other assets	12,697	3,746	919	-	-	-	17,362
31 December 2016	2,775,783	269,825	95,473	2,113	116,567	18,887	3,278,648

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

Loan commitments	8,116	2,939	6	-	-	-	11,061
Letters of credit and other credit related obligations	314,350	123,074	15,834	-	-	-	453,258
31 December 2016	322,466	126,013	15,840	-	-	-	464,319

Balances with central bank	629,184			9,331	269		638,784
Loans and advances to banks	109,337	-	3,350	40,679	158,277	62,868	374,511
Loans and advances to customers							
- Overdrafts	229,115	52,039	11,091	22,001	1,541	783	316,571
- Term loans	914,148	196,469	63,064	105,698	47,632	74,514	1,401,524
- Staff loans	6,215	-	-	1,448	40	-	7,703
- Project finance	40,032	2,246	11,614	31,057	3,220	112	88,280
- Advances under finance lease	1,374	561	32	-			1,967
Financial assets held for trading	2,484	-	-	303	2,262	-	5,049
Investment securities							
Available-for-sale investments	646,683	5,384	2,617	-	10,368	10,015	675,068
Held to maturity investments	88,871	4,919	130	12,117	-	-	106,037
Asset pledged as collateral	100,085	-	-	2,132	-	-	102,217
Other assets	7,122	559	450	4,632	444	-	13,207
31 December 2015	2,774,649	262,177	92,348	229,398	224,053	148,293	3,730,918

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

Loan commitment	15,721	3,286	9	-	-	-	19,015
Letters of credit and other credit related obligations	352,944	48,782	19,431	-	-	-	421,157
31 December 2015	368,665	52,068	19,440	-	-	-	440,173

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

b) Industry sectors

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

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for sale	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	-	-	-	-	-	2,285
Oil and gas	-	-	-	-	-		
Consumer credit	-	-	-	-	-		
Manufacturing	-	-	-	-	-	-	
Real estate	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	
Finance and insurance	588,346	437,935	7,096	264,807	5,170	10,043	20,512
Transportation	-	-	-	-	-	-	
Communication	-	-	-	-	-	-	
General commerce	-	-		-	-	-	
Utilities	-	-	-	-	-	-	2,790
Retail services	-	-	-	-	-	-	457
Public sector	-	-	16,398	536,477	102,989	151,090	500
Total at 31 December 2016	588,346	437,935	23,494	801,284	108,159	161,133	26,544

	Overdraft	Term loans	Loans to customers Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	7,627	108,397	-	-	1	116,025
Oil and gas	78,915	559,974	-	50,415	-	689,304
Consumer credit	5,964	112,932	5,098	-	-	123,994
Manufacturing	45,797	293,775	-	18,304	179	358,055
Real estate	29,630	155,762	1,671	-	-	187,063
Construction	40,246	18,376	-	15,859	9	74,490
Finance and insurance	638	5,499	-	4,121	-	10,258
Transportation	1,818	11,541	-	9,080	13	22,452
Communication	12,790	59,068	-	6,185	-	78,043
General commerce	25,506	26,148	-	-	3	51,657
Utilities	4,392	99,573	-	-	-	103,965
Retail services	29,173	44,031	-	-	1,099	74,303
Public sector	191	196,122	-	819	-	197,132
Total at 31 December 2016	282,687	1,691,198	6,769	104,783	1,304	2,086,741

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets N 'millions
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-		3,206
Consumer credit	-	-	-	-	-		-
Manufacturing	-	-	-	-	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	638,784	374,511	3,184	40,576	5,430	-	10,000
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-		-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	1,865	634,492	100,608	102,217	-
Total at 31 December 2015	638,784	374,511	5,049	675,068	106,037	102,217	13,206

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

b) Industry sectors

	Overdraft	Term loans	Loans to customers Staff loans	project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	2,687	55,664	-	-	-	58,350
Oil and gas	123,098	419,273	21	34,747	197	577,335
Consumer credit	5,220	134,776	5,567	-	-	145,564
Manufacturing	51,381	287,691	-	18,486	298	357,856
Real estate	20,174	129,846	2,051	-	-	152,070
Construction	30,477	16,964	-	18,004	9	65,455
Finance and insurance	3,907	10,592	20	3,987	125	18,631
Transportation	3,125	16,556	-	6,519	83	26,283
Communication	10,138	49,811	-	-	-	59,949
General commerce	35,230	38,497	-	110	6	73,843
Utilities	8,788	55,064	-	-	-	63,852
Retail services	21,397	39,699	44	5,542	1,236	67,917
Public sector	950	147,091	-	885	13	148,938
Total at 31 December 2015	316,571	1,401,524	7,703	88,280	1,967	1,816,043

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities-Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets N 'millions
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
BANK							
Agriculture	-	-	-	-	-	-	2,284
Oil and gas			-	-	-	-	
Consumer credit			-	-	-	-	
Manufacturing			-	-		-	
Real estate			-	-	-	-	
Construction			-	-	-	-	
Finance and insurance	572,508	204,469	7,085	1,023	5,170	-	11,788
Transportation			-	-	-	-	
Communication			-	-	-	-	
General commerce			-	-	-	-	
Utilities			-	-	-	-	2,790
Retail services			-	-	-	-	
Public sector			16,397	534,412	76,420	151,090	500
Total at 31 December 2016	572,508	204,469	23,482	535,435	81,590	151,090	17,362

	Overdraft	Term loans	Loans to customers Staff loans	project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	7,486	43,272	- -	1	1	50,758
Oil and gas	77,024	569,983	-	4,429	-	651,436
Consumer credit	5,055	103,443	3,005	-	-	111,503
Manufacturing	42,932	182,907	-	-	179	226,018
Real estate	22,070	98,355	1,671	-	-	122,096
Construction	39,159	17,362	-	15,859	9	72,389
Finance and insurance	452	4,211	-	-	-	4,663
Transportation	1,501	8,877	-	-	13	10,391
Communication	10,936	58,078	-	6,185	-	75,199
General commerce	14,224	10,341	-	-	3	24,568
Utilities	2,754	98,670	-	-	-	101,424
Retail services	14,858	37,054	-	-	1,099	53,011
Public sector	20	189,236	-	-	-	189,256
Total at 31 December 2016	238,471	1,421,789	4,676	26,472	1,304	1,692,712

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

b) Industry sectors

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities-Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	-	-	-	-	-	-
Oil and gas			-	-	-	-	3,272
Consumer credit			-	-	-	-	
Manufacturing			-	-		-	
Real estate			-	-	-	-	
Construction			-	-	-	-	
Finance and insurance	628,984	137,548	3,184	6,732	5,425	-	4,017
Transportation			-	-	-	-	
Communication			-	-	-	-	
General commerce			-	-	-	-	
Utilities			-	-	-	-	
Retail services			-	-	-	-	
Public sector			1,865	633,525	86,900	100,086	
Total at 31 December 2015	628,984	137,548	5,049	640,257	92,325	100,086	7,289

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	2,446	17,286	-	-	-	19,732
Oil and gas	122,173	402,010	-	2,246	197	526,626
Consumer credit	4,648	125,236	4,138	-	-	134,022
Manufacturing	48,901	173,552	-	-	297	222,750
Real estate	19,314	84,566	1,996	-	-	105,876
Construction	29,219	15,741	-	17,984	9	62,953
Finance and insurance	693	8,968	-	-	125	9,786
Transportation	1,477	13,681	-	-	83	15,242
Communication	9,976	48,575	-	-	-	58,551
General commerce	25,423	22,609	-	-	6	48,037
Utilities	7,404	54,341	-	-	-	61,745
Retail services	19,042	30,793	-	-	1,236	51,071
Public sector	633	140,248	-	-	13	140,894
Total at 31 December 2015	291,349	1,137,605	6,134	20,230	1,967	1,457,284

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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015
	N 'millions	N 'millions	N 'millions	N 'millions
		GROUP		
Agriculture	-	11,331	-	4,056
Oil and gas	8,539	44,141	10,026	46,212
Consumer credit	-	118	-	10
Manufacturing	3,437	116,774	6,290	77,589
Real estate	157	878	891	1,079
Construction	-	76,244	13	63,956
Finance and insurance	30	113,326	-	120,593
Transportation	522	444	564	1,068
Communication	618	1,880	74	1,862
General commerce	879	55,379	8,249	37,183
Utilities	-	24,295	6,619	45,592
Retail services	21	25,814	577	21,419
Public sector	-	-	39	1,077
TOTAL	14,203	470,624	33,342	421,696

3.2.11

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

	Loan commitments 31 Dec 2016 N 'millions	Letter of credit and other related obligations 31 Dec 2016 N 'millions	Loan commitments 31 Dec 2015 N 'millions	Letter of credit and other related obligations 31 Dec 2015 N 'millions
Credit risk exposure relating to off balance sheet items are as follows		BANK		
Agriculture	-	11,473	-	5,317
Oil and gas	7,462	43,425	5,189	43,106
Consumer credit	-	118	-	10
Manufacturing	3,429	128,230	6,265	96,581
Real estate	157	803	387	1,043
Construction	-	75,425	-	64,308
Finance and insurance	-	77,999	-	104,227
Transportation	-	123	-	955
Communication	13	1,880	-	1,829
General commerce	-	60,894	18	35,508
Utilities	-	24,219	6,619	45,592
Retail services	-	25,737	497	21,419
Public sector	-	2,932	39	1,263
TOTAL	11,061	453,258	19,015	421,157

3.2.12 **Loans and advances to customers**

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

	Overdraft	Term loans	Loans to customers Staff loans	project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
GROUP						
December 2016						
Neither past due nor impaired	201,193	1,292,073	6,788	83,040	1,059	1,584,153
Past due but not impaired	38,489	191,446	6	8,998	256	239,195
Individually impaired	152,773	392,128	15	23,885	497	569,298
Collectively impaired	1,415	11,972	45	-	27	13,459
Gross	393,870	1,887,619	6,854	115,923	1,839	2,406,105
Less: allowance for impairment (note 20)	(111,183)	(196,421)	(85)	(11,140)	(535)	(319,364)
Net	282,687	1,691,198	6,769	104,783	1,304	2,086,741
Specific impairment (see note 20)	106,323	164,818	3	10,837	497	282,478
Portfolio allowance (see note 20)	4,860	31,603	82	303	38	36,886
Total	111,183	196,421	85	11,140	535	319,364
December 2015						
Neither past due nor impaired	210,781	1,218,841	7,708	76,319	1,978	1,515,627
Past due but not impaired	27,702	59,554	64	12,098	-	99,418
Individually impaired	117,034	216,192	-	-	332	333,558
Collectively impaired	2,941	12,430	1	-	11	15,384
Gross	358,458	1,507,018	7,773	88,417	2,321	1,963,987
Less: allowance for impairment (note 20)	(41,887)	(105,494)	(70)	(137)	(354)	(147,942)
Net	316,571	1,401,524	7,703	88,280	1,967	1,816,045
Specific impairment (see note 20)	39,089	75,109	-	-	322	114,520
Portfolio allowance (see note 20)	2,798	30,385	70	137	32	33,422
Total	41,887	105,494	70	137	354	147,942

3.2.12 Loans and advances to customers

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

	Loans to customers					
BANK	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
December 2016	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Neither past due nor impaired	165,510	1,037,037	4,743	20,444	1,059	1,228,793
Past due but not impaired	33,140	186,010	-	6,331	256	225,737
Individually impaired	144,666	320,463	-	1,365	497	466,991
Collectively impaired	990	10,869	-	-	27	11,886
Gross	344,306	1,554,379	4,743	28,140	1,839	1,933,407
Less: allowance for impairment (note 20)	(105,835)	(132,590)	(67)	(1,668)	(535)	(240,695)
Net	238,471	1,421,789	4,676	26,472	1,304	1,692,712
Specific impairment (see note 20)	102,207	106,036	-	1,365	497	210,105
Portfolio allowance (see note 20)	3,628	26,554	67	303	38	30,590
Total	105,835	132,590	67	1,668	535	240,695
December 2015						
Neither past due nor impaired	190,248	962,531	6,203	8,661	1,978	1,169,621
Past due but not impaired	25,699	49,212	-	11,706	-	86,618
Individually impaired	114,305	211,460	-	-	332	326,097
Collectively impaired	1,209	11,380	-	-	11	12,601
Gross	331,462	1,234,584	6,203	20,367	2,321	1,594,937
Less: allowance for impairment (note 20)	(40,113)	(96,978)	(69)	(137)	(354)	(137,651)
Net	291,349	1,137,606	6,134	20,230	1,967	1,457,285
Specific impairment (see note 20)	38,479	72,577	-	-	323	111,379
Portfolio allowance (see note 20)	1,634	24,401	69	137	31	26,272
Total	40,113	96,978	69	137	354	137,651

GROUP

December 2016

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

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Grades:						
AAA	860	5,164	4	-	(1)	6,027
AA	2,227	59,787	80	-	-	62,094
A	3	35,233	41	-	-	35,277
BBB	8,919	102,409	131	-	-	111,459
BB	71,884	546,884	2,145	16,840	679	638,432
B	83,832	299,598	2,790	4,429	381	391,030
CCC	11,982	25,902	1,554	-	-	39,438
CC	-	1,700	-	-	-	1,700
C	21,486	215,396	43	61,771	-	298,696
	201,193	1,292,073	6,788	83,040	1,059	1,584,153

(b) **Loans and advances past due but not impaired**

Past due up to 30 days	16,112	143,171	4	8,581	186	168,054
Past due by 30 - 60 days	18,175	25,850	2	-	70	44,097
Past due 60-90 days	4,202	22,425	-	417	-	27,044
Gross amount	38,489	191,446	6	8,998	256	239,195

(c) **Collectively impaired loans**

These represent insignificant impaired loans which are assessed on a collective basis.	1,415	11,972	45	-	27	13,459

(d) **Loans and advances individually impaired**

Gross amount	152,773	392,128	15	23,885	497	569,298
Specific impairment	(106,323)	(164,818)	(3)	(10,837)	(497)	(282,478)
Net amount	46,450	227,310	12	13,048	-	286,820

3.2.12 Loans and advances to customers continued

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
GROUP						
December 2015						
(a) Loans and advances to customers - neither past due nor impaired						
Grades:						
AAA	359	4,330	19	-	-	4,708
AA	-	23,838	-	-	-	23,838
A	1,388	20,452	-	-	-	21,840
BBB	26,998	89,037	93	-	-	116,129
BB	125,899	671,005	2,150	7,288	941	807,282
B	50,357	193,814	5,406	2,259	1,036	252,871
CCC	283	725	-	-	-	1,008
C	5,496	215,641	40	66,773		287,950
	210,781	1,218,841	7,708	76,318	1,977	1,515,625
(b) Loans and advances past due but not impaired						
Past due up to 30 days	211	5,201	2	20	-	5,434
Past due by 30 - 60 days	24,729	45,546	1	11,706	-	81,981
Past due 60-90 days	2,762	8,808	61	373	-	12,003
Gross amount	27,702	59,555	63	12,098	0	99,418
(c) Collectively impaired loans These represent insignificant impaired loans which are assessed on a collective basis.	2,941	12,430	1	-	11	15,384
(d) Loans and advances individually impaired						
Gross amount	117,034	216,192	-	-	332	333,558
Specific impairment	(39,089)	(75,109)	-	-	(322)	(114,520)
Net amount	156,123	291,301	-	-	654	448,078

BANK

December 2016

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

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Grades:						
AAA	860	-	-	-	-	860
AA	2,227	58,967	-	-	-	61,194
A	-	29,950	-	-	-	29,950
BBB	8,183	99,570	-	-	-	107,753
BB	71,113	545,157	2,145	16,015	678	635,108
B	82,750	298,141	2,598	4,429	381	388,299
CCC	377	3,552	-	-	-	3,929
CC		1,700				1,700
	165,510	1,037,037	4,743	20,444	1,059	1,228,793
(b) Loans and advances past due but not impaired						
Past due up to 30 days	14,850	139,357	-	6,331	186	160,724
Past due by 30 - 60 days	16,671	25,578	-	-	70	42,319
Past due 60-90 days	1,619	21,075	-	-	-	22,694
Gross amount	33,140	186,010	-	6,331	256	225,737
(c) Collectively impaired loans These represent insignificant impaired loans which are assessed on a collective basis.	990	10,869	-	-	27	11,886

3.2.12 Loans and advances to customers continued

BANK	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
(d) Loans and advances individually impaired						
Gross amount	144,666	320,463	-	1,365	497	466,991
Specific impairment	(102,207)	(106,036)	-	(1,365)	(497)	(210,105)
Net amount	42,459	214,427	-	-	-	256,886

December 2015

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

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

Grades:	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
AAA	360	-	-	-	-	360
AA	-	23,838	-	-	-	23,838
A	1,388	12,024	-	-	-	13,413
BBB	26,189	82,823	-	-	-	109,012
BB	124,289	667,200	1,932	6,403	941	800,765
B	37,739	175,922	4,272	2,259	1,036	221,227
CCC	283	725	-	-	-	1,008
	190,248	962,532	6,203	8,661	1,978	1,169,621

(b) Loans and advances past due but not impaired

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
Past due up to 30 days	3	733	-	-	-	736
Past due by 30 - 60 days	24,592	43,707		11,706	-	80,005
Past due 60-90 days	1,103	4,773		-	-	5,876
Gross amount	25,699	49,212	-	11,706	-	86,617

(c) Collectively impaired loans

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	1,209	11,380	-	-	11	12,601

(d) Loans and advances individually impaired

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
Gross amount	114,305	211,460	-	-	332	326,097
Specific impairment	(38,479)	(72,577)	-	-	(323)	(111,379)
Net amount	75,826	138,883	-	-	9	214,718

(e) Sensitivity analysis on impairment

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

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

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

Approach to sensitivity analysis

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

Scenario 1

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

Scenario 2

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

3.2.12 Loans and advances to customers continued

(e) Sensitivity analysis on impairment continued

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

	Impairment charge in profit or loss		
	Current year N'millions	Scenario 1 N'millions	Scenario 2 N'millions
31 December 2016			
- Overdrafts	80,694	81,375	81,424
- Term loans	76,945	82,956	83,502
- Staff loans	-	12	12
- Project finance	1,531	1,591	1,591
- Advances under finance lease	181	188	189
Total	159,351	166,122	166,718
31 December 2015			
- Overdrafts	37,858	38,118	38,167
- Term loans	83,451	84,660	85,127
- Staff loans	1	15	15
- Project finance	(14)	13	13
- Advances under finance lease	119	123	124
Total	121,415	122,929	123,446

3.2.13 Loans and advances to banks

(a) Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Co's rating (credit rating agency) and the bank's internal rating system at 31 December 2016 and 31 December 2015.

	Group	Bank
	Loans to banks N'millions	Loans to banks N'millions
31 December 2016		
A+ to A-	110,526	110,526
B+ to B-	62,198	62,198
Unrated	233,602	135
	406,327	172,859
31 December 2015		
A+ to A-	71,528	71,528
B+ to B-	9,581	56,839
Unrated	293,402	9,180
	374,511	137,547

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

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

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Co's rating (credit rating agency) at 31 December 2016 and 31 December 2015.

Group

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
	N'millions	N'millions	N'millions	N'millions	N'millions
31 December 2016					
A+ to A-	195,607	51,933	-	16,674	10,289
B+ to B-	512,927	116,206	-	138,545	-
Unrated	2,065	-	31,386	5,233	16,255
	710,599	168,139	31,386	160,452	26,544
31 December 2015					
A+ to A-	-	26,917	-	18,428	4,072
B+ to B-	474,545	192,239	3,196	154,318	-
Unrated	-	1,565	8,412	3,702	9,134
	474,545	220,721	11,608	176,448	13,206

Bank

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
31 December 2016	N'millions	N'millions	N'millions	N'millions	N'millions
A+ to A-	-	6,278	-	16,681	10,289
B+ to B-	512,927	93,684	-	138,545	-
Unrated	-	-	-	-	7,073
	512,927	99,962	-	155,226	17,362
31 December 2015					
A+ to A-	-	8,695	-	18,428	4,138
B+ to B-	473,578	176,617	-	153,785	-
Unrated	-	1,565	-	-	3,151
	473,578	186,877	-	172,213	7,289

3.2.15 Collaterized Assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2016 and 31 december 2015 are shown below

(i) **GROUP**

	Over-collaterised assets		Under-collaterised assets	
31 December 2016	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks			437,935	24,552
Financial assets held for trading			23,494	1,596
Total Financial Assets	-	-	461,429	26,148

GROUP	Over-collaterised assets		Under-collaterised assets	
31 December 2015	Carrying value of the assets	Fair value collateral	Carrying value of the assets	Fair value collateral held
Financial assets				
Loans and advances to banks			374,511	18,275
Financial assets held for trading			5,050	2,306
Total Financial Assets	-	-	379,561	20,581

(ii) **BANK**

BANK	Over-collaterised assets		Under-collaterised assets	
31 December 2016	Carrying value of the assets	Fair value collateral	Carrying value of the assets	Fair value collateral held
Financial assets				
Loans and advances to banks	-	-	204,469	24,552
Financial assets held for trading	-	-	23,482	1,585
Total Financial Assets	-	-	227,951	26,137

BANK	Over-collaterised assets		Under-collaterised assets	
31 December 2015	Carrying value of the assets	Fair value collateral	Carrying value of the assets	Fair value collateral held
Loans and advances to banks	-	-	137,548	18,275
Financial assets held for trading	-	-	5,050	2,306
Total Financial Assets	-	-	142,598	20,581

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

The underlisted financial assets are not collaterised:

Cash and balances with Central Banks
Investment securities:
Available-for-sale investments
Held to maturity investments
Asset pledged as collateral
Other assets

The Group's investment in risk-free Government securities (constituting 90% of debt instruments portfolio) and its Cash and balances with Central Banks are not considered to require collaterals given their sovereign nature.

3.2.16 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 2016 N'millions	31 Dec 2015 N'millions
Total IFRS impairment losses	(244,404)	(138,442)
Prudential provisions	265,084	138,029
Balance in Statutory credit reserve	**20,680**	**(413)**
Analysis of the IFRS impairment losses		
Loans : Specific impairment (note 20)	210,105	111,378
Loans: Collective impairment (note 20)	30,590	26,273
Other assets (note 29)	3,709	791
Total IFRS impairment losses	**244,404**	**138,442**

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 monitoring of the timing of cashflows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits;
- Monitoring the liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

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

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

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.

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

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

GROUP

(a) TABLE A - LIQUIDITY ANALYSIS ON A CONTRACTUAL BASIS

	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 2016							
Financial liabilities							
Deposits from banks	321,275	39,973	638	15,417	-	-	377,303
Deposits from customers	2,296,644	263,531	134,431	120,199	198,247	24,038	3,037,090
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,592
Other liabilities	70,267	104,886	1,571	2,517			179,241
Total financial liabilities	2,695,519	421,337	138,838	153,006	543,048	48,478	4,000,226
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,017	200,236	470,620
Total Commitments	20,559	42,575	80,551	72,295	68,597	200,246	484,823
Assets held for managing liquidity risk	755,417	253,067	126,516	385,210	316,438	115,532	1,952,181

3.3.1 **Liquidity risk**

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

TABLE A - LIQUIDITY ANALYSIS ON A CONTRACTUAL BASIS *(continued)*

	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 2015							
Financial liabilities							
Deposits from banks	71,067	17,379	50,596	-	-	-	139,042
Deposits from customers	2,253,225	294,555	91,080	135,532	126,109	12,495	2,912,998
Borrowings	15,648	8,588	2,981	11,802	143,667	132,141	314,827
Other liabilities	16,131	129,037	493	-	765	-	146,427
Total financial liabilities	2,356,072	449,560	145,150	147,334	270,542	144,636	3,513,294
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total Commitments	32,091	78,012	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	682,664	197,478	107,355	96,587	194,553	112,765	1,391,403

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 2016							
Financial liabilities							
Deposits from banks	25,075	-		15,417	-	-	40,493
Deposits from customers	2,223,414	157,927	58,132	57,869	84	-	2,497,426
Borrowings	32,426	31,632	11,054	14,873	344,800	24,439	459,225
Other liabilities	15,999	103,244	257	1,429		-	120,930
Total financial liabilities	2,296,915	292,803	69,443	89,589	344,885	24,439	3,118,074
Loan commitments	-	-	1,185	130	9,736	9	11,061
Letters of credit and other credit related obligations	25,379	36,105	79,974	61,307	56,865	193,629	453,258
Total Commitments	25,379	36,105	81,159	61,437	66,601	193,638	464,319
Assets held for managing liquidity risk	320,496	38,737	96,595	342,820	89,212	42,061	929,922

	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 2015							
Financial liabilities							
Deposits from banks	50,566	-	-	-	-	-	50,566
Deposits from customers	2,088,126	233,965	56,573	28,488	598	-	2,407,750
Borrowings	45,855	19,077	2,981	11,802	143,667	132,141	355,523
Other liabilities	11,790	109,103	-	-	-	-	120,893
Total financial liabilities	2,196,338	362,144	59,554	40,290	144,265	132,141	2,934,732
Loan commitments	58	2,009	399	334	10,836	5,378	19,015
Letters of credit and other credit related obligations	50,738	54,171	27,836	73,529	45,794	169,090	421,157
Total Commitments	50,796	56,180	28,235	73,863	56,630	174,469	440,173
Assets held for managing liquidity risk	474,364	195,915	105,304	94,235	191,178	112,765	1,173,761

3.3.1 **Liquidity risk**

(b) **TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS**

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 2016							
Financial liabilities							
Deposits from banks	256,830	39,978	65,078	15,417	-	-	377,303
Deposits from customers	304,971	326,098	261,159	289,409	578,608	1,276,844	3,037,090
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	70,267	104,886	1,571	2,517	-	-	179,241
Total financial liabilities	639,402	483,910	330,006	322,217	923,409	1,301,284	4,000,227
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit							
related obligations	20,415	42,515	78,180	71,256	58,017	200,236	470,620
Total Commitments	20,560	42,575	80,551	72,295	68,597	200,246	484,823
Assets held for managing liquidity risk	755,417	253,067	126,516	385,210	316,438	115,532	1,952,181
31 December 2015							
Financial liabilities							
Deposits from banks	71,067	17,379	50,596	-	-	-	139,042
Deposits from customers	477,416	340,999	194,382	266,588	369,326	1,264,287	2,912,998
Borrowings	15,648	8,588	2,981	11,802	143,667	132,141	314,827
Other liabilities	16,131	129,037	493	-	765	-	146,427
Total financial liabilities	580,262	496,004	248,452	278,390	513,758	1,396,428	3,513,294
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit	31,932	62,824	33,333	75,772	46,548	171,287	421,697
related obligations							
Total Commitments	32,091	78,012	34,185	76,680	57,405	176,665	455,038
Assets held for managing liquidity risk	682,664	197,478	107,355	96,587	194,553	112,765	1,391,403

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 2016							
Financial liabilities							
Deposits from banks	25,075	-	-	15,417	-	-	40,493
Deposits from customers	330,618	216,074	144,601	221,178	327,507	1,257,448	2,497,426
Borrowings	32,426	31,632	11,054	14,873	344,800	24,439	459,225
Other liabilities	15,999	103,244	257	1,429		-	120,930
Total financial liabilities	404,119	350,950	155,913	252,897	672,307	1,281,887	3,118,074
Loan commitments	-	-	1,185	130	9,736	9	11,061
Letters of credit and other credit							453,258
related obligations	25,379	36,105	79,974	61,307	56,865	193,629	
Total Commitments	25,379	36,105	81,159	61,437	66,601	193,638	464,319
Assets held for managing liquidity risk	320,496	38,737	96,595	342,820	89,212	42,061	929,922
31 December 2015							
Financial liabilities							
Deposits from banks	50,566	-	-	-	-	-	50,566
Deposits from customers	347,918	280,194	122,422	159,617	245,807	1,251,792	2,407,750
Borrowings	45,855	19,077	2,981	11,802	143,667	132,141	355,523
Other liabilities	11,790	109,103	-	-	-	-	120,893
Total financial liabilities	456,130	408,374	125,403	171,419	389,474	1,383,933	2,934,732
Loan commitments	58	2,009	399	334	10,836	5,378	19,015
Letters of credit and other credit							
related obligations	50,738	54,171	27,836	73,529	45,794	169,090	421,157
Total Commitments	50,796	56,180	28,235	73,863	56,630	174,469	440,173
Assets held for managing liquidity risk	474,364	195,915	105,304	94,235	191,178	112,765	1,173,761

Assets held for managing liquidity risk

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

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

The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term.On an actuarial basis, our demand deposits exhibit much longer duration, with 75.53% of our current account balances and 67.48% of savings account balances being deemed core.

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

Liquidity risk
3.3.2 **Derivative liabilities**
Derivatives settled on a net basis

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

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

GROUP	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2016							
Derivative liabilities							
Accumulator-Forward FX contract	-	-	-	-	-	-	-
Put Option	295	364	468	917	1,458	-	3502
	295	364	468.00	917.00	1458	-	3502
Derivative assets							
Put Options	286	350	436	865	1,457	-	3,394
Forward Contract	-	-	-	-	-	-	-
	286	350	436	865	1,457	-	3,394
	581	714	904	1,782	2,915	-	6,896
At 31 December 2015							
Derivative liabilities							
Accumulator-Forward FX contract							-
Put Option	(522)	(222)	-	-	(2691)	-	(3,434)
	(522)	(222)	-	- -	2,691	-	(3,434)
Derivative assets							
Put Options	571	235	-	-	2,958	-	3,764
Forward Contract							-
	570	235	-	-	2,958	-	3,764
	48	13	-	-	267	-	329

Derivatives settled on a net basis

BANK	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2016							
Derivative liabilities							
Accumulator-Forward FX contract							-
Put Option	295	364	468	917	1,458	-	3,502
	295	364	468.00	917.00	1,458	-	3,502
Derivative assets							
Put Options	286	350	436	865	1,457	-	3,394
	286	350	436	865	1,457	-	3,394
	581	714	904	1,782	2,915	-	6,896
At 31 December 2015							
Derivative liabilities							
Accumulator-Forward FX contract							-
Put Option	(522)	(222)	-	-	(2,691)	-	(3,434)
	(522)	(222)	-	-	(2,691)	-	(3,434)
Derivative assets							
Put Options	571	235	-	-	2,958	-	3,764
	571	235	-	-	2,958	-	3,764
	49	13	-	-	267	-	329

3.3.2 Liquidity risk

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	Total
GROUP	N' million	N' million	N' million	N' million	N' million	N' million
At 31 December 2016						
Liabilities held for trading						
FX Swap - Payable	10,675	4,575	21,350	-	-	36,600
FX Swap - Receivable	11,177	4,995	23,182	-	-	39,354
Forward Contract - Payment	120,887	115,327	103,918	120,978	-	461,111
Forward Contract - Receipt		28,640	2,211			30,851
	142,739	153,537	150,661	120,978	-	567,915
At 31 December 2015						
Liabilities held for trading						
FX Swap - Payable	(2,985)	(24,285)	(12,994)	-	-	(40,264)
FX Swap - Receivable	3,132	23,876	12,920	-	-	39,928
Forward Contract - Payment	-	(4,433)	(218,574)	(98,944)	-	(321,951)
Forward Contract - Receipt	-	-	-	-	-	-
	147	(4,842)	(218,648)	(98,944)	-	(322,286)
BANK						
At 31 December 2016						
Liabilities held for trading						
FX Swap - Payable	10,675	4,575	21,350	-	-	36,600
FX Swap - Receivable	11,177	4,995	23,182	-	-	39,354
Forward Contract - Payable		28,640	2,211			30,851
Forward Contract - Receivable		28,640	2,211			30,851
	21,852	66,850	48,954	-	-	137,656
At 31 December 2015						
Liabilities held for trading						
FX Swap - Payable	(2,985)	(24,285)	(12,994)	-	-	(40,264)
FX Swap - Receivable	3,132	23,876	12,920	-	-	39,928
	147	(409)	(74)	-	-	(335)

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

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 subsidiaries is considered insignificant to the Group. Thus, the VAR of the bank is deemed to be fairly representative of the Group.

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

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

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

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

The treasury bill trading VaR is NGN1.2 billion as at 31st December 2016 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was N31 million as at 31st December 2016, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

3.4.2 **Market risk measurement techniques** *(continued)*

(a) **VAR summary**

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

VAR summary

	BANK		
	12 months to 31 December 2015		
	Average	High	Low
Foreign exchange risk	7	25	-
Interest rate risk	354	1,155	82
Total VAR	**361**	**1,179**	**82**

VAR summary **BANK**

(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 2016 and 31 December 2015. 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 2016						
Financial assets						
Cash and balances with Central Banks	631,348	5,476	610	16,115	36,048	689,597
Loans and advances to banks	90,219	32,398	16,021	281,800	17,497	437,935
Loans and advances to customers						
- Overdrafts	163,818	105,351	1,102	7,128	5,288	282,687
- Term loans	590,050	1,002,693	56,769	30,563	11,123	1,691,198
- Staff loans	4,696	1,489	43	8	532	6,769
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities						
Available-for-sale investments	560,842	292,234	-	-	-	853,076
Held to maturity investments	90,343	-	-	-	17,816	108,159
Asset pledged as collateral	151,090	-	-	-	10,043	161,133
Financial assets held for trading	8,317	15,177	-	-	-	23,494
Other assets	13,631	4,625	1,567	1,618	5,102	26,544
	2,325,946	1,539,791	76,112	341,381	103,450	4,386,679
Financial liabilities						
Customer deposits	2,012,881	549,643	381,545	35,679	50,342	3,030,090
Deposits from banks	282	347,640	17,387	8,142	3,763	377,214
Financial liabilities held for trading	-	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	46,749	116,079	1,727	9,186	5,501	179,241
	2,113,638	1,309,895	400,659	53,214	63,067	3,940,474
31 December 2015						
Financial assets						
Cash and balances with Central Banks	677,723	5,791	6,576	6,215	18,787	715,092
Loans and advances to banks	30,551	213,726	89,629	28,173	12,432	374,511
Loans and advances						
- Overdrafts	180,309	125,885	307	3,603	6,468	316,571
- Term loans	539,379	744,698	41,768	67,463	8,216	1,401,524
- Staff loans	6,219	1,126	40	0	318	7,703
- Project finance	18,026	66,209	-	4,045	-	88,280
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities						
Available-for-sale investments	657,021	67,528	-	-	-	724,549
Held to maturity investments	93,920	-	-	3	12,114	106,037
Asset pledged as collateral	100,085	-	-	-	2,132	102,217
Financial assets held for trading	1,865	3,184	-	-	-	5,049
Other assets	4,495	3,274	452	18	4,968	13,206
	2,311,561	1,231,419	138,772	109,520	65,434	3,856,706
Financial liabilities						
Customer deposits	1,983,739	507,269	357,541	23,680	32,842	2,905,070
Deposits from banks	2,421	114,100	15,285	6,704	542	139,052
Financial liabilities held for trading	-	10,743	-	1,378	-	12,121
Borrowings	82,331	165,445	127	-	1,988	249,892
Other liabilities	79,931	56,597	2,690	4,723	2,485	146,427
	2,148,422	854,154	375,643	36,485	37,858	3,452,562

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 2016						
Financial assets						
Cash and balances with Central Banks	631,348	4,424	356	923	10	637,061
Loans and advances to banks	90,746	84,170	15,085	12,717	1,751	204,469
Loans and advances to customers						
- Overdrafts	163,818	74,653	0	0	-	238,471
- Term loans	590,051	831,738	-	-	-	1,421,789
- Staff loans	4,676	-	-	-	-	4,676
- Project finance	20,287	6,185	-	-	-	26,472
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities						
Available-for-sale investments	558,703	28,450	-	-	-	587,153
Held to maturity investments	81,590	-	-	-	-	81,590
Asset pledged as collateral	151,090	-	-	-	-	151,090
Financial assets held for trading	8,317	15,165	-	-	-	23,482
Other assets	13,083	4,220	22	37	1	17,362
	2,315,013	1,049,004	15,464	13,676	1,762	3,394,919
Financial liabilities						
Customer deposits	2,014,407	455,899	9,752	10,517	3	2,490,578
Deposits from banks	281	40,212	-	-	-	40,493
Financial liabilities held for trading	-	12,751	-	-	-	12,751
Borrowings	53,731	315,375	-	-	322	369,428
Other liabilities	46,617	71,703	373	2,147	91	120,930
	2,115,036	895,940	10,125	12,664	415	3,034,180
31 December 2015						
Financial assets						
Cash and balances with CBN	676,892	1,693	313	152	3	679,054
Loans and advances to banks	26,927	84,791	15,630	9,084	1,116	137,548
Loans and advances						
- Overdrafts	179,972	111,371	6	-	-	291,349
- Term loans	579,032	558,573	-	-	-	1,137,605
- Staff loans	6,134	-	-	-	-	6,134
- Project finance	18,007	2,223	-	-	-	20,230
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities						
Available-for-sale investments	655,894	33,683	-	-	-	689,577
Held to maturity investments	92,325	-	-	-	-	92,325
Asset pledged as collateral	100,086	-	-	-	-	100,086
Financial assets held for trading	1,865	3,184	-	-	-	5,049
Other assets	3,654	3,274	8	18	336	7,289
	2,342,755	798,792	15,956	9,254	1,455	3,168,213
Financial liabilities						
Customer deposits	1,978,136	406,896	9,612	5,178	0	2,399,822
Deposits from banks	2,421	48,145	-	-	-	50,566
Financial liabilities held for trading	-	2,657	-	-	-	2,657
Borrowings	82,243	207,942	197	238	-	290,620
Other liabilities	78,092	40,762	341	1,255	443	120,893
	2,140,892	706,401	10,150	6,671	443	2,864,558

3.4.3 **Foreign exchange risk** *(continued)*

The group is primarily exposed to the US dollar and GBP. The Group's exposure to other foreign exchange movements is not material.

The following table details the Group's sensitivity to a 5% increase and decrease in Naira against the US dollar and GBP 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 GBP denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 5% against the US dollar and GBP For a 5% strengthening of Naira against the US dollar and GBP there would be an equal and opposite impact on profit.

	GROUP		BANK	
	31 Dec 2016 N 'millions	31 Dec 2015 N 'millions	31 Dec 2016 N 'millions	31 Dec 2015 N 'millions
Naira strengthens by 5% against the US dollar Profit/(loss)	(11,495)	(18,863)	(7,653)	(4,620)
Naira weakens by 5% against the US dollar Profit/(loss)	11,495	18,863	7,653	4,620
Naira strengthens by 5% against the GBP Profit/(loss)	16,227	11,844	(267)	(290)
Naira weakens by 5% against the GBP Profit/(loss)	(16,227)	(11,844)	267	290

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 2016				
Financial assets				
Cash and balances with Central Banks	689,597	14,323	7,500	667,774
Loans and advances to banks	437,935	200,624	53,343	183,967
Loans and advances				
- Overdrafts	282,687	282,687	-	-
- Term loans	1,691,198	1,691,198		-
- Staff loans	6,770	1	6,769	-
- Project finance	104,783	104,783	-	-
- Advances under finance lease	1,304	1,304	-	-
Investment securities:				
Available-for-sale investments	853,076	-	801,284	51,792
Held to maturity investments	108,159	-	108,159	-
Assets pledged as collateral	161,133	-	161,133	-
Financial assets held for trading	23,494	-	8,317	15,177
Other assets	26,544	-	-	26,544
	4,386,679	2,294,920	1,146,506	945,254
Financial liabilities				
Customer deposits	3,030,090	1,528,322	1,025,492	476,276
Deposits from banks	377,214	289,717	87,216	281
Financial liabilities held for trading	37,137	0	-	37,137
Borrowings	316,792	5,824	310,968	-
Other liabilities	179,241	-	-	179,241
	3,940,474	1,823,864	1,423,675	692,935
Interest rate mismatch		471,057	(277,169)	252,318

3.4.4 Interest rate risk continued

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2015				
Financial assets				
Cash and balances with Central Banks	715,092	15,253	7,500	692,339
Loans and advances to banks	374,511	264,713	51,997	57,801
Loans and advances				
- Overdrafts	316,571	316,571	-	-
- Term loans	1,401,524	1,401,524		-
- Staff loans	7,704	22	7,682	-
- Project finance	88,280	88,280	-	-
- Advances under finance lease	1,967	1,967	-	-
Investment securities				
Available-for-sale investments	724,549	-	675,040	49,509
Held to maturity investments	106,037	-	106,033	4
Assets pledged as collateral	102,217	-	102,209	8
Financial assets held for trading	5,049	-	1,866	3,183
Other assets	13,206	-	-	13,206
	3,856,708	2,088,330	952,327	816,050
Financial liabilities				
Customer deposits	2,905,070	1,400,719	991,569	512,782
Deposits from banks	139,052	86,864	47,461	4,727
Financial liabilities held for trading	12,121	-	-	12,122
Borrowings	249,892	13,139	236,752	-
Other liabilities	146,427	-	-	146,427
	3,452,562	1,500,722	1,275,782	676,058
Interest rate mismatch		587,608	(323,455)	139,992

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 2016				
Financial assets				
Cash and balances with Central Bank of Nigeria	637,061	-	7,500	629,561
Loans and advances to banks	204,469	-	23,961	180,508
Loans and advances				
- Overdrafts	238,471	238,471	-	-
- Term loans	1,421,789	1,421,789		-
- Staff loans	4,676	-	4,676	-
- Project finance	26,472	26,472	-	-
- Advances under finance lease	1,304	1,304	-	-
Investment securities				
Available-for-sale investments	587,153	-	535,435	51,718
Held to maturity investments	81,590		81,590	-
Assets pledged as collateral	151,090		151,090	-
Financial assets held for trading	23,482	-	8,317	15,166
Other assets	17,362	-	-	17,362
	3,394,919	1,688,036	812,569	894,315
Financial liabilities				
Customer deposits	2,490,578	1,459,489	566,486	464,603
Deposits from banks	40,493	-	40,212	281
Financial liabilities held for trading	12,751	-	-	12,751
Borrowings	369,428	61,754	307,674	-
Other liabilities	120,930	-	-	120,930
	3,034,180	1,521,243	914,371	598,565
Interest rate mismatch		166,793	(101,802)	295,750

3.4.4 Interest rate risk continued
BANK

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2015				
Financial assets				
Cash and balances with Central Bank of Nigeria	679,054	-	7,500	671,554
Loans and advances to banks	137,548	-	57,956	79,592
Loans and advances				
- Overdrafts	291,349	291,349	-	-
- Term loans	1,137,605	1,137,605		-
- Staff loans	6,134	-	6,134	-
- Project finance	20,230	20,230	-	-
- Advances under finance lease	1,967	1,967	-	-
Investment securities				
Available-for-sale investments	689,577		640,257	49,320
Held to maturity investments	92,325		92,325	-
Assets pledged as collateral	100,086	-	100,086	-
Financial assets held for trading	5,049	-	1,866	3,184
Other assets	7,289	-	-	7,289
	3,168,213	1,451,151	906,125	810,938
Financial liabilities				
Customer deposits	2,399,822	1,306,501	632,841	460,480
Deposits from banks	50,566	-	45,839	4,727
Financial liabilities held for trading	2,657	-	-	2,657
Borrowings	290,620	55,943	234,677	-
Other liabilities	120,893	-	-	120,893
	2,864,558	1,362,444	913,357	588,757
Interest rate mismatch		88,707	(7,231)	222,181

Interest rate sensitivity gap analysis

The tables below summarise the repricing profile of FirstBank Nigeria Ltd.'s non-trading book as at 31st December 2016 and 31st December 2015. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries' is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

Figures in N'bn December 2016	<=30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEARS & ABOVE	Rate Sensitive
Treasury Bills	14	37	63	321	-	-	435
Government Bonds	-	-	24	5	8	62	98
Corporate Bonds	-	-	-	-	-	1	1
Loans and advances to banks	24	-	-	-	-	-	24
Project Finance	16	-	-	-	-	11	26
Term Loans	234	27	11	74	210	865	1,422
Overdraft	105	57	14	58	1	3	238
Equipment on Lease	0	0	0	0	1	0	1
Staff Loans	0	0	0	0	1	3	5
TOTAL ASSETS	394	121	113	459	220	945	2,251
Deposits from customers	330	215	143	218	328	456	1,689
Deposits from banks	25	-	-	15	-	-	40
Medium term loan	27	26	9	-	-	-	62
TOTAL LIABILITIES	381	241	153	234	327	456	1,792
	13	(120)	- 40	225	(107)	489	459

Figures in N'bn December 2015	<=30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEARS & ABOVE	Rate Sensitive
Treasury Bills	133	196	101	44	-	-	474
Government Bonds	-	-	1	50	184	112	347
Corporate Bonds	-	-	4	-	7	0	12
Loans and advances to banks	372	-	-	-	-	-	372
Project Finance	6	11	2	1	1	-	20
Term Loans	194	95	29	77	73	668	1,138
Overdraft	24	48	72	148	-	-	291
Equipment on Lease	0	0	2	-	-	-	2
Staff Loans	0	0	6	-	-	-	6
TOTAL ASSETS	729	351	217	320	265	781	2,662
Deposits from customers	345	275	119	157	246	457	1,599
Deposits from banks	51	-	-	-	-	-	51
Medium term loan	30	28	2	3	84	143	291
TOTAL LIABILITIES	426	302	122	160	330	601	1,941
	303	49	95	160	(65)	180	721

Current and Savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice however, these deposits form a stable base for the bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

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

3.4.4 Interest rate risk continued
Interest rate sensitivity gap analysis

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

Reasonable possible movement	BANK	
	31 Dec 2016	**31 Dec 2015**
Nibor Increase by 7%		
Profit/(loss)	52,357	35,530
Nibor decrease by 7%		-
Profit/(loss)	(37,566)	(32,649)
USD Libor increases by 3%		-
Profit/(loss)	11,649	13,140
USD Libor decreases by 3%		-
Profit/(loss)	(13,825)	(18,831)
EURIBOR increases by 3%		-
Profit/(loss)	(47)	1,981
EURIBOR decreases by 3%		-
Profit/(loss)	(16)	2,253

3.5 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 2016, the market value of quoted securities held by the Group is N650million (2015: N1 billion). If the all share index of the NSE moves by 1,768 basis points from the 28,642 position at 31 December 2016, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N42 million.

The Group holds a number of investments in unquoted securities with a market value of N51.14 billion (2015: N48.72 billion) of which investments in African Finance Corporation (52%) and Airtel Nigeria Ltd (44%) are the significant holdings. 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. These investments are level 3 instruments , see sensitivity analysis in note 3.6.

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

3.6 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The following table presents the group's assets and liabilities that are measured at fair value at reporting date. There was no transfer between levels during the year.

Recurring Fair value measurement

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2016				
Financial assets				
Financial assets held for trading				
Debt Securities	6,833	1,484	-	8,317
Derivatives	7,046	8,131	-	15,177
Available-for-sale financial assets				
Investment securities - debt	753,089	48,195	-	801,284
Investment securities - unlisted equity	-	-	51,142	51,142
Investment securities - listed equity	650	-	-	650
Assets pledged as collateral	77,454	-	-	77,454
Financial liabilities held for trading				
Derivatives	6,876	30,261	-	37,137
31 December 2015				
Financial assets held for trading				
Debt Securities	1,865	-	-	1,865
Derivatives	-	3,184	-	3,184
Available-for-sale financial assets				
Investment securities - debt	657,527	17,541	-	675,068
Investment securities - unlisted equity	-	54	48,400	48,454
Investment securities - listed equity	1,027	-	-	1,027
Assets pledged as collateral	20,198	-	-	20,198
Financial liabilities held for trading				
Derivatives	-	12,121	-	12,121

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2016				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	6,833	1,484	-	8,317
Derivatives	7,046	8,119	-	15,165
Available-for-sale financial assets				
Investment securities - debt	487,240	48,195	-	535,435
Investment securities - unlisted equity	-	-	51,142	51,142
Investment securities - listed equity	576	-	-	576
Assets pledged as collateral	77,454	-	-	77,454
Financial liabilities held for trading				
Derivatives	6,876	5,875	-	12,751

3.6 **Fair value of financial assets and liabilities continued**

31 December 2015				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	1,865	-	-	1,865
Derivatives	-	3,184	-	3,184
Available-for-sale financial assets				
Investment securities - debt	622,716	17,541	-	640,257
Investment securities - unlisted equity	-	-	48,433	48,433
Investment securities - listed equity	887	-	-	887
Assets pledged as collateral	20,198	-	-	20,198
Financial liabilities held for trading				
Derivatives	-	2,657	-	2,657

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

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

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

(iii) Financial instruments in level 3

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

The following table presents changes in level 3 instruments

GROUP	
At 1 January 2015	40,722
Sales	(21)
Realized gain on sale	(3,709)
Transfer out of Level 3 due to change in observability of market data	(100)
Total losses recognised through OCI	11,508
At 31 December 2015	48,400
Total Gains/(losses) recognised through OCI	2,709
Transfer into Level 3 due to change in observability of market data	33
At 31 December 2016	51,142

During the year ended 31 December 2016, there were no transfers between level 1 and 2 fair value measurements. Although there was no transfer out of level 3 fair value measurements, there was an immaterial transfer between level 3 and level 1 during the year. Fair value increases/decreases are recorded in other comprehensive income.

BANK	
At 1 January 2015	40,655
Sales	(21)
Realized gain on sale	(3,709)
Total losses recognised through OCI	11,508
At 31 December 2015	48,433
Total Gains/(losses) recognised through OCI	2,709
At 31 December 2016	51,142

During the year ended 31 December 2016, there were no transfers between level 1 and 2 fair value measurements. Although there was no transfer into level 3 fair value measurements, there was an immaterial transfer between level 3 and level 1 during the year. Fair value increases/decreases are recorded in other comprehensive income.

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

3.6 Fair value of financial assets and liabilities continued

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

Description		Valuation technique	Range of Unobservable Input(probability-weighted average)	Relationship of unobservable inputs to fair value	
AIRTEL NIGERIA		EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value	
NIBSS PLC		P/E multiples	25% illiquidity discount	the higher the illiquidity discount the lower the fair value	
AFREXIM BANK LIMITED		P/B multiples	15% illiquidity discount	the higher the illiquidity discount the lower the fair value	
AFRICA FINANCE CORPORATION		P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value	

EV/EBITDA, P/B valuation or P/E valuation multiple - the bank determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the bank's investee company and the comparable public companies based on company-specific facts and circumstances.
A reasonable change in the illiquidity discount will not result in a material change to the fair value of the investment.

(iv) Group's valuation process

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

3.7 Financial instruments not measured at fair value

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

Fair value hierachy
GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2016				
Financial assets				
Cash and balances with central banks	-	689,597	-	689,597
Loans and advances to banks	-	437,935	-	437,935
Loans and advances to Customers:				
- Overdrafts	-		282,687	282,687
- Term loans			1,691,198	1,691,198
- Staff loans	-	-	6,769	6,769
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,913	43,246	-	108,159
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	26,544	-	26,544
Deposit from customers	-	3,030,090	-	3,030,090
Deposit from bank	-	377,214	-	377,214
Borrowing	233,974	82,818	-	316,792
Other liabilities	-	179,241	-	179,241

Financial instruments not measured at fair value *(continued)*

Fair value hierachy

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2015				
Financial assets				
Cash and balances with central banks	-	715,092	-	715,092
Loans and advances to banks	-	374,511	-	374,511
Loans and advances to Customers:				
- Overdrafts	-		316,571	316,571
- Term loans			1,401,524	1,401,524
- Staff loans	-	-	7,703	7,703
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Held to maturity investments	80,533	25,504	-	106,037
Asset pledged as collateral	79,887	2,132	-	82,019
Other assets	-	13,206	-	13,206
Deposit from customers	-	2,905,070	-	2,905,070
Deposit from bank	-	139,052	-	139,052
Borrowing	152,434	97,458	-	249,892
Other liabilities	-	146,427	-	146,427

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2016				
Financial assets				
Cash and balances with central banks	-	637,061	-	637,061
Loans and advances to banks	-	204,469	-	204,469
Loans and advances to Customers:				
- Overdrafts	-		238,471	238,471
- Term loans			1,421,789	1,421,789
- Staff loans	-	-	4,676	4,676
- Project finance	-	-	26,472	26,472
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,915	16,675	-	81,590
Asset pledged as collateral	73,636	-	-	73,636
Other assets	-	17,362	-	17,362
Deposit from customers	-	2,490,578	-	2,490,578
Deposit from bank	-	40,493	-	40,493
Borrowing	233,974	135,454	-	369,428
Other liabilities	-	120,930	-	120,930
31 December 2015				
Financial assets				
Cash and balances with central banks	-	679,054	-	679,054
Loans and advances to banks	-	137,548	-	137,548
Loans and advances to Customers:				
- Overdrafts	-		291,349	291,349
- Term loans			1,137,605	1,137,605
- Staff loans	-	-	6,134	6,134
- Project finance	-	-	20,230	20,230
- Advances under finance lease	-	-	1,967	1,967
Held to maturity investments	78,938	13,387	-	92,325
Asset pledged as collateral	79,888	-	-	79,888
Other assets	-	7,289	-	7,289
Deposit from customers	-	2,399,822	-	2,399,822
Deposit from bank	-	50,566	-	50,566
Borrowing	152,434	138,186	-	290,620
Other liabilities	-	120,893	-	120,893

3.7 Financial instruments not measured at fair value

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

	At 31st December 2016		At 31st December 2015	
	Carrying value N 'millions	**Fair value N 'millions**	**Carrying value N 'millions**	**Fair value N 'millions**
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	6,769	5,147	7,682	5,543
Variable rate loans	2,079,972	2,079,972	1,808,363	1,808,363
Investment securities (held to maturity)	108,159	93,043	106,037	103,463
Asset pledged as collateral	83,679	60,582	82,019	51,899
Loan commitments	14,203	14,203	33,342	33,342
Financial liability				
Borrowings	316,792	272,774	249,892	228,678

	At 31st December 2016		At 31st December 2015	
	Carrying value N 'millions	**Fair value N 'millions**	**Carrying value N 'millions**	**Fair value N 'millions**
BANK				
Financial assets				
Loans and advances to customers:				
Fixed rate loans	4,676	3,054	6,134	4,387
Variable rate loans	1,688,036	1,688,036	1,451,151	1,451,151
Investment securities (held to maturity)	81,590	66,472	92,325	89,752
Asset pledged as collateral	73,636	50,539	79,888	49,767
Loan commitments	11,061	11,061	77,188	77,188
Financial liability				
Borrowings	369,428	325,410	290,620	269,373

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

(c) **The carrying value of the following financial assets and liabilities for both the bank and group approximate their fair values:**

Cash and balances with Central banks
Loans and advances to banks
Other assets (excluding prepayments)
Deposits from banks
Deposits from customers
Other liabilities (excluding provisions and accruals)

4. Capital management

The Group's objectives in managing capital are (i) to comply with the capital requirements set by the Central Bank of Nigeria, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain an optimal capital structure suitable for the Group's business strategy.

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 Bank has an Internal Capital Adequacy Assessment Process which proactively evaluates capital needs vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Bank's internal capital adequacy assessment entails periodic review of risk management processes and stress testing models to gauge the vulnerability of the bank to exceptional yet possible events; monitoring of levels of risk exposures; and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group'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, unpublished losses and under provisions are deducted in arriving at qualifying Tier 1 capital; and

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

The Central Bank of Nigeria prescribed a minimum limit of 15% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks with international banking licence in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The Bank 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.

The table below summarises the Basel II capital adequacy ratio for 2016 and 2015. It shows the composition of regulatory capital and ratios for the years. During those years, the individual entities within the Group complied with all the regulatory capital requirements to which they are subjected.

	Group '31 Dec 2016 N 'millions	Group '31 Dec 2015 N 'millions	Bank '31 Dec 2016 N 'millions	Bank '31 Dec 2015 N 'millions
Tier 1 capital				
Share capital	16,316	16,316	16,316	16,316
Share premium	189,241	189,241	189,241	189,241
Statutory reserve	73,112	65,253	70,748	63,237
Non-controlling interest	965	1,929	-	-
SMEEIS reserves	6,076	6,076	6,076	6,076
Retained earnings	147,768	163,651	153,924	130,787
Less: Goodwill/Deferred Tax	(20,209)	(12,198)	(6,890)	(5,386)
Less: Excess over single obligor limit	-	(29,181)	-	(29,181)
less: Investment in unconsolidated subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 1 capital	413,270	401,087	393,766	333,883
Tier 2 capital				
Fair value reserve	28,406	53,420	29,102	54,090
Other borrowings	233,976	152,434	233,976	152,434
Total Tier 2 Capital	262,382	205,854	263,078	206,524
Tier 2 Capital Restriction	137,757	143,423	143,138	133,424
less: Investment in unconsolidated subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 2 capital	137,757	143,423	107,490	96,216
Total regulatory capital	551,027	544,510	501,256	430,099
Risk-weighted assets				
Credit Risk	2,545,293	2,290,972	1,989,798	1,843,587
Operational Risk	693,552	596,956	620,103	538,277
Market Risk	177,509	136,422	208,257	136,422
Total risk-weighted assets	3,416,354	3,024,349	2,818,158	2,518,285
Risk-weighted Capital Adequacy Ratio (CAR)	16.13%	18.00%	17.79%	17.08%
TIER I CAR	12.10%	13.26%	13.97%	13.26%

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 on-going basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise between 24 to 36 months where the financial asset is collaterized.

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

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

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

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

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 3.6 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.

If the class of held to maturity is tainted, the fair value would decrease by N15 billion amount with a corresponding entry in the available for sale reserve in shareholders equity. Furthermore, the entity would not be able to classify any financial assets as held to maturity for the following two annual report periods.

5 Significant accounting judgments, estimates and assumptions

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 33, "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.

e Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See note 27.1 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2015: 872million)

6 Segment information

Operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.
The Group has identified the following reportable segments:

Retail Banking
Retail Banking cuts across private individuals, businesses and public sector clients, at the lower end of the market. It also covers small and medium enterprises (SMEs), local government agencies, and affluent customers.

Corporate Banking
Corporate Banking serves the middle segment of the business banking value chain, and clients comprise predominantly unrated and non-investment grade companies with a generally higher risk profile compared to institutional clients.

Commercial Banking
Commercial Banking Group (CBG), offers financial services to private sector enterprises, government contractors, hospitality and educational institutions with revenue over N3 billion which have been in existence for 2-5 years.

Public Sector
The public sector banking serves the the three tiers of governement especially the state governments. It also caters for government's parastatals,Ministries and MDAs by serving their banking needs and provide structured facilities to aid in the economic development of the country.

Treasury Services
The corporate treasury serves the needs of the group in the following areas among others:
- Cash Management
- Liquidity Planning and Control
- Management of interest, currency and commodity risks
- Procurement of finance and financial investments
- Contacts with banks and rating agencies
- Corporate finance.

Others
The results of all other business units are not reportable segments, as they are not separately included in the reports provided to the Group management committee. This segment also includes the corporate office (excluding treasury services).

The Group's management reporting is based on a measure of operating profit . This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

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

Segment result of operations

Total revenue in the segment represents: Interest income, fee and commission income, net gains or losses on foreign exchange income, net gains/ losses on investment securities, net gains/ losses from financial assets classified as held for trading, dividend income and other operating income.

The segment information provided to the Group management committee for the reportable segments for the year ended 31 December 2016 is as follows:

	Commercial Banking N 'millions	Corporate Banking N 'millions	Retail Banking N 'millions	Public Sector N 'millions	Treasury Services N 'millions	Segment Total N 'millions	Others N 'millions	Total N 'millions
At 31 December 2016								
Total segment revenue	25,783	149,971	86,433	8,595	196,221	**467,003**	68,536	**535,539**
Inter-segment revenue	(2,002)	(63,812)	108,173	13,954	(68,038)	**(11,726)**	11,726	**-**
Revenue from external customers	23,781	86,159	194,606	22,549	128,183	**455,277**	80,261	**535,539**
Profit/(loss) before tax	12,877	(19,682)	66,439	8,769	49,947	**118,349**	(107,674)	**10,675**
Income tax expense								**1,093**
Profit for the year	12,877	(19,682)	66,439	8,769	49,947	**118,349**	(107,674)	**11,768**
Impairment charge on credit losses	(6,755)	(76,118)	(10,011)	(5)	-	**(92,889)**	(132,056)	**(224,944)**
Impairment charge on doubtful receivables	-	-	-	-	-	-	(4,267)	**(4,267)**
Impairment charge on goodwill	-	-	-	-	-	-	-	-
Profit for the year from discontinued operations	-	-	-	-	-		(1,317)	**(1,317)**
Depreciation	-	(179)	-	-	-	-	(10,415)	**(10,594)**

6 Segment information continued

Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment.

	Commercial Banking N 'millions	Corporate Banking N 'millions	Retail Banking N 'millions	Public Sector N 'millions	Treasury Services N 'millions	Segment Total N 'millions	Others N 'millions	Total N 'millions
At 31 December 2016								
Total assets	123,655	1,679,683	146,812	65,392	697,216	**2,712,758**	1,802,031	**4,514,789**
Other measures of assets:								
Loans and advances to customers	123,655	1,414,952	146,812	65,392	28,473	**1,779,283**	307,457	**2,086,740**
Expenditure on non-current assets	-	948	-	-	-	**948**	82,409	**83,357**
Investment securities	-	263,784	-	-	668,743	**932,527**	28,709	**961,236**
Total liabilities	148,572	1,141,922	1,716,318	292,445	12,751	**3,312,008**	684,843	**3,996,851**
At 31 December 2015								
Total segment revenue	23,158	178,855	127,054	11,833	110,389	**451,289**	11,981	**463,271**
Inter-segment revenue	(8,576)	(47,674)	110,324	19,228	(70,863)	**2,438**	(2,438)	**-**
Revenue from external customers	14,582	131,180	237,378	31,061	39,526	**453,726**	9,544	**463,271**
Profit/(loss) before tax	11,376	77,387	147,256	9,618	34,172	**279,808**	(270,081)	**9,729**
Income tax expense								**(6,913)**
Profit for the year	11,376	77,387	147,256	9,618	34,172	**279,808**	(270,080)	**2,816**
Impairment charge on credit losses	(21,314)	(47,652)	(15,151)	(8,413)	-	**(92,531)**	(32,623)	**(125,154)**
Impairment charge on doubtful receivables	-	-	-		-	**-**	(518)	**(518)**
Depreciation	-	-	-		-	**-**	(10,552)	**(10,552)**
At 31st December 2015								
Total assets	108,188	1,380,367	191,468	104,364	815,747	**2,600,132**	1,372,966	**3,973,098**
Other measures of assets:								
Loans and advances to customers	108,188	1,380,367	191,468	104,364	-	**1,784,386**	31,659	**1,816,045**
Expenditure on non-current assets	-	-	-		-	**-**	82,351	**82,351**
Investment securities	-	-	-		815,747	**815,747**	14,840	**830,586**
Total liabilities	43,093	1,262,631	1,677,586	258,996	2,658	**3,244,964**	223,610	**3,468,574**

Geographical information

Revenues

	31 Dec 2016 N 'millions	31 Dec 2015 N 'millions
Nigeria	475,369	411,402
Outside Nigeria	60,170	51,868
Total	535,539	463,271

Non current asset

	31 Dec 2016 N 'millions	31 Dec 2015 N 'millions
Nigeria	74,467	74,817
Outside Nigeria	8,890	7,534
Total	83,357	82,351

7 Interest income

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Investment securities	100,595	87,426	94,988	83,708
Loans and advances to banks	14,777	18,234	9,984	11,222
Loans and advances to customer	268,805	272,105	234,328	242,841
	384,177	377,765	339,300	337,771

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 N30.24 billion (2015:N25.97 billion) and Bank N29.74 billion (2015: N25.34 billion).

8 Interest expense

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Customer Deposits	69,211	100,399	56,561	91,091
Deposit from banks	1,918	3,365	542	2,732
Borrowings	18,764	15,045	22,630	16,073
	89,893	118,809	79,733	109,896

9 Impairment charge for credit losses

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Loans and advances to customers (refer to note 20)				
Increase in collective impairment	16,256	23,916	12,611	19,974
Increase in specific impairment	206,910	103,319	146,740	101,441
	223,166	127,235	159,351	121,415
Net recoveries on loans previously written off	(2,485)	(2,080)	(2,428)	(1,887)
Other assets (refer to note 29.1)				
Increase/(decrease) in impairment	4,267	517	2,918	518
	224,948	125,672	159,841	120,046

The Group Impairment charge in the financial year ended December 2016 stood at N224.94 billion from N125.67 billion recorded in December 2015. Incremental impairment charge was attributable to recognition of impairment on some specific accounts as well as collective exposures following reassessment of the loan book. This reassessment was necessitated due to the sharp decline in global oil prices, the volatile macro environment, coupled with fiscal and monetary headwinds which have resulted in marked reduction in domestic output. This is a prudent measure being taken, while the Group has commenced active remedial action on the specific impaired accounts.

10 (a) Fee and commission income

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Credit related fees	4,233	5,529	3,698	4,775
Commission on turnover	3,171	12,644	17	10,279
Letters of credit commissions and fees	1,920	3,826	999	2,724
Electronic banking fees	21,837	15,371	21,837	15,371
Money transfer commission	5,178	3,154	5,107	3,085
Commission on Bonds and Guarantees	1,277	1,488	1,211	1,475
Funds transfer & Intermediation fees	5,364	4,530	3,695	2,934
Account Maintenance	12,457	3,333	12,457	3,333
Brokerage and Intermediations	1,241	882	1,241	834
Custodian fees	4,727	4,182	-	-
Other fees and commissions	575	1,048	672	671
	61,980	55,987	50,934	45,481

10 (b) Fee and commission expense	10,984	9,403	11,465	9,441

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

11 Net gains on Foreign exchange income

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Revaluation gain on foreign currency balances	69,005	9,079	69,840	7,879
Foreign exchange trading income	8,845	11,316	6,262	9,520
	77,850	20,395	76,102	17,399

The revaluation gain in 2016 is due to exchange rate movements on the bank's long foreign currency balance sheet position as at 31 December 2016.

12 Net gains on investment securities

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Equity securities	-	4,932	-	4,929
Debt securities	5,365	8,291	5,341	8,314
Impairment of available for sale financial assets	(314)	(7,151)	-	-
	5,051	6,072	5,341	13,243

In prior year, the Group's N7.2bn impairment on available for sale financial assets was on corporate bonds issued by an oil and gas issuer which had gone into administration after failing to secure support for planned refinancing and restructuring of its operations.

13 Net gains / (losses) from financial instruments held for trading

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Fair value gain on Derivatives	1,936	776	1,936	776
Trading income on Debt securities	1,235	4	1,235	-
Fair value loss on Debt securities	(69)	(1,336)	(69)	(1,337)
	3,102	(556)	3,102	(561)

14 Other operating income

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Other income	2,649	2,254	345	554
	2,649	2,254	345	554

Other income largely comprises of income made by the group from private banking services, VAT recovered and income on disposal of investment properties.

15 (a) Operating expenses

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Auditors' remuneration	604	571	420	415
Directors' emoluments	2,326	4,601	1,100	3,415
Loss on sale of property, plant and equipment	30	181	32	171
Regulatory cost	28,567	30,029	27,927	29,518
Maintenance	22,154	18,739	21,191	17,616
Insurance premium	1,200	1,349	1,200	1,349
Rent & Rates	3,933	3,590	2,452	2,801
Advert and Corporate Promotions	5,561	7,345	5,279	7,073
Legal and Professional fees	2,848	3,559	1,455	2,645
Donations & Subscriptions	839	1,236	316	671
Stationary & printing	1,749	2,270	1,447	1,974
Consultancy fees	590	942	429	789
Communications, Lights and Power	6,753	6,743	5,767	6,137
Cash handling charges	2,345	3,508	2,195	3,405
Operational and Other losses	6,028	2,194	5,966	1,264
Passages & Travels	4,878	5,206	4,143	4,692
Outsourced cost	15,400	15,548	15,307	14,896
Impairment of investment in subsidiaries	-	-	1,188	1,927
Other operating expenses	3,413	6,906	902	3,705
	109,218	114,517	98,716	104,463

15 (b) Personnel expenses

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Wages and salaries	69,790	64,489	57,239	55,738
Pension costs:				
- Defined contribution plans	3,954	2,389	3,879	2,327
- Defined benefit plans (Note 33)	657	254	167	199
- Other employee benefits	1,680	5,410	2,106	5,408
	76,081	72,542	63,391	63,672

16 Taxation

	GROUP 31 December 2016	GROUP 31 December 2015	BANK 31 December 2016	BANK 31 December 2015
Corporate tax	3,777	6,096	2,938	2,758
Education tax	-	75	-	-
Technology tax	535	26	535	21
Under provision in prior years	(38)	1,229	-	-
Current income tax - current period	4,274	7,426	3,473	2,779
Origination and reversal of temporary deferred tax differences	(5,367)	(513)	-	-
Income tax expense	(1,093)	6,913	3,473	2,779

Group

	2016		2015	
Profit before income tax	10,675		9,858	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	3,203	30%	3,055	31%
	-		-	
Effect of tax rates in foreign jurisdictions	13,717	128%	370	4%
Non-deductible expenses	19,529	183%	36,364	369%
Effect of education tax levy	82	1%	75	1%
Effect of Information technology	535	5%	26	0%
Effect of capital gains tax	-	0%	-	0%
Effect of minimum tax	2,938	28%	2,779	28%
Effect of National fiscal levy	15	0%	82	1%
Effect of excess dividend tax	-	0%	-	0%
Tax exempt income	(35,685)	-334%	(36,280)	-368%
Effect of disposal of items of PPE	-	0%	-	0%
Effect of change in PBT due to IFRS adjustments	-	0%	-	0%
Tax incentives		0%	(206)	-2%
Tax loss effect	69	1%	-	0%
(Over) / under provided in prior years	(7)	0%	1,208	12%
Effect of prior period adjustment on deferred tax	(5,488)	-51%	(238)	-2%
Total income tax expense in income statement	(1,093)	-10%	7,235	73%
Income tax expense	(1,093)	-10%	7,235	73%

Bank

	2016		2015	
Profit before income tax	53,545		2,816	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	16,064	30%	845	30%
Non-deductible expenses	17,967	34%	34,836	1237%
Effect of Information technology	535	1%	21	1%
Effect of minimum tax	2,938	5%	2,758	98%
Effect of excess dividend tax	-	0%	-	0%
Tax exempt income	(34,031)	-64%	(35,529)	-1262%
Tax incentives		0%	(152)	-5%
Total income tax expense in income statement	3,473	6%	2,779	99%
Income tax expense	3,473	6%	2,779	99%

16 Taxation continued

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
The movement in the current income tax liability is as follows:				
At start of the year	5,790	8,530	2,897	6,558
Effect of adjustment on acquired entities	-	-	-	-
Tax paid	(5,479)	(9,293)	(2,806)	(5,189)
Prior period (over)/ under provision	(11)	(41)	-	(1,251)
AFS Securities Revaluation Tax charge/(credit)	-	-	-	-
Income tax charge	2,640	6,519	3,473	2,779
Effect of Changes in Exchange Rate	1,864	75	-	-
At 31 December	4,805	5,790	3,564	2,897
Current	4,805	5,790	3,564	2,897

17 Cash and balances with central banks

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Cash	101,251	76,308	64,553	50,070
Balances with central banks excluding mandatory reserve deposits	46,044	161,868	35,563	155,866
	147,295	238,176	100,116	205,936
Mandatory reserve deposits with Central Banks	542,302	476,916	536,945	473,118
	689,597	715,092	637,061	679,054

Included in balances with central bank is a call placement of N7.5 billion for Group and Bank (31 December 2015: N7.5 billion)

Restricted deposits with central banks are not available for use in the Group's day to day operations. The bank had restricted balances of N536.95 billion with central Bank of Nigeria (CBN) as at 31st December 2016 (December 2015: N473.12 billion). This balance includes CBN Cash Reserve Requirement and Special Intervention Reserve. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2015 :20% of non-government deposits and 75% of government deposit) which should be held with the Central Bank of Nigeria as a regulatory requirement. The Group balance of mandatory reserve deposit also includes restricted balances of N2.035 billion and N2.273 billion (December 2015: N1.09 billion and N1.878 billion) for FBN Ghana and FBN Guinea respectively held with their respective Central Banks.

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.

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Cash (Note 17)	101,251	76,308	64,553	50,070
Balances with central banks other than mandatory reserve deposits (Note 17)	46,044	161,868	35,563	155,866
Loans and advances to banks excluding long term placements (Note 19)	370,564	345,823	137,098	122,635
Treasury bills included in financial assets held for trading (Note 21)	1,768	761	1,768	761
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.1 & 22.2	199,541	60,215	992	57,136
	719,168	644,975	239,974	386,468

19 Loans and advances to banks

	GROUP 31 December 2016	GROUP 31 December 2015	BANK 31 December 2016	BANK 31 December 2015
Current balances with banks within Nigeria	104,640	128,925	789	30,257
Current balances with banks outside Nigeria	147,919	117,664	103,429	75,778
Placements with banks and discount houses	118,005	99,234	32,880	16,600
	370,564	345,823	137,098	122,635
Long term placement/Cash collateral balance	67,371	28,688	67,371	14,913
Carrying amount	437,935	374,511	204,469	137,548

Included in loans to banks are long term placement/cash collateral balance of N67.37 billion balance for Group and Bank (31 December 2015: N28.68 billion for Group and N14.91 billion for Bank) 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 2016					
Overdrafts	393,870	106,323	4,860	111,183	282,687
Term loans	1,887,619	164,818	31,603	196,421	1,691,198
Staff loans	6,854	3	82	85	6,769
Project finance	115,923	10,837	303	11,140	104,783
	2,404,266	281,981	36,848	318,829	2,085,437
Advances under finance lease	1,839	497	38	535	1,304
	2,406,105	282,478	36,886	319,364	2,086,741
31 December 2015					
Overdrafts	358,458	39,089	2,798	41,887	316,571
Term loans	1,507,018	75,109	30,385	105,494	1,401,524
Staff loans	7,773	-	70	70	7,703
Project finance	88,417	-	137	137	88,280
	1,961,666	114,198	33,390	147,588	1,814,078
Advances under finance lease	2,321	322	32	354	1,967
	1,963,987	114,520	33,422	147,942	1,816,045

BANK	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2016					
Overdrafts	344,306	102,207	3,628	105,835	238,471
Term loans	1,554,379	106,036	26,554	132,590	1,421,789
Staff loans	4,743	-	67	67	4,676
Project finance	28,140	1,365	303	1,668	26,472
	1,931,568	209,608	30,552	240,160	1,691,408
Advances under finance lease	1,839	497	38	535	1,304
	1,933,407	210,105	30,590	240,695	1,692,712
31 December 2015					
Overdrafts	331,461	38,479	1,633	40,112	291,349
Term loans	1,234,584	72,577	24,402	96,979	1,137,605
Staff loans	6,203	-	69	69	6,134
Project finance	20,367	-	137	137	20,230
	1,592,615	111,056	26,241	137,297	1,455,318
Advances under finance lease	2,321	322	32	354	1,967
	1,594,936	111,378	26,273	137,651	1,457,285

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Current	1,066,458	897,523	878,962	720,220
Non-current	1,020,282	918,522	813,750	737,066
	2,086,740	1,816,045	1,692,712	1,457,286

20 Loans and advances to customers continued

20a CBN/Bank of Industry facilities

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

CBN/Commercial Agriculture Credit (CACS)

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

	31 December 2016 N 'millions	31 December 2015 N 'millions
CBN/Bank of Industry	41,357	44,215
CBN/Commercial Agriculture Credit	12,165	11,998

Reconciliation of impairment allowance on loans and advances to customers:

GROUP

	Overdrafts N 'millions	Term loans N 'millions	Finance lease N 'millions	Others N 'millions	Total N 'millions
At 1 January 2016					
Specific impairment	39,089	75,109	323	0	114,521
Collective impairment	2,798	30,385	31	207	33,421
	41,887	105,494	354	207	147,942
Additional provision					
Specific impairment	84,260	112,326	174	10,150	206,910
Collective impairment	2,803	13,282	7	164	16,256
	87,063	125,608	181	10,314	223,166
Asset Held For Sale					
Specific impairment	(17)	(272)	-	(2)	(291)
Collective impairment	-	(41)	-	(1)	(42)
Exchange difference					
Specific impairment	442	13,360	-	692	14,494
Collective impairment	132	(4,604)	-	15	(4,457)
Loans written off					
Specific impairment	(17,451)	(35,705)	-	-	(53,156)
Collective impairment	(873)	(7,419)	-	-	(8,292)
At 31 December 2016	111,183	196,421	535	11,225	319,364
Specific impairment	106,323	164,818	497	10,840	282,478
Collective impairment	4,860	31,603	38	385	36,886
	111,183	196,421	535	11,225	319,364
At 1 January 2015					
Specific impairment	11,846	15,640	241	0	27,727
Collective impairment	3,617	11,330	42	219	15,208
	15,463	26,970	283	219	42,935
Additional provision/(Writeback)					
Specific impairment/(write back)	38,080	65,142	82		103,304
Collective impairment/(write back)	81	23,825	37	(12)	23,931
	38,161	88,967	119	(12)	127,235
Exchange difference					
Specific impairment	(47)	547	-	-	500
Collective impairment	(104)	4	-	-	(100)
Loans written off					
Specific impairment	(10,790)	(6,220)	-	-	(17,010)
Collective impairment	(796)	(4,774)	(48)	-	(5,618)
At 31 December 2015	41,887	105,494	354	207	147,942
					-
Specific impairment	39,089	75,109	323	-	114,521
Collective impairment	2,798	30,385	31	207	33,421
	41,887	105,494	354	207	147,942

20 Loans and advances to customers continued

BANK

	Overdrafts N 'millions	Term loans N 'millions	Finance lease N 'millions	Others N 'millions	Total N 'millions
At 1 January 2016					
Specific impairment	38,479	72,577	323	-	111,379
Collective impairment	1,634	24,401	31	206	26,272
	40,113	96,978	354	206	137,651
Additional provision/(Writeback)					
Specific impairment	77,826	67,375	174	1,365	146,740
Collective impairment	2,867	9,573	7	164	12,611
	80,693	76,948	181	1,529	159,351
Loans written off					
Specific impairment	(14,098)	(33,915)	-	-	(48,013)
Collective impairment	(873)	(7,420)	-	-	(8,293)
At 31 December 2016	105,835	132,590	535	1,735	240,695
Specific impairment	102,207	106,036	497	1,365	210,105
Collective impairment	3,628	26,554	38	370	30,590
	105,835	132,590	535	1,735	240,695
At 1 January 2015					
Specific impairment	11,298	14,616	241	-	26,155
Collective impairment	2,169	9,486	42	219	11,916
	13,467	24,102	283	219	38,071
Additional provision/(Writeback)					
Specific impairment	37,598	63,761	82	-	101,441
Collective impairment	261	19,689	37	(13)	19,974
	37,859	83,450	119	(13)	121,415
Loans written off					
Specific impairment	(10,417)	(5,800)		-	(16,217)
Collective impairment	(796)	(4,774)	(48)	-	(5,618)
At 31 December 2015	40,113	96,978	354	206	137,651
Specific impairment	38,479	72,577	323	-	111,379
Collective impairment	1,634	24,401	31	206	26,272
	40,113	96,978	354	206	137,651

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

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Gross investment in finance lease, receivable				
- No later than 1 year	6	12	6	12
- Later than 1 year and no later than 5 years	1,928	2,632	1,928	2,632
	1,934	2,644	1,934	2,644
Unearned future finance income on finance leases	(95)	(322)	(95)	(322)
Impairment allowance on leases	(535)	(354)	(535)	(354)
Net investment in finance lease, receivable	1,304	1,967	1,304	1,967
Net investment in finance lease, receivable is analysed as follows				
- No later than 1 year	6	12	6	12
- Later than 1 year and no later than 5 years	1,302	1,955	1,302	1,955
	1,308	1,967	1,308	1,967

20.1 Nature of security in respect of loans and advances:

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,197,162	755,757	990,002	612,162
Guarantee/Receivables Of Investment Grade Banks, Companies and State Government	640,822	668,115	630,246	658,976
Domiciliation of receivables	400,418	386,217	229,735	256,346
Clean/Negative Pledge	103,408	100,725	33,869	28,442
Marketable Securities/Shares	29,425	16,348	29,325	16,304
Otherwise Secured	14,797	21,385	2,417	9,274
Cash/Government Securities	20,072	15,440	17,812	13,432
	2,406,104	1,963,986	1,933,407	1,594,936

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The Group did not take legal repossession of any collateral in the year.

21 Financial assets and liabilities held for trading

	GROUP		BANK	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'millions	N 'millions	N 'millions	N 'millions
Treasury bills with maturity of less than 90 days	1,768	761	1,768	761
Treasury bills with maturity over 90 days	5,855	981	5,855	981
Bonds held for trading	694	123	694	123
Total debt securities	8,317	1,865	8,317	1,865
Derivative assets	15,177	3,184	15,165	3,184
Total assets held for trading	23,494	5,049	23,482	5,049

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;
Forward FX Contracts entered into to hedge against Foreign Exchange Risks arising from cross-currency exposures.

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

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

	GROUP 31 Dec 2016			BANK 31 Dec 2016		
	Notional contract amount	Fair values		Notional contract amount	Fair values	
		Asset	Liability		Asset	Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Foreign exchange derivatives						
Forward FX contract	554,263	8,092	(32,347)	89,699	8,080	(7,961)
Currency swap	36,600	865	(123)	36,600	865	(123)
Put options	151,472	6,220	(4,667)	151,472	6,220	(4,667)
	742,335	15,177	(37,137)	277,771	15,165	(12,751)
Current	608,161	9,358	(32,825)	143,597	9,346	(8,439)
Non Current	134,174	5,819	(4,312)	134,174	5,819	(4,312)
	742,335	15,177	(37,137)	277,771	15,165	(12,751)

21 Financial assets and liabilities held for trading continued

	GROUP 31 Dec 2015			BANK 31 Dec 2015		
	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
Foreign exchange derivatives						
Forward FX contract	321,950	-	(9,464)	-	-	-
Currency swap	39,860	622	(399)	39,860	622	(399)
Put options	19,311	2,561	(2,258)	19,311	2,561	(2,258)
	381,121	3,183	(12,121)	59,171	3,183	(2,657)
Current	364,197	921	(10,161)	42,247	921	(697)
Non Current	16,924	2,262	(1,960)	16,924	2,262	(1,960)
	381,121	3,183	(12,121)	59,171	3,183	(2,657)

22 Investment Securities

	GROUP 31 December 2016	GROUP 31 December 2015	BANK 31 December 2016	BANK 31 December 2015
	N 'millions	N 'millions	N 'millions	N 'millions
22.1 Securities available for sale				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	196,599	58,103	992	57,136
– Treasury bills with maturity of more then 90 days	436,546	396,244	434,481	396,244
– Government bonds	98,622	180,145	98,622	180,145
– Other bonds	69,517	40,576	1,340	6,732
Equity securities – at fair value:				
– Listed	650	1,027	576	887
Equity securities – at fair value:				
– Unlisted	51,142	48,454	51,142	48,433
Total securities classified as available for sale	853,076	724,549	587,153	689,577
Current	728,121	524,805	464,337	489,993
Non Current	124,955	199,744	122,816	199,584
	853,076	724,549	587,153	689,577
22.2 Securities held to maturity				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	2,942	2,112	-	-
– Treasury bills with maturity of more then 90 days	18,401	7,894	-	-
– Bonds	86,816	96,031	81,590	92,325
Total securities classified as held-to-maturity	108,159	106,037	81,590	92,325
Current	48,675	23,198	22,104	13,152
Non Current	59,484	82,839	59,486	79,173
	108,159	106,037	81,590	92,325
Total investment securities	961,235	830,586	668,743	781,902

23 Asset pledged as collateral

The assets pledged by the group are strictly for the purpose of providing collateral to counterparties. 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 2016	GROUP 31 December 2015	BANK 31 December 2016	BANK 31 December 2015
	N 'millions	N 'millions	N 'millions	N 'millions
Available for sale debt securities (note 23.1)	77,454	20,198	77,454	20,198
Held to maturity debt securities (note 23.2)	83,679	82,019	73,636	79,888
	161,133	102,217	151,090	100,086

23 Asset pledged as collateral (continued)

23.1 Available for sale debt securities

Debt securities - at fair value	-	-	-	-
– Treasury bills	77,454	20,198	77,454	20,198
	77,454	20,198	77,454	20,198

23.2 Held to maturity debt securities

Debt securities - at amortised cost				
– Treasury bills	10,043	1,602	-	-
– Bonds	73,636	80,417	73,636	79,888
	83,679	82,019	73,636	79,888

The related liability for assets held as collateral include:				
Bank of Industry	41,357	44,477	41,357	44,477
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	12,165	11,998	12,165	11,998
Due to Other Banks	22,875	-	22,875	-

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N17.4bn for the group in December 2016 (2015: N20.2bn) and N17.4bn for bank in December 2016 (2015: N20.2bn) for which there is no related liability.

Current	99,059	21,800	89,016	20,198
Non current	62,074	80,417	62,074	79,888
	161,133	102,217	151,090	100,086

24 Investment in subsidiaries

24.1 Principal subsidiary undertakings

	31 December 2016 N 'millions	31 December 2015 N 'millions
FBN Bank (UK) Limited (Note 24 (i))	45,882	45,882
First Pension Custodian Limited (Note 24 (ii))	2,000	2,000
FBN Mortgages Limited (Note 25)	-	4,777
FBN Bank Congo DRC (Note 24 (iii))	5,503	5,503
FBN Bank Ghana (Note 24 (iv))	10,559	10,559
FBN Bank Sierra Leone (Note 24 (v))	1,724	1,723
FBN Bank Guinea (Note 24 (vi))	3,171	2,513
FBN Bank Gambia (Note 24 (vii))	1,472	1,472
FBN Bank Senegal (Note 24 (viii))	4,034	4,034
Impairment loss on investment in subsidiaries	(3,048)	(4,048)
	71,297	74,415

During the year, the Bank made additional investments of N658 million in FBN Bank Guinea. The Bank has also classified its investment in FBN Mortgages with a carrying amount of N3.78bn as asset held for sale (See note 25 below).

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except FBN Bank Congo DRC in which it owned 75%. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the year is N965 million.

Subsidiary	**Principal activity**	**Country of incorporation**	**Proportion of shares held directly by parent (%)**	**Proportion of shares held directly by the group (%)**	**Statutory year end**
FBN Bank (UK) Limited (Note 24 (i))	Banking	United Kingdom	100	100	31 December
First Pension Custodian Limited (Note 24 (ii))	Pension fund Assets custodian	Nigeria	100	100	31 December
FBN Bank Congo (DRC) (Note 24 (iii))	Banking	Democratic Republic of Congo	75	75	31 December
FBN Bank Ghana (Note 24 (iv))	Banking	Ghana	100	100	31 December
FBN Bank Sierra Leone (Note 24 (v))	Banking	Sierra Leone	100	100	31 December
FBN Bank Guinea (Note 24 (vi))	Banking	Guinea	80	100	31 December
FBN Bank Gambia (Note 24 (vii))	Banking	Gambia	100	100	31 December
FBN Bank Senegal (Note 24 (viii))	Banking	Senegal	80	100	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. FBN Bank UK was incorporated in November 2002. It is a wholly owned subsidiary of First Bank of Nigeria Limited. The bank has a branch in Paris.

24 Investment in subsidiaries continued

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 Bank Congo (DRC)
FBN Bank (DRC) (previously known as 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.

iv FBN Bank (Ghana)
FBN Bank (Ghana) (previously known as ICB Ghana), is a company incorporated in Ghana on March 19,1996, and commenced operations in November 1996. The bank operates with a Class 1 universal banking license and is a Tier III bank in the Ghana banking landscape with a network of seventeen (17) branches and two (2) cash agencies. Its principal activities include business banking and consumer banking. The target customers of the consumer banking are individuals while SMEs and corporates are the focus of the business banking unit.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank (Ghana).

v FBN Bank Sierra Leone
FBN Bank Sierra Leone, is a company incorporated in Sierra Leone on August 2004,and is one of the ten foreign-owned commercial banks in Sierra Leone. Presently, the bank has a branch network of two branches located in one of the four regions of Sierra Leone. Its principal activities include Public Sector, Retail banking, SMEs and Corporate banking.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank Sierra Leone.

vi FBN Bank (Guinea)
FBN Bank (Guinea) (previously known as ICB Guinea) is a Tier III bank in Guinea banking sector. The bank was incorporated on September 17,1996 and commenced operations in 1997. FBN Bank Guinea currently operates from five locations in Conakry, the capital city and is well known in Guinea as one of the leading banks with quality services, transparent transactions and compliance with legal and regulatory policies. Its principal activities include business and commercial banking. The business banking group focuses on corporate and institutional customers while consumer banking group provides services to retail customers.
First Bank Nigeria Limited has a holding of 80% in the equity of FBN Bank (Guinea), while FBN Bank (Ghana) holds the other 20% equity.

vii FBN Bank Gambia
FBN Bank Gambia, is a company incorporated and commenced operations in Gambia on July 2004. The bank is a Tier III bank in the Gambian banking sector, and currently operates from four (4) locations in one of the six regions in the Gambia. Key sectors targeted by the bank are public sector, corporate companies, SMEs and retail customers.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank Gambia.

viii FBN Bank Senegal
FBN Bank Senegal was incorporated and commenced operations in Senegal on June 2001. The bank is a Tier III bank,and currently operates from three (3) locations in Senegal. Its principal activities include retail and commercial banking. Key sectors targeted by the bank are public sector,corporate customers,SMEs and retails customers.
First Bank of Nigeria Limited acquired 80% in the equity of FBN Bank Senegal,with FBN Bank (Ghana) holding the remaining 20% equity.

ix FBN Finance Company B.V
This is a special purpose entity which issued Eurobonds on behalf of the Bank. The results of the SPE have been consolidated by the bank.

x First Dependants Nigeria Limited
First Dependants was set up as a special purpose vehicle/fund established by a trust deed for the purpose of provisions for pensions and other benefits on retirement for and in respect of employees of FBN Limited. Being a fund established by a trust deed, the management entered into a fund management agreement with First Trustees Limited to invest the funds in eligible transactions and assets held in anticipation of needs.

xi First Nominees Nigeria Limited
First Nominees Nigeria Limited was set up as a special purpose vehicle by the bank and funded by contributions from the bank. A provident fund and profit-sharing scheme, which was replaced by the "Pension and Gratuity Scheme". The fund was been managed to provide for pensions and other benefits on retirement for and in respect of employees of First Bank of Nigeria Limited. The fund is being managed by First Trustees Nigeria Limited.

xii Sinking Fund
The fund is an in-house insurance scheme established as a fund against the risk on the FBN Ltd's motor vehicles. This fund is being managed internally.

xiii FBC Assets Limited
FBC Assets Limited (previously called First Bank Capital Assets Limited) is a special purpose vehicle (SPV) incorporated to acquire shares of Zain Nigeria Limited (now Airtel Networks Limited).

24.2 Condensed results of consolidated entities from continuing operations

31 December 2016	PARENT N'million	FBN UK N'million	FBN DRC N'million	BN GHANA N'million	FBN GAMBIA N'million	BN SIERRA-LEONE N'million	FBN GUINEA N'million	BN SENEGAL N'million	MORTGAGES N'million	PENSION N'million	OTHERS N'million	TOTAL N'million	ADJUSTMENTS N'million	BANKING GROUP N'million
Summarized Income Statement														
Operating income	387,002	22,148	13,159	4,334	450	553	1,076	1,024	-	5,530	1,837	437,113	(2,484)	434,629
Operating expenses	(173,617)	(10,327)	(8,990)	(2,781)	(384)	(285)	(885)	(965)	-	(1,466)	(132)	(199,832)	825	(199,007)
Provision expense	(159,840)	(55,964)	(7,983)	(1,262)	6	28	9	58	-	-	-	(224,948)	-	(224,948)
Operating profit	53,545	(44,143)	(3,814)	291	72	296	200	117	-	4,064	1,705	12,333	(1,659)	10,674
Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	53,545	(44,143)	(3,814)	291	72	296	200	117	-	4,064	1,705	12,333	(1,659)	10,674
Tax	(3,473)	5,487	657	(80)	(20)	(95)	(79)	(2)	-	(1,300)	(2)	1,093	-	1,093
Profit/(Loss) for the year	50,072	(38,656)	(3,157)	211	52	201	121	115	-	2,764	1,703	13,426	(1,659)	**11,767**
Other comprehensive income	(23,733)	(2,911)	58	27	6	36	47	11	-	-	(18)	(26,477)	29,611	3,134
Total comprehensive income	26,339	(41,567)	(3,099)	238	58	237	168	126	-	2,764	1,685	(13,051)	27,952	**14,901**
Total comprehensive income allocated to non controlling interest	-	-	(789)	-	-	-	-	-	-	-	-	(789)	-	**(789)**
Dividends paid to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Summarized Financial Position														
Assets														
Cash and balances with Central Bank	637,062	14,360	27,338	3,423	656	533	5,055	1,171	-	-	-	689,598	-	689,598
Due from other banks	204,468	266,300	10,174	17,743	1,003	786	2,550	7,206	-	87	1,236	511,553	(73,618)	437,935
Loans and advances	1,692,712	388,007	47,136	6,764	1,019	1,319	3,393	2,301	-	20	-	2,142,671	(55,932)	2,086,739
Financial Assets held for Trading (HFT)	23,482	11	-	-	-	-	-	-	-	-	-	23,493	-	23,493
Investment securities	668,743	263,784	-	806	2,114	2,764	5,433	6,699	-	8,757	228,884	1,187,984	(226,749)	961,235
Assets Pledged as collateral	151,090	-	-	10,043	-	-	-	-	-	-	-	161,133	-	161,133
Investment in subsidiaries	71,296	-	-	-	-	-	-	-	-	-	-	71,296	(71,296)	-
Other assets	26,955	4,237	6,218	1,307	83	38	349	280	-	684	12,481	52,632	(14,023)	38,609
Deferred tax	1,343	4,148	2,659	-	2	28	-	-	-	111	-	8,291	5	8,296
Intangible Assets	5,547	455	749	136	71	45	87	169	-	6	-	7,265	4,647	11,912
Property, plant and equipment	72,495	948	6,417	835	150	51	329	160	-	1,250	-	82,635	723	83,358
Assets held for sale	2,589	-	-	-	-	-	-	120	12,359	-	-	15,068	(2,589)	12,479
	3,557,782	942,250	100,691	41,057	5,098	5,564	17,196	18,106	12,359	10,915	242,601	4,953,619	(438,832)	**4,514,787**
Financed by														
Customer deposits	2,490,578	475,554	85,871	20,351	3,164	3,201	12,657	8,163	-	-	-	3,099,539	(69,449)	3,030,090
Due to other banks	40,493	329,193	-	11,353	-	-	-	6	-	-	-	381,045	(3,831)	377,214
Financial liabilities held for trading	12,751	24,386	-	-	-	-	-	-	-	-	-	37,137	-	37,137
Borrowed funds	369,428	-	-	-	160	-	-	3,139	-	-	239,227	611,954	(295,161)	316,793
Tax payable	3,564	(1,652)	944	-	14	20	34	2	-	1,873	5	4,804	-	4,804
Other liabilities	152,924	52,598	8,479	1,173	101	155	484	1,779	-	734	450	218,877	(1,324)	217,553
Retirement benefit obligations	1,957	-	-	-	-	-	192	-	-	15	-	2,164	483	2,647
Deferred income tax liabilities	-	-	-	2	-	-	-	-	-	-	-	2	-	2
Liabilities held for sale	-	-	-	-	-	-	-	-	10,611	-	-	10,611	-	10,611
	3,071,695	880,079	95,294	32,879	3,439	3,376	13,367	13,089	10,611	2,622	239,682	4,366,132	(369,282)	**3,996,850**
Equity and reserves	486,087	62,174	5,397	8,178	1,660	2,188	3,830	5,017	1,748	8,293	2,919	587,491	(69,554)	**517,937**
Summarized cash flows														
Operating activities														
Interest received	318,526	34,148	8,314	5,313	438	488	1,933	986	-	788	201	371,135	-	371,135
Interest paid	(74,002)	(11,385)	(1,392)	(1,297)	(77)	(112)	(285)	(229)	-	-	-	(88,779) -	631.00	(89,410)
Purchase of investment securities	(1,184,184)	(212,239)	-	247	(1,662)	(2,398)	(2,928)	(3,530)	-	(19,606)	(2,065)	(1,428,365)	16,303	(1,412,062)
Proceeds from the sale of investment securities	1,219,051	12,549	-	-	1,569	3,262	1,140	2,312	-	12,403	8	1,252,296	-	1,252,296
Income tax paid	(2,806)	-	(1,040)	(133)	(18)	(83)	(61)	(2)	-	(887)	(30)	(5,062)	-	(5,062)
Cash flow generated from operations	(366,383)	318,961	6,025	(1,231)	13	(455)	(583)	3,025	(2,916)	1,852	2,258	(39,436)	3,306	(36,130)
Net cash generated from operating activities	(89,798)	142,034	11,907	2,898	263	703	(785)	2,562	(2,916)	(5,450)	372	61,790	18,978	80,768
Net cash used in investing activities	(10,400)	(155)	(559)	(268)	(152)	(92)	(368)	(250)	-	(421)	128	(12,536)	(18,023)	(30,559)
Net cash used in financing activities	(15,761)	0	(551)	0	160	-	669	91	-	-	(800)	(16,191)	(8,629)	(24,820)
Increase in cash and cash equivalents	(115,960)	141,879	10,797	2,630	271	611	(483)	2,404	(2,916)	(5,871)	(300)	33,063	(7,674)	**25,388**
Cash and cash equivalents at start of year	386,468	334,405	26,649	17,400	1,616	813	7,139	5,921	2,916	5,958	1,531	790,816	(145,840)	644,976
Effect of exchange rate fluctuations on cash held	16,031	(329)	66	(161)	(161)	(2)	(161)	(42)	-	-	-	15,241	80,876	96,117
Cash and cash equivalents at end of year	286,539	475,955	37,512	19,869	1,727	1,422	6,495	8,283	-	87	1,231	839,119 -	72,638	**766,481**

BREAKDOWN OF OTHERS IN NOTE 24.2

31 December 2016	FBN Finance N'million	Sinking Funds N'million	FBN Nominees N'million	FirstDependants N'million	Total N'million
Summarized Income Statement					
Operating income	19	627	854	338	1,837
Operating expenses	(11)	(64)	(20)	(37)	(132)
Provision expense	-	-	-	-	-
Operating profit	8	563	834	301	1,705
Associate	-	-	-	-	-
Profit before tax	8	563	834	301	1,705
Tax	(2)	-	-	-	(2)
(Loss)/Profit for the year	6	563	834	301	1,703
Other comprehensive income	1	-	2	(22)	(18)
Total comprehensive income	7	563	836	279	1,686
Total comprehensive income allocated to non controlling interest					
Dividends paid to non controlling interest					
Summarized Financial Position					
Assets					
Cash and balances with Central Bank	-	-	-	-	-
Due from other banks	24	64	581	567	1,236
Loans and advances	-	-	-	-	-
Financial Assets held for Trading (HFT)	-	-	-	-	-
Investment securities	226,745	2,073	23	42	228,884
Assets Pledged as collateral	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Other assets	12,481	-	-	-	12,481
Deferred tax	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Assets held for sale	-	-	-	-	-
	239,250	2,137	604	609	242,600
Financed by					
Customer deposits	-	-	-	-	-
Due to other banks	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-
Borrowed funds	239,226	-	-	-	239,226
Tax payable	5	-	-	-	5
Other liabilities	77	2	269	103	450
Retirement benefit obligations	-	-	-	-	-
Deferred income tax liabilities	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-
	239,308	2	269	103	239,681
Equity and reserves	(58)	2,135	336	506	2,919
Total Equity and Liabilities	239,250	2,137	605	609	242,600
Summarized cash flows					
Operating activities					
Interest received	-	151	7	21	179
Interest paid	-				-
Purchase of investment securities	-	(208)			(208)
Proceeds from the sale of investment securities	-			-	-
Income tax paid	-		(23)		(23)
Cash flow generated from operations	-	162	479	1	642
Net cash generated from operating activities	-	105	463	22	590
Net cash used in investing activities	-	-	(329)	1,237	908
Net cash used in financing activities	-	-	-		-
Increase in cash and cash equivalents	-	105	134	1,259	1,498
Cash and cash equivalents at start of year	-	294	868	551	1,713
Effect of exchange rate fluctuations on cash held	-		-	-	-
Cash and cash equivalents at end of year	-	399	1,002	1,810	3,211

25 Asset classified as Held for sale

a) **Disposal group**
The assets classified as held for sale comprises the assets and liabilities of FBN Mortgages Limited ('FBNM'). The assets and liabilities of FBN Mortgages were classified as such following the decision and resolution of the Board of Directors of First Bank Limited ('the company', 'FBN') to divest from FBN Mortgages Limited. The Board of Directors demonstrated commitment to the sales in line with the requirements of IFRS 5 and as such the sales is expected to be completed before the end of the next financial year.

The result of FBN Mortgages Limited as at 31 December 2016, when it was classsified as Assets Held for Sale are provided below:

Assets held for Sale	**GROUP 31 December 2016 N 'millions**	**BANK 31 December 2016 N 'millions**
Investment in subsidiary		3,777
Cash and balances with central banks	203	-
Loans and advances to banks	510	-
Loans and advances to customers	3,067	-
-Available-for-sale investments	58	-
Other assets	532	-
Inventory	7,468	-
Intangible assets	1	-
Property, plant and equipment	61	-
Deferred tax	459	-
Write down to fair value	-	(1,188)
Total assets	**12,359**	**2,589**
Liabilities held for Sale		
Deposits from customers	10,039	-
Borrowings	109	-
Retirement benefit obligations	39	-
Current income tax liability	19	-
Other liabilities	404	-
Total liabilities	**10,610**	**-**
Net Asset	**1,749**	

	Group	
Summarised statement of comprehensive income	12 months to 31 Dec 2016 **N' millions**	12 months to 31 Dec 2015 **N' millions**
Interest income	1,005	1,025
Interest expense	(927)	(1,170)
Net interest income	**78**	**(146)**
Impairment (charge) for/reversal of credit losses (Net)	(845)	(271)
Net interest income after net impairment charge	**(767)**	**(417)**
Net fee and commission income	50	198
Other operating income	183	1,275
Operating expenses	(828)	(605)
Income tax	45	(322)
Profit for the year	**(1,317)**	**129**
Summarised statement of cash flows		
Net cash flow used in Operating activities	(2,660)	(1,452)
Net cash flow from investing activities	278	(56)
Net cash flow from financing activities	(17)	(14)
Net cash outflow/inflow	(2,399)	(1,522)

b) Non current Asset held for sale
FBN Senegal has classified a building from its Property, Plant and Equipment as Asset held for sale. This is following management's decision to dispose the asset within 12 months in line with IFRS 5.

Assets held for Sale	**GROUP 31 December 2016 N 'millions**	**BANK 31 December 2016 N 'millions**
Property, plant and equipment	120	-
Total Assets held for sale	**12,479**	**2,589**

26 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 2015	33,490	20,104	8,286	34,164	7,660	6,901	4,212	114,817
Additions	430	184	2,032	2,574	727	538	1,574	8,059
Reclassifications	263	52	-	1,156	397	113	(1,981)	-
Transfers	119	-	-	-	-	-	-	119
Write offs	-	-	-	-	-	-	(159)	(159)
Disposals	(9)	-	(1,366)	(64)	(1)	(44)	-	(1,484)
At 31 December 2015	34,293	20,340	8,952	37,830	8,783	7,508	3,646	121,352
Accumulated depreciation								
At 1 January 2015	4,809	-	4,404	21,715	5,388	3,719	-	40,035
Charge for the year	683	-	1,750	4,570	1,600	960	-	9,563
Reclassifications	(1)	-	-	-	-	1	-	-
Disposals	(1)	-	(967)	(43)	(1)	(44)	-	(1,056)
At 31 December 2015	5,490	-	5,187	26,242	6,987	4,636	-	48,542
Net book amount at 31 December 2015	**28,803**	**20,340**	**3,765**	**11,588**	**1,796**	**2,872**	**3,646**	**72,810**
Cost								
At 1 January 2016	34,293	20,340	8,952	37,830	8,783	7,508	3,646	121,352
Additions	375	100	1,064	3,375	1,419	799	2,575	9,706
Reclassifications	5	-	-	1,434	69	312	(1,820)	0
Transfers	-	-	(18)	-	-	-	-	(18)
Write offs	-	-	-	-	-	-	(92)	(92)
Exchange difference	-	-	12	1	1	9	-	23
Disposals	-	-	(1,584)	(735)	(2)	(14)	(169)	(2,503)
At 31 December 2016	34,673	20,440	8,426	41,905	10,270	8,614	4,140	128,468
Accumulated depreciation								
At 1 January 2016	5,490	-	5,187	26,242	6,987	4,636	-	48,542
Charge for the year	746	-	1,623	4,383	1,327	1,130	-	9,209
Disposals	-	-	(1,207)	(555)	(2)	(14)	-	(1,778)
At 31 December 2016	6,236	-	5,603	30,070	8,312	5,752	-	55,973
Net book amount at 31 December 2016	**28,437**	**20,440**	**2,823**	**11,835**	**1,958**	**2,862**	**4,140**	**72,495**

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

26 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 2015	40,370	20,302	9,586	35,653	10,241	7,608	26	4,809	128,595
Additions	1,025	184	2,286	2,703	1,048	615	31	1,760	9,652
Reclassifications	278	52	-	1,157	398	115	-	(1,999)	1
Disposals	(9)	-	(1,405)	(63)	(1)	(46)	-	-	(1,524)
Write Offs	-	-	(12)	-	-	-	-	(180)	(192)
Transfer	119	-	-	-	7	-	-	(146)	(20)
Exchange difference	380	(141)	54	67	125	43	28	189	745
At 31 December 2015	42,163	20,397	10,509	39,517	11,818	8,335	85	4,433	137,257
Accumulated depreciation									
At 1 January 2015	5,856	-	5,164	22,629	7,285	4,234	23	-	45,191
Charge for the year	1,025	-	1,964	4,691	1,871	1,018	8	-	10,577
Reclassifications	(1)	-	-	-	-	1	-	-	
Disposals	(1)	-	(1,011)	(43)	(1)	(44)	-	-	(1,100)
Exchange differences	43	-	39	22	97	15	22	-	238
At 31 December 2015	6,922	-	6,156	27,299	9,252	5,224	53	-	54,906
Net book amount at 31 December 2015	**35,241**	**20,397**	**4,353**	**12,218**	**2,566**	**3,111**	**32**	**4,433**	**82,351**
Cost									
At 1 January 2016	42,163	20,397	10,509	39,517	11,818	8,335	85	4,433	137,257
Additions	929	100	1,316	3,544	1,769	907	7	2,782	11,354
Reclassifications	24	-	-	1,436	72	312	4	(1,847)	-
Transfer	-	-	(18)	-	-	-	-	(199)	(217)
Disposals	-	-	(1,697)	(745)	(72)	(33)	-	(169)	(2,716)
Write Offs	-	-	-	-	-	-	-	(92)	(92)
Held for sale	(161)	-	(132)	(45)	(56)	(19)	-	-	(411)
Exchange difference	1,216	22	297	292	554	189	36	143	2,749
At 31 December 2016	44,171	20,519	10,274	43,999	14,085	9,691	132	5,051	147,923
Accumulated depreciation									
At 1 January 2016	6,922	-	6,156	27,299	9,252	5,224	53	-	54,906
Exchange differences	297	2	160	184	401	123	21	-	1,189
Charge for the year	1,229	2	1,850	4,548	1,707	1,241	16	-	10,593
Held for sale	(39)	-	(64)	(36)	(50)	(16)	-	-	(206)
Disposals	-	-	(1,301)	(562)	(22)	(30)	(0)	-	(1,916)
At 31 December 2016	8,409	4	6,801	31,433	11,287	6,542	90	-	64,566
Net book amount at 31 December 2016	**35,762**	**20,515**	**3,473**	**12,566**	**2,798**	**3,149**	**42**	**5,051**	**83,357**

Exchange Difference on PPE
These exchange difference on PPE occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBN Bank (UK) and FBN Bank (Congo).

27 Intangible assets

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer software	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Cost						
At 1 January 2015	5,406	52	330	699	5,447	11,934
Additions	-	-	-	-	4,308	4,308
Exchange difference	(141)	-	(4)	(11)	5	(151)
At 31 December 2015	5,265	52	326	688	9,760	16,091
Additions	-	-	-	-	4,475	4,475
Disposal	-	-	-	-	(116)	(116)
Exchange difference	974	-	-	217	774	1,965
At 31 December 2016	6,239	52	326	905	14,893	22,415
Amortisation and impairment						
At 1 January 2015	1,053	20	207	139	2,412	3,831
Amortisation charge	-	26	61	151	1,809	2,047
Impairment charge	872	6	58	2	-	938
At 31 December 2015	1,925	52	326	292	4,221	6,816
Amortisation charge	-	-	-	208	2,938	3,146
Disposal	-	-	-	-	(61)	(61)
Exchange difference	-	-	-	73	528	601
At 31 December 2016	1,925	52	326	573	7,626	10,502
Net book value						
At 31 December 2016	4,314	-	-	332	7,267	11,913
At 31 December 2015	3,340	-	-	396	5,539	9,275

	BANK	
	Computer software	Total
	N'million	N'million
Cost		
At 1 January 2015	3,453	3,453
Additions	3,101	3,101
Write off	-	-
At 31 December 2015	6,554	6,554
Additions	3,835	3,835
At 31 December 2016	10,389	10,389
Amortisation and impairment		
At 1 January 2015	1,181	1,181
Amortisation charge	1,330	1,330
At 31 December 2015	2,511	2,511
Amortisation charge	2,331	2,331
At 31 December 2016	4,842	4,842
Net book value		
At 31 December 2016	5,547	5,547
At 31 December 2015	4,043	4,043

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

The amortisation charge for the year is included in the income statement.

The software is not internally generated.

27.1 Intangible assets continued

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entities to which the goodwill relates is recognized as a cash generating unit (CGU) and forms part of the unreportable segment shown as others. The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

Goodwill is reviewed annually for impairment, or more fequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the recoverable amount, which is the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the cash-generating unit to which the goodwill relates or the CGU's fair value if this is higher.

There was no impairment identified in the year ended 31 December, 2016.

The recoverable amount of each CGU has been based on value in use and the weighted average cost of capital WACC. These calculations use pre-tax cash flow projection covering five years. The cash flow projections for each CGU are based on forecasts approved by senior management. The nominal growth rate reflects GDP and inflation for the countries within which the CGU operates or derives revenue from. The rates are based on IMF forecast growth rates as they represent an objective estimate of likely future trends.

The discount rate used to discount the cash flows is based on the cost of capital assigned to each CGU, which is derived using a CAPM. The CAPM depends on inputs reflecting a number of financial and economic variables including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates.

The cash generating unit (CGUs) with material goodwill balances relates to Ghana and BIC and the key assumptions used in the value-in-use calculation are as follows:

	2016		**2015**	
	BIC	Ghana	BIC	Ghana
Terminal growth rate: %	8%	5%	6%	4%
Discount rate: %	23%	34%	24%	27%
Deposit growth rate:%	12%	19%	12%	6%
Recoverable amount of the CGU: (N' million)	7,960	13,228	11,173	10,259
Management determined deposits to be the key value driver in each of the entities.				
Goodwill (N' million)	552	3,243	552	2,345
Net Asset (N' million)	5,397	8,613	7,771	5,826
Total carrying amount (N' million)	5,949	11,856	8,323	8,171
Excess of recoverable amount over carrying amount	2,011	1,372	2,850	2,088

28 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%, 2015: 30%).

	GROUP		BANK	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred tax assets				
Property, plant and equipment	(7,926)	(7,918)	(8,245)	(8,245)
Allowance for loan losses	8,804	3,380	2,047	2,047
Tax losses carried forward	10,364	10,364	10,791	10,791
Other assets	1,254	1,224	1,254	1,254
Other liabilities	(7,604)	(7,605)	(7,671)	(7,671)
Defined benefit obligation	3,267	3,267	3,167	3,167
Effect of changes in exchange rate	137	211	-	-
	8,296	2,923	1,343	1,343
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	7,042	1,699	89	89
- Deferred tax asset to be recovered within 12 months	1,254	1,224	1,254	1,254
	8,296	2,923	1,343	1,343
Deferred tax liabilities				
Property, plant and equipment	6	6	-	-
Allowance for loan losses	(32)	(32)	-	-
Tax losses carried forward	2	2	-	-
Other assets	(11)	(11)	-	-
Other liabilities	33	(28)	-	-
	(2)	(63)	-	-

28 Deferred tax continued

Deferred tax liabilities

- Deferred tax asset to be recovered after more than 12 months	9	(52)	-	-
- Deferred tax asset to be recovered within 12 months	(11)	(11)	-	-
	(2)	(63)	-	-

Group

	1 Jan 2016 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2016 N 'millions
Movements in Deferred tax assets during the year:				
Property, plant and equipment	(7,918)	(8)	-	(7,926)
Allowance for loan losses	3,380	5,424	-	8,804
Tax losses carried forward	10,364	-	-	10,364
Other assets	1,224	30	-	1,254
Other liabilities	(7,604)	-	-	(7,604)
Defined benefit obligation	3,267	-	-	3,267
Effect of changes in exchange rate	210	(73)	-	137
	2,923	5,373	-	8,296

	1 Jan 2015 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2015 N 'millions
Movements in Deferred tax assets during the year:				
Property, plant and equipment	(8,304)	386	-	(7,918)
Allowance for loan losses	3,433	(53)	-	3,380
Tax losses carried forward	10,360	4	-	10,364
Other assets	1,100	124	-	1,224
Other liabilities	(7,598)	(6)	-	(7,604)
Defined benefit obligation	3,270	(3)	-	3,267
Effect of changes in exchange rate	125	85	-	210
	2,386	537	-	2,923

	Opening balance N 'millions	Recognised in P&L N 'millions	Closing balance N 'millions
Movements in Deferred tax liabilities during the year:			
2016			
Property, plant and equipment	6	-	6
Allowance for loan losses	(32)	-	(32)
Tax losses carried forward	2	-	2
Other assets	(11)	-	(11)
Other liabilities	(28)	2	(26)
	(63)	2	(61)
2015			
Property, plant and equipment	13	(7)	6
Allowance for loan losses	(32)	-	(32)
Tax losses carried forward	2	-	2
Other assets	(11)	-	(11)
Other liabilities	(10)	(18)	(28)
	(38)	(25)	(63)

28 Deferred tax continued

Bank

	1 Jan 2016 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2016 N 'millions
Movements in temporary differences during the year:				
Property, plant and equipment	(8,245)	-	-	(8,245)
Allowance for loan losses	2,047	-	-	2,047
Tax losses carried forward	10,791	-	-	10,791
Other assets	1,255	-	-	1,255
Other liabilities	(7,671)	-	-	(7,671)
Defined benefit obligation	3,166	-	-	3,166
	1,343	-	-	1,343

	1 Jan 2015 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2015 N 'millions
Movements in temporary differences during the year:				
Property, plant and equipment	(8,245)	-	-	(8,245)
Allowance for loan losses	2,047	-	-	2,047
Tax losses carried forward	10,791	-	-	10,791
Other assets	1,255	-	-	1,255
Other liabilities	(7,671)	-	-	(7,671)
Defined benefit obligation	3,166	-	-	3,166
	1,343	-	-	1,343

Deferred income tax assets are recognised for tax loss carry -forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Temporary differences relating to the Group's investment in subsidiaries is N6.7 billion (2015: N11.4 billion).
The Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

29 Other assets

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Financial assets:				
Accounts receivable	31,595	14,011	21,071	8,080
	31,595	14,011	21,071	8,080
Less specific allowances for impairment	(5,051)	(805)	(3,709)	(791)
	26,544	13,206	17,362	7,289
Non Financial assets:				
Inventory- Others	1,610	2,253	954	1,877
Inventory- Properties (Note 25a)	-	7,677	-	-
Prepayments	10,455	11,343	8,638	9,674
	12,065	21,273	9,592	11,551
Net other assets balance	38,609	34,479	26,954	18,840

Inventory (properties) of N7.68bn has been reclassified to asset held for sale following management's decision to dispose of FBN Mortgages.

29.1 Reconciliation of impairment account

	GROUP		BANK	
	2016 N 'millions	2015 N 'millions	2016 N 'millions	2015 N 'millions
At start of year	805	884	791	796
Write off	(21)	(596)	-	(523)
Increase in impairment	4,267	517	2,918	518
At end of year	5,051	805	3,709	791

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

30 Deposits from banks

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Due to banks within Nigeria	333,215	115,778	281	2,307
Due to banks outside Nigeria	43,999	23,274	40,212	48,259
	377,214	139,052	40,493	50,566

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

31 Deposits from customers

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Current	737,328	737,096	666,147	640,556
Savings	949,302	829,809	927,505	814,849
Term	769,513	900,085	416,992	509,003
Domiciliary	564,679	429,360	470,666	426,694
Electronic purse	9,268	8,720	9,268	8,720
	3,030,090	2,905,070	2,490,578	2,399,822
Current	2,810,496	2,756,997	2,490,500	2,399,250
Non-current	219,594	148,073	78	572
	3,030,090	2,905,070	2,490,578	2,399,822

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

32 Borrowings

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Long term borrowing comprise:				
FBN EuroBond **(i)**	233,976	152,434	233,976	152,434
Proparco **(ii)**	19,968	-	19,968	-
On-lending facilities from financial institutions **(iii)**	53,729	83,332	53,729	83,332
Borrowing from correspondent banks **(iv)**	9,119	14,126	61,755	54,854
	316,792	249,892	369,428	290,620
Current	36,758	29,901	89,394	72,705
Non-current	280,034	219,991	280,034	217,915
	316,792	249,892	369,428	290,620
At start of the year	249,892	362,976	290,620	377,950
Assets held for sale	(121)	-	-	-
Proceeds of new borrowings	34,516	75,961	80,124	116,665
Finance Cost	18,764	15,066	22,630	16,073
Foreign exchange (gains)/ losses	82,702	6,750	87,818	10,328
Repayments of borrowings	(53,082)	(198,900)	(95,885)	(218,435)
Interest paid	(15,879)	(11,961)	(15,879)	(11,961)
At end of year	316,792	249,892	369,428	290,620

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2015: nil).

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

(ii) The amount of N19.97 billion (US $65.47 million) represents the outstanding balance of the credit facility of US $65 million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2016. The facility is priced at 5.78%(Fixed) per annum and will mature in May 2024. Interest on this facility is payable semiannually and there is 2 year moratorium on principal repayment.

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

a. CBN/BOI facilities
The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was no additional disbursement (2015: N31.6 billion) to First Bank of Nigeria Limited.

b. CBN/CACS Intervention funds
The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, First Bank Nigeria Limited received N5.8 billion (2015: N4.2 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.

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

33 Retirement benefit obligations

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Defined Benefits Plan				
Defined benefits - Pension (i)	1,934	3,083	1,957	3,046
Gratuity Scheme (ii)	714	626	-	-
	2,648	3,709	1,957	3,046

Plan liabilities are based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2016 and 31 December 2015.

33 Retirement benefit obligations continued

Defined benefit - Pension (i)

First Pensions Custodian Nigeria Limited (FPCNL) has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2016, the plan assets exceeded the defined benefit obligation by N22m resulting in a net defined benefit asset.

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.

The movement in the defined benefit Pension (i) over the year is as follows:

	GROUP		
	Present value of the obligation N 'millions	**Fair value of plan assets N 'millions**	**Total N 'millions**
Defined benefit pension obligations at 1 January 2015	10,438	(8,802)	1,636
Transfer from gratuity scheme (1)	-		-
Interest expense/(income)	1,328	(1,116)	212
Service Cost	41		41
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	-	(474)	(474)
- change in demographic assumptions	1,756	-	1,756
Contributions:			-
- Employer	-	(88)	(88)
Payments:			-
- Benefit payment	(1,530)	1,530	-
Defined benefit pension obligations at 31 December 2015	**12,033**	**(8,950)**	**3,083**
Interest expense/(income)	1,226	(1,068)	158
Service Cost	21	-	21
Curtailment losses	(1)	-	(1)
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	(34)	1,430	1,396
- change in demographic assumptions	(2,681)	-	(2,681)
Contributions:			
- Employer	-	(42)	(42)
Payments:			
- Benefit payment	(1,553)	1,553	-
Defined benefit pension obligations at 31 December 2016	**9,011**	**(7,077)**	**1,934**

The movement in the defined benefit Pension (i) over the year is as follows:

	BANK		
	Present value of the obligation N 'millions	**Fair value of plan assets N 'millions**	**Total N 'millions**
Defined benefit pension obligations at 1 January 2015	10,078	(8,533)	1,545
Interest expense/(income)	1,303	(1,104)	199
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	-	(463)	(463)
- change in demographic assumptions	1,765	-	1,765
Payments:			
- Benefit payment	(1,338)	1,338	-
Defined benefit pension obligations at 31 December 2015	**11,808**	**(8,762)**	**3,046**
Interest expense/(income)	1,213	(1,046)	167
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	-	1,426	1,426
- change in demographic assumptions	(2,682)	-	(2,682)
Payments:			
- Benefit payment	(1,457)	1,457	-
Defined benefit pension obligations at 31 December 2016	**8,882**	**(6,925)**	**1,957**

The actual return on plan assets was Group N2.5 billion (2015: N1.58 billion); Bank N2.47 billion (2015: N1.57 billion).

33 Retirement benefit obligations continued

GROUP

Composition of Plan assets	**2016 N 'millions Quoted**	**2016 N 'millions Unquoted**	**2016 N 'millions Total**	**2015 N 'millions Quoted**	**2015 N 'millions Unquoted**	**2015 N 'millions Total**
Equity Instruments			563			950
Banking	401	-		805		
Oil Service	-	-		6		
Real Estate	8	-		21		
Manufacturing	154	-		118		
Debt Instruments			6,434			7,738
Government	4,560	-		5,616		
Corporate Bond	908	-		884		
Money market investments	-	966			1,238	
Money on call	-	80	80		252	252
Others		-	-		10	10
Total	6,031	1,046	7,077	7,450	1,500	8,950

BANK

Composition of Plan assets	**2016 N 'millions Quoted**	**2016 N 'millions Unquoted**	**2016 N 'millions Total**	**2015 N 'millions Quoted**	**2015 N 'millions Unquoted**	**2015 N 'millions Total**
Equity Instruments			563			949
Banking	402			805		
Oil Service				6		
Real Estate	7			21		
Manufacturing	154			118		
Debt Instruments			6,297			7,560
Government	4,464			5,492		
Corporate Bond	868			884		
Money market investments		965			1,184	
Money on call		65	65		252	252
Total	5,895	1,030	6,925	7,326	1,436	8,761

The fair value of plan assets is calculated with reference to quoted prices and are within level 1 and 2 of the fair value hierachy

Arising from the defined benefit pension plan, the group is exposed to a number of risk, the most significant of which are detailed below:

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the group intends to reduce the level of investment risk by investing more in asset such that changes in the value of the assets closely match the movement in the fund's liabilities. There remains the residual risk that the selected portfolio does not match the liabilities closely enough or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimize these risks.

Changes In Bond Yields : A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in Corporate Bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

Life Expectancy : The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 5yrs and retirement age of 60yrs

Under the funded plan (Legacy scheme), the groups ensures that the fund manager operates within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation

The weighted average duration of the defined benefit obligation is 5 years

33 Retirement benefit obligations continued

GROUP/BANK

	31 Dec 2016	31 Dec 2015
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	16%	11%
Inflation rate	12%	9%
Future pension increases	0%	0%

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

	Assumption	Defined Benefit Obligation N'm	Impact on Liability
	16%	8,882	0.0%
	17%	8,499	-4.31%
Discount rate	15%	9,302	9.45%
	Base	8,882	0.0%
	Improved by 1 year	8,936	0.6%
Life expectancy	Decreased by 1 year	8,827	-1.2%

The above sensitivity analysis is for FBN Limited and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Gratuity scheme (ii)

This relates to the schemes operated by the subsidiaries of the bank as follows:
FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent. The aggregate balance on this scheme is deemed immaterial.

34 Other liabilities

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Financial Liabilities:				
Customer deposits for letters of credit	112,043	46,844	66,591	33,608
Accounts payable	36,868	47,987	32,462	44,239
Creditors	12,676	6,235	5,878	3,753
Bank cheques	12,426	15,290	11,988	14,932
Collection on behalf of third parties	5,228	9,412	4,011	3,778
	179,241	125,768	120,930	100,310
Non Financial Liabilities	38,312	27,109	31,994	22,710
Other liabilities balance	217,553	152,877	152,924	123,020

Other liabilities are expected to be settled within 12 months after the date of the consolidated statement of financial position.

35 Share capital

Authorised	31 December 2016 N 'millions	31 December 2015 N 'millions
50 billion ordinary shares of 50k each (2015: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the year:	Number of shares In millions	Ordinary shares N 'millions
At 31 December 2015	32,632	16,316
At 31 December 2016	32,632	16,316

36 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.

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.

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

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.

36 Share premium and reserves continued

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

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

37 Reconciliation of profit before tax to cash generated from operations

	GROUP		BANK	
	31 December 2016 N 'millions	**31 December 2015 N 'millions**	**31 December 2016 N 'millions**	**31 December 2015 N 'millions**
Profit before tax from continuing operations	10,675	9,729	53,545	2,816
Profit before tax from discontinued operations	(1,317)	451	-	-
Profit before tax including discontinued operations	9,358	10,180	53,545	2,816
Adjustments for:				
– Depreciation	10,594	10,577	9,210	9,563
– Amortisation	3,146	2,048	2,331	1,330
– Impairment on goodwill	-	872	-	-
– Impairment on intangible assets	-	72	-	-
– Profit from disposal of property, plant and equipment	30	179	32	171
– Foreign exchange losses / (gains)	(69,005)	(13,024)	(69,840)	(7,879)
– Profit from disposal of investment in associate	-	-	-	-
– Profit/(loss) from disposal of investment securities	(5,051)	(13,223)	(5,342)	(13,243)
– Net gains/(losses) from financial assets classified as held for trading	(3,102)	556	(3,102)	561
– Impairment on loans and advances	223,160	127,506	159,350	121,416
– Impairment on Investments	-	7,151	-	-
– PPE written off	92	161	92	161
– Change in provision in other assets	4,240	5	2,918	5
– Change in provision for impairment of investments	-	-	-	1,927
– Change in retirement benefit obligations	348	272	167	199
– Writedown on assets held for sale	-	-	1,188	-
– Dividend income	(730)	(1,348)	(3,108)	(7,340)
– Net interest income	(294,284)	(258,810)	(259,567)	(227,875)
– Net result from discontinued operations	1,317			
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(64,316)	86,341	(63,827)	86,959
– Loans and advances to banks	(25,023)	105,348	(29,044)	18,565
– Loans and advances to customers	(31,952)	297,744	(30,711)	254,716
– Financial assets held for trading	168,832	573	(4,230)	(901)
– Other assets	(12,379)	14,790	(9,693)	10,321
– Pledged assets	(57,542)	(37,303)	(51,004)	(36,928)
– Assets held for sale	(2,916)		0	
Increase/(decrease) in operating liabilities:				
– Deposits from banks	173,323	(31,428)	(24,351)	29,030
– Deposits from customers	(155,352)	(125,127)	(72,359)	(178,932)
– Financial liabilities	34,682	7,685	-	-
– Other liabilities	(14,094)	27,811	(15,603)	24,206
Cash flow generated from/ (used in) operations	(106,624)	219,608	(412,948)	88,848

38 Commitments and Contingencies

38.1 Capital commitments

At the balance sheet date, the bank had capital commitments amounting to N425 million (31 December 2015; N425 million) in respect of authorized and contracted capital projects. The expenditure will be funded from the group's internal resources.

	31 December 2016 N 'millions	31 December 2015 N 'millions
Authorised and contracted		
Group	880	468
Bank	880	425

38.2 Operating lease rentals:

At 31 December 2016 the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Within one year	332	262	-	-
Between two and five years	1,078	848	-	-
More than five years	2,926	2,302	-	-
	4,336	3,412	-	-

38.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations
There were contingent liabilities in respect of legal actions against the group, for which provisions amounting to N2.88bn have been made (2015: N375.6m). The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements

38.4 Other contingent commitments

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

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Performance bonds and guarantees	313,779	295,469	309,026	293,731
Letters of credit	156,845	126,227	144,232	127,426
	470,624	421,696	453,258	421,157

38.5 Loan Commitments

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Undrawn irrevocable loan commitments	14,203	33,342	11,061	19,015

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is disclosed in note 3.7

38.6 Compliance with covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Bank's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

The Group and the Bank are subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Management believes that the Group is in compliance with these covenants at 31 December 2016.

39 Offsetting Financial Assets and Financial Liabilities

This information is shown for the bank as no other entity within the group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2016:

BANK	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash Collaterals received/ provided	
	(a) N 'millions	(b) N 'millions	(c)= (a) - (b) N 'millions	(d) N 'millions	(e) N 'millions	(f) =(c) - (e) N 'millions
ASSETS						
- Financial assets held for trading	15,165	-	15,165	-	1,585	13,580
Total Assets subject to offsetting,master netting and similar arrangements	15,165	-	15,165	-	1,585	13,580
LIABILITIES						
Financial derivatives	(12,751)	-	(12,751)	-	(3,605)	(9,146)
Total liabilities subject to offsetting,master netting and similar arrangements	(12,751)	-	(12,751)	-	(3,605)	(9,146)

At 31 December 2015

BANK	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash Collaterals received	
	(a) N 'millions	(b) N 'millions	(c)= (a) - (b) N 'millions	(d) N 'millions	(e) N 'millions	(f) =(c) - (e) N 'millions
ASSETS						
- Financial assets held for trading	9,258	-	9,258	-	5,983	3,275
Total Assets subject to offsetting,master netting and similar arrangements	9,258	-	9,258	-	5,983	3,275
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Total liabilities subject to offsetting,master netting and similar arrangements	7,946	-	7,946	-	-	7,946

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or liabilities with the margin deposit in case of default.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

40 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 immediate 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 outstanding balances at the year-end, and related expense and income for the year are as follows:

40.1 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.

BANK

	Parent	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2016	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Loans and advances to customers					
Loans outstanding at 1 January	-	52,120	67,742	-	-
Loans issued during the year	-	7,575	19,721	-	-
Loan repayments during the year		-	(13,242)		
Loans outstanding at 31 December	-	59,694	74,221	-	-
31 December 2015					
Loans and advances to customers					
Loans outstanding at 1 January	-	43,752	60,252	-	-
Loans issued during the year	-	8,368	17,765	-	-
Loan repayments during the year	-		(9,281)	-	-
Reclassification out of related party loans during the year			(994)		
Loans outstanding at 31 December	-	52,120	67,742	-	-

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 0% to 24%.

40.2 Deposits from related parties

BANK

	Parent	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2016					
Due to customers					
Deposits at 1 January	65	2,469	1,326	-	203
Deposits received during the year	11,160	379,778	6,541		105,575
Deposits repaid during the year	(11,212)	(380,086)	(7,024)		(104,267)
Leavers	-	(194)	(170)		-
New entrants	-	-	21	-	-
Exchange Difference	-	330	(418)	-	14
Deposits at 31 December	13	2,297	276	-	1,525
31 December 2015					
Due to customers					
Deposits at 1 January	8	24,656	1,052	-	4,768
Deposits received during the year	12,388	354,816	9,406		121,329
Deposits repaid during the year	(12,331)	(377,003)	(9,132)		(125,894)
Deposits at 31 December	65	2,469	1,326	-	203

Related party transactions continued

	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
	N 'millions	N 'millions	N 'millions	N 'millions
40.3 Other transactions with related parties				
31 December 2016				
Receivable	-	-	-	0
Account payable	-	-	-	339
Borrowings	-	-	-	295,158
Interest income	-	-	-	36
Interest expense	68	22	-	19,688
Fee and commission income	74	11	-	91
Other operating income				11
Other operating expense				110
Loans to banks				62,603
Deposit from banks				925
31 December 2015				
Receivable	-	-	-	121
Account payable	-	-	-	3
Borrowings	-	-	-	198,965
Interest income	28	1	-	483
Interest expense	1,014	44	-	8,992
Fee and commission income	1,729	74	-	31

40.4 Key management compensation

Key management includes Executive directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	GROUP		BANK	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'millions	N 'millions	N 'millions	N 'millions
Salaries and other short-term employee benefits	801	792	801	792
Post-employment benefits	273	741	273	741
	1,074	1,533	1,074	1,533

Note 40.5 Related party transactions continued
Direct credit assets to Directors

Name of Borrowers	Nature of security	Name of the related interest	Relationship to Reporting Institution	Status	TOTAL (N)
ADESOLA ADEDUNTAN	Domiciliation of salary	Adesola Adeduntan	MD	Performing	55,983,334
AL-FIL PETROLEUM COMPANY LTD	Charge on asset financed.	Khadija Alao-Straub	Ex-Non Exe Director	NPL	332,269,962
FEESE AMBROSE ASULA	Domiciliation of personal inflow	Feese Ambrose Asula	Non Executive Director	Performing	30,823
HONEYWELL GROUP	All Asset Debenture over the assets of Honeywell Flour Mills Plc.	Oba Otudeko/Obafemi Adedamola Otudeko	Ex-Chairman/Non-ED	Performing	40,860,479,689.55
	Corporate Guarantee of Honeywell Oil & Gas & Pivot Engineering.				
	Cross Guarantee of all members of the group				
	All Asset Debenture over the assets of the company.				
	All Assets Debenture being managed by First Trustees.				
LAWAL DAUDA	Domiciliation of salary	Lawal Dauda	Executive Director	Performing	4,130,417
LISTER FLOUR MILLS (NIG) LTD	Mortgage Debenture on Lister Flour Mills.Legal Mortgage	Khadija Alao-Straub	Ex-Non Exe Director	NPL	11,719,196,188
MACCIDO BELLO MOHAMMED	Domiciliation of salary	Maccido Bello Mohammed	CEO FBN Merchant	Performing	963,135
NESTOIL LIMIED	All asset debenture	Chidi Anya	Non-ED-FBN Holdings	Performing	17,709,977,369
NSF DEVELOPMENTS LIMITED	Equitable mortgage over asset finance	Feese Ambrose Asula	Non Executive Director	Performing	101,493,032
P. W. Nig. Ltd	Legal Mortgage over the company's Housing Estate located at 142 Karmo (within the Life Camp Development Area) Abuja.	Garba Duba	Ex-Non Exe Director	Performing	995,738,998
PREMIUM POULTRY FARMS LIMITED	All Assets Debenture on fixed and floating assets (excluding land and building) of the Farm, Legal mortgage.	Mahey Rafindadi Rasheed	Ex-Non Exe Director	Performing	2,440,900,668.58
RAINBOW TOWN DEVELOPMENT LIMITED	Legal/Equitable Mortgage/Debenture on business premises, factory assets or real estates	FBN Holdings	Parent	Performing	59,694,446,438
					133,915,610,054

Related party transactions and balances disclosed above are in accordance with the Central Bank of Nigeria Circular BSD/1/2004

41 Employees

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

	GROUP		BANK	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	Number	Number	Number	Number
Executive directors	4	7	4	7
Management	183	202	62	76
Non-management	8,556	8,834	7,234	7,533
	8,743	9,043	7,300	7,616

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 contributions and certain benefits) were:

	Number	Number	Number	Number
N300,000 - N2,000,000	419	501	30	41
N2,000,001 - N2,800,000	263	167	91	125
N2,800,001 - N3,500,000	982	856	872	796
N3,500,001 - N4,000,000	106	47		-
N4,000,001 - N5,500,000	1,942	2,099	1,693	1,772
N5,500,001 - N6,500,000	1,759	1,843	1,651	1,734
N6,500,000 - N7,800,000	1,288	1,351	1,199	1,249
N7,800,001 - N9,000,000	780	839	753	781
N9,000,001 and above	1,200	1,333	1,007	1,111
	8,739	9,036	7,296	7,609

42 Directors' emoluments

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

	GROUP	
	31 December 2016	31 December 2015
	N 'millions	N 'millions
Fees and sitting allowances	220	252
Executive compensation	339	469
Retirement benefit costs	282	1,150
Other director expenses	258	1,544
	1,099	3,415

Fees and other emoluments disclosed above include amounts paid to:

Chairman	46	44
Highest paid director	126	111

42 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 2016	31 Dec 2015
N5,500,001 and above	16	19
	16	19

43 Compliance with banking regulations

- A penalty of N30 million was paid by the Bank in respect of registration of IMTOs

- A penalty of N20 million was imposed on the Bank for cases of linking multiple accounts to single BVN.

- A penalty of N12 million was paid by the Bank for various AML/CFT infractions emanating from spot check carried out on the Bank's branches in January 2016.

- A penalty of N4 million was imposed on the Bank for publication of appointment without prior approval of the CBN.

- The bank paid a penalty of N4million for late rendition of STR returns to the NFIU in October 2015.

- A penalty of N2 million was imposed on the bank for failure to implement external auditor's recommendation contained in the December 2014 management letter.

- The bank paid a penalty of N2 million for exceeding regulatory single obligor limit in 2015

- The bank paid a penalty of N2 million for opening of accounts and partnering with unlicensed International Money Transfer Service Operators

- The bank paid a penalty of N2 million for excess charges on Customers' accounts

- The bank paid a penalty of N175,000 for late rendition of daily returns in 2016.

- The bank paid a penalty of N100,000 for non- rendition of returns to NOTAP

44 Events after statement of financial position date

The Bank has no events after the financial position date that will materially affect the financial position shown in these financial statements.

45 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the group and held as treasury shares.

The company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	GROUP		BANK	
	31 December 2016 N 'millions	31 December 2015 N 'millions	31 December 2016 N 'millions	31 December 2015 N 'millions
Profit from continuing operations attributable to owners of the parent (N'millions)	11,768	2,946	50,072	37
Profit/(loss) from discontinued operations attributable to owners of the parent (N'millions)	(1,317)	-	-	-
Weighted average number of ordinary shares in issue (in million)	32,632	32,632	32,632	32,632
Basic/diluted earnings per share (expressed in Kobo per share):				
- From continuing operations	0.36	0.09	1.53	2.30
-From discontinued operations	(0.04)	-	-	-
	0.32	0.09	1.53	2.30

46 Non audit services

The external auditors of FBN Limited, PwC Nigeria rendered services in respect of NDIC deposit certification based on agreed upon procedures during the year. The payment made in respect of this service was included in professional fees as N1 million.

Supplementary Information
Other National Disclosures

Statement of Value Added - Group
Year ended 31 December 2016

Group	31 December 2016 N'million	%	31 December 2015 N'million	%
Gross income	534,222		463,400	
Interest & Fee expense	(100,877)		(128,212)	
	433,346		335,188	
Administrative overheads:				
- Local	(99,843)		(104,422)	
- Foreign	(9,375)		(10,095)	
Value added	324,128	100	220,672	100
Distribution				
Employees				
- Salaries and benefits	76,081	23	72,542	33
Government				
- Taxation	(1,093)	(0)	6,914	3
The future				
- Asset replacement (depreciation)				
- Local	10,594	3	10,552	5
- Foreign		-		-
- Asset replacement (amortisation)				
- Local	3,146	-	2,047	1
- Foreign		-		-
- Asset replacement (provision for losses)	224,948	69	125,672	57
- Expansion (transfers to reserves)	10,451	3	2,945	1
	324,127	100	220,672	100

Statement of Value Added - Bank

Bank	31 December 2016 N'million	%	31 December 2015 N'million	%
Gross income	478,232		421,227	
Interest and fee expense	(91,198)		(119,337)	
	387,034		301,890	
Administrative overheads	(98,716)		(104,463)	
Value added	288,318	100	197,427	100
Distribution				
Employees				
- Salaries and benefits	63,392	22	63,672	32
Government				
- Company income tax	3,473	2	2,779	1
The future				
- Asset replacement (depreciation)	9,210	3	9,563	5
- Asset replacement (amortisation)	2,331	1	1,330	1
- Asset replacement (provision for losses)	159,841	55	120,046	61
- Expansion (transfers to reserves)	50,072	17	37	0
	288,319	100	197,427	100

FIRST BANK OF NIGERIA LIMITED

Supplementary Information
Other National Disclosures

FIVE YEAR FINANCIAL SUMMARY - BANK

STATEMENT OF FINANCIAL POSITION

	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million
Assets:					
Cash and balances with central bank	**637,061**	679,054	670,045	541,221	288,125
Loans and advances to banks	**204,469**	137,548	242,842	367,571	329,120
Loans and advances to customers	**1,692,712**	1,457,285	1,794,037	1,473,839	1,316,407
Financial assets held for trading	**23,482**	5,049	9,258	2,225	1,942
Investment securities	**668,743**	781,902	544,975	637,928	631,211
Assets pledged as collateral	**151,090**	100,086	63,158	52,406	50,109
Other assets	**26,954**	18,840	29,173	36,067	32,459
Investment in associates	**-**	-	-	2,224	2,224
Investment in subsidiaries	**71,297**	74,415	58,986	56,307	40,348
Property, plant and equipment	**72,495**	72,810	74,782	71,895	70,724
Intangible assets	**5,547**	4,043	2,272	1,241	1,302
Deferred tax	**1,343**	1,343	1,343	3,655	6,703
Assets held for sale	**2,589**	-	-	-	-
	3,557,782	3,332,375	3,490,871	3,246,579	2,770,674
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	189,241
Reserves	**280,530**	254,190	217,490	145,152	166,619
Deposits from banks	**40,493**	50,566	19,246	10,155	18,463
Deposits from customers	**2,490,578**	2,399,822	2,551,022	2,570,719	2,171,807
Financial liabilities held for trading	**12,751**	2,657	7,946	1,697	1,278
Borrowings	**369,428**	290,620	377,950	125,363	81,987
Retirement benefit obligations	**1,957**	3,046	1,546	1,111	18,156
Current income tax	**3,564**	2,897	6,558	29,836	19,768
Other liabilities	**152,924**	123,020	103,556	156,989	87,039
	3,557,782	3,332,375	3,490,871	3,246,579	2,770,674

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

INCOME STATEMENT

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015	12 months ended 31 Dec 2014	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Gross Earnings	**478,232**	421,227	410,648	339,320	313,822
Net operating income	**387,034**	301,890	303,411	256,112	258,554
Gain from disposal of associate	**-**	-	-	-	3,490
Operating expenses	**(173,648)**	(179,028)	(201,126)	(159,421)	(168,908)
Impairment charge for credit losses	**(159,841)**	(120,046)	(20,924)	(19,838)	(9,847)
Profit before taxation	**53,545**	2,816	81,361	76,853	83,289
Taxation	**(3,473)**	(2,779)	(6,186)	(17,488)	(12,145)
Profit from continuing operations	**50,072**	37	75,175	59,365	71,144
Profit from discontinuing operations	**-**	-	4,176	-	-
Profit for the year	**50,072**	**37**	**79,351**	**59,365**	**71,144**
Earnings per share (basic)	**153.44**	0.11	243	182	218

FIRST BANK OF NIGERIA LIMITED

Supplementary Information
Other National Disclosures

FIVE YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million
Assets:					
Cash and balances with central bank	**689,597**	715,092	697,601	593,973	298,024
Loans and advances to banks	**437,935**	374,511	430,053	415,210	394,173
Loans and advances to customers	**2,086,741**	1,816,045	2,193,563	1,797,935	1,562,695
Financial assets held for trading	**23,494**	5,049	10,708	4,743	2,565
Investment securities	**961,235**	830,586	598,904	734,690	684,359
Assets pledged as collateral	**161,133**	102,217	64,527	53,651	50,109
Inventory	-	-	-	-	-
Other assets	**38,609**	34,479	39,457	44,729	33,984
Investment in associates	-	-	-	6,225	5,609
Property, plant and equipment	**83,357**	82,351	83,404	78,489	74,474
Intangible assets	**11,913**	9,275	8,103	8,594	3,417
Deferred tax	**8,296**	2,923	2,384	4,587	7,954
Assets held for sale	**12,479**	570	2,931	4,549	12,978
	4,514,788	3,973,098	4,131,636	3,747,375	3,130,340
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	189,241
Reserves	**311,416**	297,038	255,818	175,965	191,190
Non controlling interest	**965**	1,929	1,641	1,626	1,353
Deposits from banks	**377,214**	139,052	163,710	77,481	87,551
Deposits from customers	**3,030,090**	2,905,070	2,989,735	2,942,782	2,405,035
Financial liabilities held for trading	**37,137**	12,121	9,913	1,701	1,796
Borrowings	**316,792**	249,892	362,976	126,302	75,541
Retirement benefit obligations	**2,648**	3,709	2,012	1,776	18,648
Current income tax	**4,805**	5,790	8,530	31,633	22,536
Other liabilities	**217,553**	152,877	131,704	182,542	118,289
Deferred income tax liabilities	**2**	63	38	10	9
Liabilities held for sale	**10,610**	-	-	-	2,836
	4,514,789	3,973,098	4,131,635	3,747,375	3,130,341

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million	12 months ended 31 Dec 2014 N'million	*Restated* 12 months ended 31 Dec 2013 N'million	12 months ended 31 Dec 2012 N'million
Gross Earnings	**534,222**	463,400	455,393	372,840	338,921
Net operating income	**434,662**	335,059	338,814	280,107	280,410
Operating expenses	**(199,039)**	(199,658)	(218,632)	(173,001)	(182,329)
Group's share of associate's results	**-**	-	-	-	1,008
Impairment charge for credit losses	**(224,948)**	(125,672)	(25,730)	(20,521)	(12,912)
Profit before taxation	**10,675**	9,729	94,452	86,585	86,177
Taxation	**1,093**	(6,913)	(9,526)	(21,009)	(14,918)
Profit from continuing operations	**11,768**	2,815	84,926	65,576	71,259
Profit from discontinuing operations	**(1,317)**	129	(84)	875	3,838
Profit for the year	**10,452**	2,945	84,842	66,451	75,097
Profit attributable to:					
Owners of the parent	**11,241**	2,551	84,826	66,344	75,040
Non controlling interest	**(789)**	394	15	107	57
	10,452	2,945	84,842	66,451	75,097
Earnings per share in kobo (basic/diluted	**32**	9	260	204	204