FirstBank
Since 1894

RICH HERITAGE
BRIGHT FUTURE

First Bank of Nigeria Limited
Annual Report and Accounts 2015

AT FBNHOLDINGS, WE HAVE A CLEAR VISION FOR A BRIGHT FUTURE

*Our **diverse range of products and services** gives us a unique and powerful standing in a vast marketplace, creating opportunities that will provide sustainable value over the long term. And our **rich heritage** helps us to weather tough market conditions and deliver **consistent value** for the Group and its shareholders.*

USING THIS INTERACTIVE PDF

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Using links in the report

- The contents list on the next page includes links to each of the report sections as well as to specific chapters within these sections.
- The report text also includes related links to other relevant areas of the document, as well as external websites and email addresses.
- To follow a link, simply move your cursor over the section or chapter you would like to view and click.
- You can also click on the titles along the top of each page to jump to the start of a section.

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

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Merchant Banking and Asset Management[1], Insurance and Other Financial Services[2].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. FirstBank (Nigeria) is the lead entity of the Commercial Banking business.
- The Merchant Banking and Asset Management business consists of FBN Merchant Bank and FBN Capital Limited. Subsidiaries of FBN Capital include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the balance sheet comparison relates to the corresponding position at 31 December 2014. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

Shareholders will receive a compact disc (CD) containing the Annual Report and Accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report and the First Bank of Nigeria report as well as standard PDFs of certain subsidiary reports at the download centre. A CD will be available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

[1] Following the acquisition of the merchant banking licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

IN THIS REPORT

INTRODUCTION

First Bank of Nigeria Limited is the flagship subsidiary of FBN Holdings Plc, serving over 10.9 million active customer accounts in 12 countries.

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OVERVIEW

First Bank of Nigeria Limited is the flagship subsidiary of FBN Holdings Plc. FBNHoldings is the non-operating financial holding company for the banking and non-banking financial operations of the Group. FBNHoldings, through its subsidiaries, offers a broad range of financial products and services, including commercial banking, merchant banking and asset management, and insurance.

WHO WE ARE

First Bank of Nigeria Limited (FirstBank) is the largest banking group by revenue, providing a bouquet of financial services, both to corporate and individual customers. FirstBank currently serves over 10.9 million active customer accounts. Our expansion and growth in recent years have consolidated the Bank's position as one of the largest commercial banking groups in Sub-Saharan Africa, with operations in the UK, Democratic Republic of Congo (DRC), Ghana, Guinea, The Gambia, Sierra Leone and Senegal, as well as representative offices in China, South Africa and Paris. Alongside this, First Pension Custodian Nigeria Limited (FPCNL) provides pension fund custody services, while FBN Mortgages is a primary mortgage institution (PMI).

WHAT WE DO

FirstBank offers the full range of commercial banking products and services to both retail and wholesale customers. To allow for specialisation and increased customer value proposition, our Nigerian activities are organised along six customer segments. These are:

- Institutional Banking group (IBG)
- Corporate Banking group (CBG)
- Commercial Banking group (CMG)
- Retail Banking group (RBG)
- Private Banking group (PBG)
- Public Sector group (PSG)

We recently updated our business model by re-aligning the strategic business units (SBUs) to further energise our teams and to keep in line with our vision to lead in every market segment we serve. Our goal is to improve our customer value proposition by enhancing the service model. The new leadership is committed to driving stronger performance given the challenges in the national and global economies.

Effective 1 February 2016, the new SBUs are:

1. **RETAIL BANKING** – serving mass retail, affluent with annual income of up to ₦50 million as well as small business and local governments with an annual turnover of up to ₦500 million.

2. **CORPORATE BANKING** – serving high-end corporate customers within specialised industries. This SBU has been formed through a merger between the former Institutional Banking group and the upper end of the former Corporate Banking business unit. It serves private organisations with an annual revenue of more than ₦5 billion but less than ₦10 billion as well as mid-size and large corporate customers with an annual revenue greater than ₦5 billion but with a key man risk.

3. **COMMERCIAL BANKING** – serving businesses with a turnover of ₦500 million to ₦5 billion using a geographical model. This SBU combines the previous Commercial Banking group with the rest of the former Corporate Banking business unit.

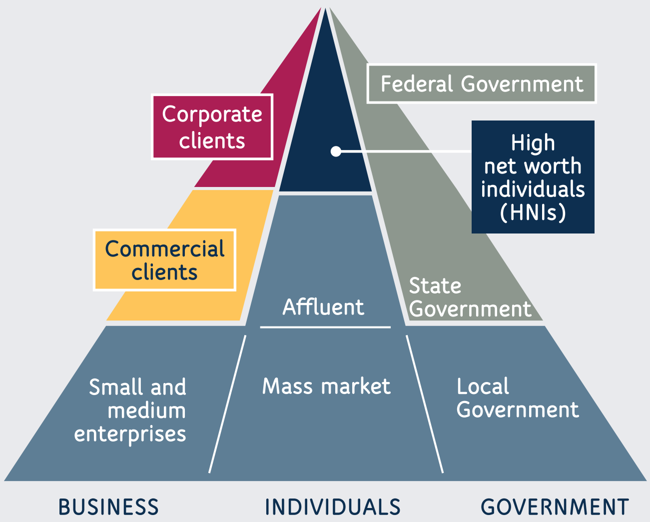
4. **PUBLIC SECTOR** – tailored to focus on public sector opportunities, the Public Sector group (PSG) will concentrate on the Federal Government and select state governments, where the Bank can add value. The PSG will also work with the other SBUs to handle government contractors.

5. **TREASURY & FINANCIAL INSTITUTIONS** – including the Financial Institutions group previously housed within the Institutional Banking group, as well as our Structure Trade and Commodity Finance (STCF) business.

6. **INTERNATIONAL BANKING** – driving business growth and profitability of the African subsidiaries in the short to medium term.

We have the strongest retail banking franchise in Nigeria, including the widest distribution network consisting of over 750 branches and service points, as well as 2,749 ATMs. Customers are also served through a cutting-edge technology platform accessible via the internet or mobile phone. The Retail Banking business caters to all individual segments, such as mass market, affluent and high net worth individuals (HNIs) as well as SMEs.

Our suite of consumer banking products includes: consumer loans and advances, credit and debit cards, investment products, transaction banking and collection platforms, and customised banking products cutting across all age groups. Our public sector and wholesale banking services offer corporate lending/financial advisory services, transaction banking services (cash collections, liquidity management, payments, trade finance and foreign exchange). In addition, increased demand for cross-border services gave rise to the Global Account Management framework (GAM), which provides enhanced relationships with corporate customers outside the Nigerian market.



WHERE WE OPERATE

FirstBank is headquartered in Lagos, Nigeria, with subsidiaries across six West African countries (the Democratic Republic of Congo (DRC), Ghana, The Gambia, Guinea, Sierra Leone, Senegal) and in the United Kingdom (UK). We also have a network of representative offices in Abu Dhabi, Beijing, Paris and Johannesburg, set up to capture trade-related opportunities between respective geographies.

MISSION: *To remain true to our name by providing the best financial services possible. FirstBank is poised to standardise the 'YouFirst' experience and provide excellent financial solutions that support our brand promise of delivering the ultimate gold standard of value and excellence. Set up to capture trade-related opportunities between respective geographies.*

VISION: *To be the partner of first choice in building your future/To be the clear leader and Nigeria's bank of first choice. Our vision to remain your partner of first choice is influenced by our values of passion in delivering bespoke advisory and banking solutions across our business groups.*

VALUES: *Passion, Partnership and People.*

BUSINESS MODEL

The Bank generates value by exploiting the immense retail banking franchise to trap and grow sustainable low-cost deposits as a platform for the various wholesale banking groups to create quality risk assets.

In delivering on the fundamentals of banking – playing the financial intermediation – we have consistently tweaked the structure of our business to ensure it aligns with the needs and expectations of our customers. Our business model is guided by the philosophy of continuously restructuring for growth, controlling and measuring the growth, and delivering business responsibly.

In the past five years, the Bank has achieved major milestones in driving sustainable growth by reworking its business model to achieve its strategic objectives. In 2010, we realigned our business structure from being organised by geography to being business-segment focused. This helped us develop critical competencies in specialised sectors and segment-focused products and services, as well as increase our share of wallet of customers' businesses.

We migrated to a holding company structure over 2012–2013 and completed our West African acquisition, in addition to organically growing our domestic franchise. This acquisition is in addition to our presence through subsidiaries in the UK and the DRC, as well as representative offices in South Africa and Abu Dhabi.

We also recognise the need for sustainable growth, which has led to our embedding robust controls on risks and costs, as evidenced by the ISO 2700022 certification achieved in November 2015. To ensure the Bank's business model is continuously optimised, we are creating two teams to enhance our customer engagement model: the transaction banking team and the middle office.

The transaction banking team will provide deep, technical expertise in driving non-interest income across all our business segments to support the development of products and the structuring of business transactions for corporate customers. The middle office operations team will take on the operational responsibilities of relationship managers (RM), to enable them to dedicate more business hours to sales-related activities. These two new teams are critical for driving the effectiveness of the Bank's sales team.

We have clearly delineated customer market segments within the Retail Banking group and various wholesale banking groups to ensure the proper match of value proposition to customers' profiles. As a result, we further defined a small and medium enterprise (SME) sub-segment within the Retail Banking group, as well as a newly carved Commercial Banking niche group focusing on middle market opportunities in trade. This will enable the Bank to further deepen our foray within existing markets and create new space within the high-growth customer markets.

To drive effective uptake and use of deposits generated by the strategic business units (SBUs), i.e., Retail, Institutional and Corporate banking groups, we have put in place mechanisms to drive the value chain approach to provide a one-stop shop for customers' needs. This business model optimisation demands a holistic approach to customer engagement, which provides huge opportunities for referrals and cross-selling across the various SBUs in the Bank as well as the exploitation of synergies within FBN Holdings Plc. To this end, delivering a superior value proposition and ensuring customer satisfaction remain our key model drivers.

WHAT DIFFERENTIATES US?

FirstBank continues to maintain an edge as a market leader specifically in the Nigerian banking retail space, with a market share of 14% and revenues of ₦270 billion. Our capacity to create long-term value derives from our commitment to sustainably deliver stakeholder returns. Over the past 121 years, FirstBank has consistently outperformed competition by continuously focusing on the following competitive differentiators:

Strong retail banking franchise

We have steadily built a robust retail banking platform over many decades. Despite our physical presence in all parts of Nigeria through over 750 branches, we have aggressively invested in the deployment of alternate service points to extend our customer reach and interaction without restrictions to their location. This uniquely positions us to amass significant retail deposits and has led to a true competitive advantage on cost of funds. This cost of funds advantage has allowed us over the years to provide a sustainable liquidity base to underpin our continuous growth ambitions. We continue to drive low-cost deposit mobilisation, even as we re-energise our business to enhance our value proposition to more adequately capture market share within the affluent segment.

Our brand

The FirstBank brand continues to represent consistency, stability and security within the Nigerian banking industry. Our commitment is to maintain an identity that appeals to a need for stability, security and consistency across many generations. To this end, we stay in close touch with customers' needs as well as their perceptions of our brand, to ensure that we remain the first port of call for dependable and excellent delivery of financial services that continues to evolve with the times.

Financial supermarket

The synergies that we gain from relationships within the Group are translated into customer insights and better service delivery, thus putting us ahead of competition.

Excellent understanding of customers' businesses and industries

Over the 121 years of our existence, FirstBank has remained committed to and shown keen understanding of our customers' businesses and the various linkages between their industries, thus translating this understanding into increasing our share of wallet of customers' businesses. In addition, this has honed our ability to originate and deliver huge, complex transactions, keeping us at the forefront of financial service delivery.

Legacy of sustainability

Our strong business delivery ethics has provided a compass to guide our commitment to a legacy of sustainable banking. However, in light of significant shifts in global financial services and more stringent regulations, to ensure that such shocks do not lead to the folding of some financial institutions, FirstBank has gone further to sign up to the Sustainable Banking Principles set out by the Central Bank of Nigeria (CBN). This is with a view to driving value by reducing costs, increasing revenues, enhancing brand reputation and minimising risks. To this end, we have begun training on these principles at Board level, and we continue to evolve our business model to ensure sustainability in our business delivery, even while taking advantage of growth opportunities within our markets.

PERFORMANCE HIGHLIGHTS

GROSS EARNINGS

2015	₦465.6bn
2014	₦455.5bn

The 2.3% growth was driven by increased interest income on loans to customers and short-term investments.

OPERATING EXPENSES

2015	₦200.1bn
2014	₦218.6bn

Operating expenses declined by 8.5% in a 9.6% inflation environment. This achievement highlights our resolve to ensure sustainable operational efficiency across our business.

PROFIT BEFORE TAX

2015	₦10.2bn
2014	₦94.5bn

Profit before tax declined by 89.2%, driven by the high impairment charges in the financial year.

TOTAL ASSETS

2015	₦3,973.1bn
2014	₦4,131.6bn

Total assets declined by 3.8%, due to a 17.2% decline in loans to customers as well as the impact of the bonds for loans initiative of the CBN during the year.

NET INTEREST INCOME

2015	₦258.8bn
2014	₦239.6bn

Net interest income increased by 8.0%, mainly due to optimal pricing strategy resulting in improved yields on assets.

CUSTOMER DEPOSITS

2015	₦2,905.1bn
2014	₦2,989.7bn

Customer deposits declined by 2.8%, impacted by withdrawals of Federal Government's deposits with deposit money banks (DMB) in compliance with the treasury single account (TSA) by ministries, departments and agencies in addition to our deliberate strategy of giving up expensive term deposits.

NON-INTEREST INCOME

2015	₦77.4bn
2014	₦99.3bn

Non-interest income declined by 22.0%, essentially due to the decrease in earnings from foreign exchange transaction in view of the relatively steady exchange rate environment as well as the decline in commission on turnover (COT) following the implementation of a lower rate as guided by the CBN.

CUSTOMER LOANS AND ADVANCES

2015	₦1,816.0bn
2014	₦2,193.6bn

Customer loans and advances declined by 17.2% as a result of the challenging macroeconomic environment impacting business performance of obligors.

CHAIRMAN'S STATEMENT

(RETIRED DECEMBER 2015)

"...we have been able to weather the storm through the deployment of cutting-edge initiatives aimed at improving our resilience."

I welcome all of you to the 47th Annual General Meeting of First Bank of Nigeria Limited.

It has indeed been an interesting year. On the global front, output growth in the United Sate of America (USA) was the most positive economic result in 2015. While the United Kingdom turned in better than marginal results, the euro area languished in deflationary territory. Despite quantitative easing in Japan, prices remained stuck below the Bank of Japan's advised inflation rate and economic growth softened. China saw a rapid deceleration in GDP growth, even as authorities struggled to re-orientate the economy away from its previous investment-led growth model towards a more sustainable consumption-led model. Emerging economies suffered the most, with significant decline in exports impacting currencies across these economies.

The Nigerian Government's revenue was significantly depleted as a result of reduced contribution from crude oil export earnings. In addition, the domestic economy experienced diminished GDP growth and rapid run-down of the external reserves, which eventually led to pressure on the naira. Despite the Central Bank of Nigeria's best efforts, the supply bottlenecks in the foreign exchange market drove up costs of doing business across the economy. While falling consumer demand continued to restrain businesses' ability to fully pass on rising costs to the markets, domestic prices sustained its increase, with the year-on-year consumer price index breaching the CBN's target range of 6%-9% for the year.

At FirstBank, our underlying business remains strong, with an extensive customer base spanning various geographies across Africa and internationally, a large network of branches and other alternative distribution channels. Though the regulatory landscape remained tough, posing additional headwinds to our business, we have been able to weather the storm through the deployment of cutting-edge initiatives aimed at improving our resilience. Nonetheless, rapid changes in the external environment revealed the need to further enhance our risk management framework and practice, deepen stewardship, ownership and accountability, as well as sustain efficiency improvements which were achieved in 2015.

There have been some changes on the Board of our great institution which I have highlighted below.

As of 31 December 2015, I humbly pass on my extended tenure as Bank Chairman to Ibukun Awosika, who has previously served as a Non-Executive Director on the Board. In this capacity, she continues in her dedicated service to the Bank and unrelenting passion for the brand. Her wealth of experience will doubtlessly continue to be invaluable in heading the Board with the primary purpose of driving shareholder value.

I must equally mention the bowing out of Bisi Onasanya, the Group Managing Director who completed his tenure effectively on 31 December 2015. He is replaced by Dr Adesola Adeduntan, who served as Executive Director/Chief Financial Officer of FirstBank. Ably supporting Dr Adesola Adeduntan is Gbenga Shobo, a former Executive Director Retail Banking South, in his capacity as the Deputy Managing Director.

Tokunbo Abiru, Executive Director Corporate Banking, resigned voluntarily with effect from 31 March 2016. Bello Maccido also retired from the Board as a Non-Executive Director effective 31 December 2015 to become the pioneer Chairman of the newly licensed FBN Merchant Bank Ltd. Urum Kalu (UK) Eke, Executive Director, Public Sector South, as of 31 December 2015 resigned from the Board and takes over from Bello Maccido as the Group Managing Director of FBN Holdings Plc.

All appointments are effective 1 January 2016.

It has been a journey of peaks and troughs and the conclusion of my tenure fills me with an overwhelming sense of humility, having had the opportunity to serve in one of the nation's foremost financial institutions. My gratitude goes to the shareholders for their support and devotion to this iconic brand over the years. I take my bow and I sincerely wish the Bank good tidings.

Thank you once again.

Prince Ajibola Afonja
Chairman, Board of Directors, First Bank of Nigeria Limited

CHAIRMAN'S STATEMENT
(W.E.F.* JANUARY 2016)

"...we are committed to enhancing shareholder value and bringing the shine back to a great institution."

As a team of Board and management that has been mandated to take the Bank into its future, we are conscious of the responsibility placed upon us by the legacy of an iconic institution of 121 years' standing.

We are also mindful of the current economic realities and the various challenges facing the financial services sector, both globally and in Nigeria.

We have in our hands a jewel that requires careful polishing. However, our confidence for the future is based on our belief in the committed partnership and dedication to a unified purpose of a strong Board and a competent and capable management, working together with a driven and inspired workforce. We are resolute that we can achieve whatever goals we set for ourselves.

We do not expect the task to be easy or the journey smooth. Nonetheless, we are committed to enhancing shareholder value and bringing the shine back to a great institution. We will focus on improving the governance of our risk management framework and practice, ensure that cost optimisation is achieved, and improve the overall efficiency of our business.

We definitely cannot do this alone, and will need your support and trust every step of the way.

Our pledge to you, our esteemed shareholders and indeed to all our stakeholders, is to do all that is possible to realise the true greatness within a truly iconic institution.

We are confident that with your support, and through the grace of God, our Bank will reclaim its mandate of being truly the first and the most admired financial services institution by all our stakeholders.

The Board and I thank the past Chairman for his many years of service to the institution and wish him well in the future.

May God help us.

Thank you.

Yours sincerely,

Ibukun Awosika
Chairman, Board of Directors, First Bank of Nigeria Limited

* w.e.f. – With effect from

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Prince Ajibola Afonja
Chairman
(Retired December 2015)

Ibukun Awosika
Non-Executive Director
BF&HCC
Chairman (w.e.f.* January 2016)

Bisi Onasanya
Group Managing Director/
Chief Executive Officer
(Retired December 2015)
BAC BCC BF&HCC BGC BRMC MCC

Dr Adesola Adeduntan
Managing Director/
Chief Executive Officer
(w.e.f.* January 2016)
BF&HCC MGC

Gbenga Shobo
Deputy Managing Director
(w.e.f.* January 2016)
BCC EXCO MGC

Lawal Ibrahim
Non-Executive Director
BAC BF&HCC

Bello Maccido
Non-Executive Director
(Retired December 2015)

UK Eke, MFR
Non-Executive Director**
EXCO MGC

Ambrose Feese
Non-Executive Director
BCC BGC

Ibrahim Waziri
Non-Executive Director
BCC BF&HCC BRMC

Ebenezer Jolaoso
Non-Executive Director
BCC BGC

Khadijah Alao-Straub
Non-Executive Director
(Resigned October 2015)
BCC BF&HCC

Committee membership key:

BAC	Board Audit Committee
BCC	Board Credit Committee
BF&HCC	Board Finance & Human Capital Committee
BGC	Board Governance Committee
BRMC	Board Risk Management Committee
EXCO	Executive Committee
MCC	Management Credit Committee
MGC	Management Committee (General) – MANCO General

* w.e.f. – With effect from   ** GMD, FBN Holdings Plc (w.e.f. January 2016)

BOARD OF DIRECTORS continued

Obafemi Otudeko
Non-Executive Director
BCC BF&HCC

Tunde Hassan-Odukale
Non-Executive Director
BAC BCC

Dr Ijeoma Jidenma
Independent Non-Executive Director
BCC BF&HCC BRMC

Dauda Lawal
Executive Director, Public Sector
EXCO MGC

Abiodun Odubola
Executive Director/Chief Risk Officer (Retired June 2016)
BCC BF&HCC BRMC

Olusola Oworu
Independent Non-Executive Director (w.e.f.* January 2016)

Mahey Rasheed, OFR
Independent Non-Executive Director (Resigned December 2015)
BCC BGC

Tokunbo Abiru
Executive Director, Corporate Banking (Retired March 2016)
BCC BF&HCC MCC MGC

Olayiwola Yahaya
Company Secretary

Committee membership key:

BAC	Board Audit Committee
BCC	Board Credit Committee
BF&HCC	Board Finance & Human Capital Committee
BGC	Board Governance Committee
BRMC	Board Risk Management Committee
EXCO	Executive Committee
MCC	Management Credit Committee
MGC	Management Committee (General) – MANCO General

* w.e.f. – With effect from

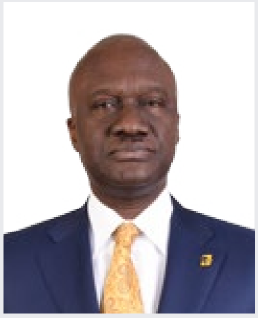
Group Executives

Bashirat Odunewu
Group Executive,
Institutional Banking
BCC | MCC | MGC

Abdullahi Ibrahim
Group Executive,
Retail Banking North
BCC | MGC

Cecilia Majekodunmi
Group Executive,
Commercial Banking
(Retired December 2015)
BCC | MCC | MGC

Bernadine Okeke
Head, Private Banking
(Retired December 2015)
BCC | MCC | MGC



Akinwunmi Fanimokun
Head, Technology
& Services (Retired
May 2015)
BAC | BCC | BF&HCC
MCC | MGC

Committee membership key:

BAC	Board Audit Committee
BCC	Board Credit Committee
BF&HCC	Board Finance & Human Capital Committee
BGC	Board Governance Committee
BRMC	Board Risk Management Committee
EXCO	Executive Committee
MCC	Management Credit Committee
MGC	Management Committee (General) – MANCO General

Our Subsidiaries

Michael Barrett
Managing Director,
FBNBank (UK) Limited

Akeem Oladele
Managing Director,
FBNBank DRC Limited
(w.e.f.* September 2015)

Kunle Jinadu
Managing Director,
First Pension Custodian
Limited

Adenrele Oni
Managing Director,
FBN Mortgages Limited

Seyi Oyefeso
Managing Director,
FBNBank Ghana Limited

Adijat Olaniyi-Olopade
Managing Director,
FBNBank Guinea Limited
(w.e.f.* August 2015)

Nelson Akande
Managing Director,
FBNBank Sierra Leone
Limited

Uloma Olikagu
Managing Director,
FBNBank Gambia Limited

Philippe Kpenou
Managing Director,
FBNBank Senegal Limited

* w.e.f. – With effect from

RECOGNITION OF OUR PERFORMANCE

BEST PRIVATE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank clinched the 2015 Best Private Bank in Nigeria Award in recognition of its 'Best in Class' private banking hubs and the value created for private banking customers.

BEST RETAIL BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the Best Retail Bank in West Africa for the second year in a row. It was awarded by BusinessDay. This is in recognition of its continued drive to enhance retail banking business through e-banking interventions and various retail product and service initiatives.

PRIVATE BANK OF THE YEAR – NIGERIA 2015

***THE BANKER* MAGAZINE AND *PROFESSIONAL WEALTH MANAGEMENT* MAGAZINE**

FirstBank was named Private Bank of the Year – Nigeria 2015 by the globally recognised *The Banker* magazine and *Professional Wealth Management* magazine, both part of the Financial Times Group, for its giant strides and the provision of innovative financial services in the private banking business.

BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank was reaffirmed Best Retail Bank in Nigeria for the fifth consecutive year by the Asian Banker. This award was earned based on the Bank's robust portfolio and exceptional performance in Nigeria's retail market.

BEST PRIVATE BANK IN NIGERIA

***WORLD FINANCE* MAGAZINE**

FirstBank won the 2015 Best Private Bank in Nigeria Award in recognition of its attention to client services and its 'Best in Class' private banking hubs as well as the accelerated speed at growing its market share.

BEST SME BUSINESS & RETAIL BANK IN NIGERIA

BANKER AFRICA – WEST AFRICA AWARDS 2015

The Best Retail Bank in Nigeria was conferred on FirstBank by Banker Africa in recognition of its leadership in the growth and development of SMEs and the retail space for socioeconomic development.

BEST BANK IN SUPPORT OF THE MANUFACTURING SECTOR

BUSINESSDAY

This award is in recognition of FirstBank's achievements in Nigeria's manufacturing sector in promoting the development of the banking sector in Africa's largest economy.

GLOBAL REACH TRADE FINANCE AWARD

DEUTSCHE BANK

FirstBank was awarded the Silver Global Reach Trade Finance Award in 2015. This is in recognition of the diverse trade volumes routed by FirstBank through different locations of Deutsche Bank worldwide. The award reflects the wide range of FirstBank's global trade finance customers, presenting FirstBank as the trade finance bank of choice for most international trade customers in Nigeria.

BEST IMPACT BY A CORPORATE UNIVERSITY ON IMPLEMENTATION OF BUSINESS STRATEGIES 2015

GLOBAL COUNCIL OF CORPORATE UNIVERSITIES

This Silver Award is in recognition of the Bank's feat for Best Impact by Corporate University on Implementation of Business Strategies by the Global Council of Corporate Universities for premium performance at the highest level of value creation for people, business and society across the world.

MOST VALUABLE BANK BRAND IN NIGERIA

***THE BANKER* MAGAZINE**

FirstBank has been named The Best Bank Brand in Nigeria for five years in a row by the globally recognised *The Banker* magazine of the Financial Times Group. The Bank has achieved this feat in recognition of its steady transformation and increased brand value through the years.

BEST COMPANY IN SME

SOCIAL ENTERPRISE REPORT AND AWARDS (SERAs)

The Bank was awarded the Best Company Supporting SMEs two years in succession in recognition of its role in promoting SME development in Nigeria. This has been achieved through capacity-building initiatives championed by the FirstBank Sustainability Centre.

2015 FINANCIAL INSTITUTION OF THE YEAR

PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA – PETAN

The Bank was awarded the 2015 Financial Institution of the Year award for its outstanding financial support for Nigeria oil services companies in its bid to ensure an efficient oil and gas sector.

BEST MOBILE TECHNOLOGY BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

This award is in acknowledgement of the Bank's successful implementation and sustenance of the growth of card and electronic payment solutions for seamless transactions in Nigeria.

BEST BANK IN NIGERIA

GLOBAL FINANCE AWARDS

FirstBank has been the winner of the 'Best Bank in Nigeria', awarded by Global Finance, for the past 12 years. It is in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

BEST PAYMENT BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

FirstBank won the award in recognition of its outstanding banking technology and innovation in alternative services delivery channels for payment transactions.

BEST BANK IN SUPPORT OF AGRICULTURE

BUSINESSDAY

FirstBank won the Best Bank in Support of Agriculture Awards, in the BusinessDay Banking Awards 2015. The award is in recognition of FirstBank's giant strides in the diversification of the economy by supporting the agriculture value chain.

BEST DIASPORA OFFERING

BANKER AFRICA – WEST AFRICA AWARDS 2015

FirstBank was recognised by Banker Africa for its role in the industry with delivery of quality service, best practice, efficient asset and portfolio allocation, financial performance, and value creation for its customers' investment demands.

AFRICA DEAL OF THE YEAR

2015 M&A ATLAS AWARDS

FBNInsurance won the award for the acquisition of Oasis Insurance alongside outstanding accomplishments in Nigeria's insurance value chain for the Group's strategic evolution and growth.

Recognition of our performance

BEST INVESTMENT BANK IN AFRICA

AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure within the last year, FBN Capital was awarded the prestigious Best Africa Investment Bank award for 2015 by the Africa Investor Group, a leading international investment and communications firm.

CORPORATE DEAL OF THE YEAR (AFRICA)

M&A ATLAS AWARDS 2015

FBN Capital was also awarded the Corporate Deal of the Year (Africa) award at the 2015 M&A Atlas Awards for its role in the acquisition of Oasis Insurance by FBNInsurance.

SUB-SAHARAN AFRICA FINANCING TRANSACTION OF THE YEAR 2014

INFRASTRUCTURE INVESTOR BANKING AWARDS FOR EXCELLENCE 2014

FBN Capital was awarded the Africa Deal of the Year at the Infrastructure Investor Banking Awards in June 2015 for its role in the Seplat secured medium-term loan and Accordion Facilities transaction.

AFRICA OIL AND GAS DEAL OF THE YEAR

IJGLOBAL EUROPE & AFRICA AWARDS 2014

FBN Capital was awarded the Africa Oil and Gas Deal of the Year Award for the Oando Energy Resources Conoco Phillips assets acquisition at the prestigious IJGlobal Europe & Africa Awards in February 2015.

BEST STRUCTURED FINANCE DEAL IN EMEA

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best Structured Finance Deal in EMEA for the Oando Energy Resources' ConocoPhillips Nigeria acquisition financing at the EMEA Finance Achievement Awards in June 2015.

BEST FOLLOW-ON FUNDING

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best follow-on funding for its role in the Diamond Bank Public Offering at the EMEA Finance Achievement Awards in June 2015.

BEST INVESTMENT BANK IN NIGERIA

GLOBAL FINANCE AWARDS 2015

FBN Capital won the *Global Finance* magazine award for Best Investment Bank in Nigeria for four consecutive years, as the magazine announced its 16th annual awards for world's best investment banks by country, region and sector in February 2015.

BEST INVESTMENT BANK IN NIGERIA 2015

INTERCONTINENTAL FINANCE GLOBAL AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure, FBN Capital was awarded the Best Investment Bank in Nigeria award for 2015 at the Intercontinental Finance Global Awards.

BUSINESS REVIEW

The Bank's strategic and tactical responses are continuously refined in response to opportunities and threats in its operating environment, and we will continue to develop to deliver strong and sustainable financial performance.

GROUP MANAGING DIRECTOR'S REVIEW

(RETIRED DECEMBER 2015)

"...we continued to consolidate our Sub-Saharan Africa footprint, completing our core integration project across most of the business outlets on our continental network."

INTRODUCTION

In 2015, global economic conditions bore the full impact of the end of the commodities cycle that was forecast in the prior year. The biggest impact was on global oil prices, which continued to decline precipitously during the year.

Whereas the decline in oil prices was previously seen as a mixed benefit, with the adverse effects on oil exporting countries more than compensated for by the gains to consumers in oil importing economies, quoted oil companies and their service providers, especially in the advanced economies, this saw huge declines in profit levels, which impacted their respective stock markets.

China's transition from an investment and manufacturing growth model to a consumption- and services-led model continued to stutter in 2015, with the accompanying volatilities reflected in stock prices. The 'Abenomics' in Japan continued to deliver below-par results, while the eurozone's emerging recovery was hampered by the Middle East migrant crisis and threats of a British exit from the European Union.

Among the advanced economies, the star performers remained the United States, where the Federal Reserve's decision to raise its references rates towards the end of the year now appears premature, while the UK continued to trail the USA as the second-best performing economy among Organisation for Economic Co-operation and Development (OECD) countries. Most emerging economies succumbed to a combination of soft produce prices and falling global demand, with Brazil and Russia worst hit. Among the economies of Brazil, Russia, India, China and South Africa (BRICS), India was the strongest performer.

Operating environment

In the year under review, tighter global market conditions impacted the domestic economy via the trade channel. Accordingly, falling global oil prices, and the relatively large contribution of oil export earnings to the fiscal and trade balances, impacted domestic growth prospects. Both the naira's exchange rate (decreasing) and inflation (increasing) were impacted by this process.

Reduced consumer spending remained the biggest headwind to our business in 2015, as it threatened our commitment to strengthen our retail value proposition. This impact necessitated a revamp of our credit acceptance criteria and the resources that we were prepared to devote to this market segment.

On the other hand, tighter markets reversed domestic trade terms against manufacturing and the fast-moving consumer goods sector, as operators found it increasingly difficult to pass on higher costs to their customers. While we contended with the risks to customer loans from the resulting lower profitability, a number of sectors directly linked with lower oil prices saw a far greater drop in profitability, leading to an increase in provisioning costs for credit exposure to such institutions.

Performance

Over the 12 months to the end of December 2015, we continued to consolidate our Sub-Saharan Africa footprint, completing our core integration project across most of the business outlets on our continental network. Specifically, we piloted the Global Account Management (GAM) scheme, to integrate our multinational businesses across our geographic footprint.

In addition, during the review period, we strengthened our representative offices around the world following a holistic review that helped us establish the relevance of each office to our Commercial Banking group's business. Thus, we were able to ramp up the business drive of our Beijing representative office, rebuilding awareness of what the Bank is able to offer existing and potential clients and customers. This has helped us to understand the challenges in managing our relationships both with our Chinese clients and with our customers who do business with China.

To improve the customer experience in our many sales outlets, we focused on branch improvement measures throughout 2015. In our renewed focus on the retail consumer segment, we also pursued both queue-reduction strategies and workforce improvement measures.

Alive to the key roles that our e-business channels play in terms of bringing innovation in emerging banking trends to our bottom line, we paid special attention to enhancing our online banking solution. In particular, we looked at redesigning our mobile banking application with a view to improving cross-platform versatility.

The growth in the top line reflects the resilience of our underlying business and the different initiatives we have put in place to grow and integrate the multinational businesses across our geographic footprint.

The major impact on our performance in the current year was the level of impairment charge following a reassessment of our loan book given global oil price challenges coupled with domestic fiscal and monetary headwinds, which resulted in marked reduction in domestic output. Prudent levels of impairment have been necessary, following the reassessment exercise, as we work towards rebuilding a more formidable asset quality portfolio and a stronger business. Overall, profit before tax declined by 89.2% to ₦10.2 billion (Dec 2014: ₦94.5 billion).

Leadership change

Following the announcement of my retirement mid-2015, but effective 31 December 2015, Dr Adesola Adeduntan, the erstwhile Executive Director/Chief Financial Officer, was appointed as the Managing Director/CEO of First Bank of Nigeria Ltd and its Subsidiaries, effective 1 January 2016. Though the task ahead is tough within a very competitive and highly regulated industry as well as in the current macroeconomic challenges, I am confident in the leadership of Dr Adeduntan to take this great institution forward.

Outlook

Global economic performance in 2015 was underwhelming. To a large extent, China's transition from an investment-led growth model to a consumption-led one could be responsible. China's economy grew at 6.9% in 2015, below the 7.0% predicted by the government at the beginning of the year, and well down on the double-digit rates the economy had averaged over the last three decades.

Much of the downturn in the emerging market outlook has been due to the softening in global commodity prices as a result of China's declining interest for imports.

The outlook for the domestic economy is also unlikely to lift materially in the short term. Given the consensus around the medium-term outlook for commodity prices (especially for oil), the chances of a recovery in the domestic economy in the period to the end of December 2016 are contingent on the extent of radical structural reforms to the economy in that period.

More immediate worries include continuing difficulties experienced by domestic economic entities in sourcing their foreign exchange needs. Indeed, industry concern is growing around the build-up of a backlog of letters of credit. Moreover, the softening of consumption spending and higher debt service costs in the real sector threaten disruption to the domestic demand for financial services.

In response to these diverse economic vulnerabilities, we have seen the CBN support a build-up of liquidity in the banks. As rates have fallen, this trend is supposed to encourage an increase in bank funding of the real sector. While arguments persist over the most appropriate source of long-term funding to grow the real sector as rapidly as the economy requires, a liquidity surfeit in the industry has a clear impact on the outlook for the consumer price index.

On this basis, the industry's outlook is expected to be less positive over the coming months. Although the general market environment is expected to be tight, we are strongly persuaded that our renewed focus on the retail segment of the market will lend considerable resilience to our processes and bottom line in the months to come.

Over a much longer timespan, however, we are aware of the new challenge posed to our business by the array of digital disrupters in the e-commerce space. We shall be looking at a root-and-branch revalidation of our different customer-interface models, through strengthening our e-commerce value proposition.

Thank you and God bless.

Bisi Onasanya
Group Managing Director/Chief Executive Officer
First Bank of Nigeria Ltd

MANAGING DIRECTOR'S REVIEW

(W.E.F.* JANUARY 2016)

"Given the fundamentals of our business remain strong, we are optimistic that even though our path to recovery will be tough it will also be short."

INTRODUCTION

The 12 months that ended 31 December 2015 turned out to be some of the most difficult in the 121-year history of the Bank. Strong headwinds from our operating environment took their toll, even as we struggled to build up growth momentum internally. In the end, the Bank suffered considerable erosion of major performance indicators.

Operating environment

Slow (and in some economies, decelerating) global growth would continue to weigh on domestic operating conditions. Much hope rides on the ability of the incumbent government of Nigeria to complete the structural reforms needed to improve the resilience and productivity of the domestic economy. But these reforms, including reducing business costs; boosting investments in schools, healthcare delivery, and research and development; and upgrading the criminal justice system are medium- to long-term deliverables.

Over the shorter term the oil price outlook will matter and we have already seen lower global oil prices pass through to drastic reductions in domestic output. The near-term outlook for oil prices will depend on how well China manages the transition from investment-led growth to consumption/services-led growth. The low energy intensity of production in the West means that recovery might not provide the boost to price gains that might be needed to offset the diminution in revenue numbers that oil producers have witnessed since mid-2014.

In combination with high global oil inventories and daily excess of supply over demand estimated at over 1.8 million barrels, the outlook for output growth locally will remain subdued. Much will depend on how much fillip the 2016 Appropriations Act will lend to domestic economic activity, and how successful the transition to higher levels of capital spending are.

FirstBank's outlook

Within this context, it will be important that the Bank continues its reform trajectory aimed currently at strengthening our risk management competences, reducing costs of operations and redesigning our operations to boost our intervention in the retail space. However, a reduction in consumer spending as the economy contracts dims the prospects for the retail space. Nonetheless, we are improving our information technology and communications infrastructure to drive our retail business more efficiently and in real time.

Along with a readjusting of the mix of our bricks-and-mortar and click-and-pay sales outlets, we are concluding redesigns to our e-business suite of products and services to improve customer ease of access and convenience of use of our products and services.

You have our assurance that these initiatives will see the Bank return to the performance track traditionally associated with it, and which our stakeholders have come to expect over the current financial year. Given the fundamentals of our business remain strong, we are optimistic that even though our path to recovery will be tough it will also be short.

* w.e.f. – With effect from

I would like to take this opportunity to thank our customers for their patronage and loyalty to our Bank and reassure them that they will remain our main focus during this challenging economic period. Outstanding customer service, dedication and resilience have been what our Bank has been traditionally known for and we promise that our customers will continue to benefit from these despite the tough operating environment.

I would also like to thank our employees for their excellent performance and commitment over the past year. They have worked tirelessly to support our customers and enabled us to achieve our business objectives. Similarly, I would like to thank my fellow Directors for their trust and confidence in appointing me as the Managing Director of the Bank and its subsidiaries and for their continuing tireless support during these difficult business conditions. Your efforts are greatly appreciated.

Dr Adesola Adeduntan
Managing Director/Chief Executive Officer
First Bank of Nigeria Ltd and its Subsidiaries

OPERATING ENVIRONMENT

GLOBAL ECONOMY

2015 opened with worries over adverse weather conditions in the United States of America (USA), deflation worries in Japan and the threat to the euro area from the 'Greek question'. The year saw most economies, from China and Japan to emerging markets, struggle to support growth. Soft global demand left both commodity prices and volumes stagnant.

Lower oil prices were a mixed benefit, equivalent to a tax cut and therefore supporting growth in importing countries while imposing fiscal adjustment in exporting countries, most of which depend on crude oil earnings for their export revenues. Overall, global growth in the year was 2.9%, well below the 3.6% average over the past three decades.

United States of America (USA)

The USA was last year's top-performing economy, buoyed by a 10-year high growth (2.5%) in consumer spending. On the back of this, and recoveries in business confidence, the International Monetary Fund (IMF) estimates US output growth in 2015 at 2.6% (from 2.4% in 2014). Whereas the USA saw job losses top 8.7 million during the last recession, by the end of 2015 it had recorded 13 million new jobs. Despite this relatively strong performance, both US wages (growing at an annualised rate of 2.8%) and inflation (headline rate closed at 1.3% in November) were subdued during 2015.

Cheap oil and a stronger dollar arguably played a part in dampening prices. Nonetheless, by year end the Federal Reserve System was sufficiently impacted by tightening economic conditions to raise the range for its benchmark rate by 25 basis points, to between 0.25% and 0.5%.

United Kingdom (UK)

The UK continued to trail the USA as the second-best performing economy among Organisation for Economic Co-operation and Development (OECD) countries. Having grown by 2.6% last year, GDP growth in the UK in 2015 was estimated by the IMF at 2.7%. The results of the UK general election were generally positive for the economy, with sterling firming on a trade-weighted basis by 7.0%. The country's labour market conditions continued to improve, and retail sales data released by year end were better than expected.

China

Falling demand in China was largely blamed for the end of the commodity super-cycle. In 2015, the authorities in China continued to drive policies designed to re-orientate the economy away from export-led growth to consumption-led growth. This may have permanently altered the structure of global trade last year, as more of the inputs in the Chinese manufacturing process were sourced internally and end products consumed locally. Still, difficulties in both the stock and the currency markets in 2015 underscored how challenging the restructuring of the Chinese economy will be over the next couple of years. At 6.9%, China's GDP growth in 2015 was the lowest in 25 years.

Japan

The IMF projected Japan's public debt to close 2016 at 247% of GDP. With Japan already the world's most indebted economy, Prime Minister Abe's goal to return the budget into surplus by April 2020 was impacted by the postponement until 2016 of the planned increase in the goods and services tax.

Despite Abe's optimistic reform agenda, consumer spending and net exports continued to underperform in Japan. Low inflation and low labour productivity remained the main downsides in Japan, in a year in which the IMF estimated output to have grown by 0.6% (up from a negative 0.1% in 2014).

The eurozone

The eurozone's output outlook remained differentiated across members. The geopolitical crisis that has pitched Russia against the West over Ukraine, and falling global oil prices contributed new pressure points. Concerns over the outlooks for France and Italy, as well as a slowing German economy, were joined by the tense negotiations between the European Central Bank (ECB), the European Commission and the IMF on the one hand, and the new government in Greece on the other, over the terms of the latter's continued access to ECB financing.

The ECB's mid-year decision to reinforce the floor beneath its component economies by cutting its interest rate to a record low of 0.15% (from 0.25%) was a major positive, as was its move later in the year to pursue quantitative easing.

THE DOMESTIC ECONOMY

Nigeria will mark 2015 more for achievements on the political field than for any other milestone. The transition of power at the centre, through fairly credible polls, from the ruling party to an opposition party was the first in the country's records. Although it took seven months to inaugurate a cabinet, the Government appeared to make up for lost time by announcing the appropriations for 2016 almost as soon as the ministers were sworn in.

The ₦6.08 trillion budget (up on the ₦4.6 trillion budgeted for 2015) is premised on an oil benchmark of USD38 per barrel and includes a ₦2.22 trillion deficit. While most commentators welcomed the budget's conservative accounting, 2015 also saw extremely low oil prices threaten the economy's fiscal integrity.

Lower oil prices (Brent crude, which traded at a little below USD60 per barrel in January 2015, closed the year below USD38 per barrel) drove the key measures of domestic output down; inflation trended up; and, despite a combination of administrative measures implemented by the CBN to shore up the economy's external reserves, the naira continued to lose value against most traded currencies.

The banking industry

While decelerating domestic output growth coloured the general environment within which banks operated last year, the CBN's attempts at supporting the naira in the face of a dwindling foreign reserve balance and a build-up of domestic demand for dollars were the most disruptive influences on banks' business. A shrinking economy also raised concerns over the cost of bank deposits, contracting loan books and rising non-performing loans.

Trends, challenges, opportunities, competition, regulatory influences

In the year in review a number marginal developments threatened the industry's long-term outlook. Leading this category was the increasing use by online shopping outfits of wallets that sit on their networks and permit their customers to make purchases without reference to bank accounts. The trading of call credits by mobile phone networks was on the increase. In fact, in one such example, outstanding phone credits on the accounts of one of the phone operators rivalled the retail loans of most banks. In advanced jurisdictions, the rise of financial technology companies promises to rewrite the financial services space in precisely the manner that these new trends also threaten to restructure banks' businesses.

Along with the market shrinking effects of a decelerating economy, these were some of the bigger challenges we faced in the review period. With the number of banks remaining unchanged over the last decade, competition could be described as having steadied.

We see significant opportunities ahead, especially for a leaner, more efficient operator, and accordingly are restructuring our operations to take advantage of these. In particular, much profit could be gained from an expanded retail sector positioning. Nonetheless, the regulatory posture would be significant in how these opportunities present themselves.

OUTLOOK

Globally, most forecasts have the US economy growing faster in 2016 than it did in 2015. The IMF estimates 2016 growth to be 2.8%, up from 2.6% in the previous 12 months. At 1.6% in 2016 (up from 1.5% the previous year), growth in the eurozone is expected to be slightly less, while increasingly slower growth in China should see the yuan cede ground to the dollar. On balance, therefore, we expect to see the Federal Reserve raise rates again in 2016.

All these factors mean that demand pressure will continue to impact the outlook for commodity prices, while tighter monetary policy in the USA will constrain global finances. The outlook for emerging economies, like India, is thus likely to be bleaker over the next fiscal cycle, while Brazil, Turkey, Malaysia, South Africa and, to a lesser extent, Russia are countries that will experience the most pain.

STRATEGY AND PERFORMANCE

Our strategic approach is to implement initiatives that help the Bank leverage its strength in the retail space to fulfil its core function of mobilising deposits (utilising our extensive branch/ATM architecture) from our large retail customer base, and creating risk assets by channelling such funds to the customers in various sectors of the economy.

CONSOLIDATE OUR LEADERSHIP POSITION WHILE DRIVING TARGETED IMPROVEMENTS TO ELEVATE FINANCIAL PERFORMANCE AND REINFORCE OUR APPEAL AS THE BANK OF FIRST CHOICE

	1	2	3
THEMES	ATTAIN LEADERSHIP IN MID-CORPORATE/ COMMERCIAL AND SME SEGMENTS	IMPROVE COST AND CAPITAL EFFICIENCY	DRIVE SERVICE DELIVERY EXCELLENCE
STRATEGIC PRIORITIES	✓ Be the bank of choice in Commercial segment ✓ Build transaction banking capability ✓ Institutionalise relationship manager (RM) sales excellence	✓ Scale up integrated cost-containment programme ✓ Drive aggressive non-performing loan (NPL) management	✓ Aggressively pursue service excellence programme ✓ Transform branch into best in class and sales machines

STRATEGIC PRIORITIES

FirstBank has, over the last decade, adopted a comprehensive strategic planning approach to driving its business, staying competitive and maintaining its leadership position in the financial services industry. While most of the previous strategic initiatives remain relevant in propelling the Bank's performance going forward, we continue to recalibrate our strategy in light of the notable changes/trends that have taken place within our internal and external business environment to ensure a sustained approach in driving growth and improving our performance for the near future.

To continue building on the Bank's strengths and successfully addressing challenges, we adopted a set of aspirations and targets to surpass analyst expectations over a three-year cycle (2014-2016). In support of these efforts, the Bank also outlined a set of strategic themes and key enablers. The agreed strategic themes are:

- attain leadership in mid-corporate/commercial and SME segments;
- improve cost and capital efficiency; and
- drive service delivery excellence.

Thus far, we have implemented specific initiatives along each of these themes – in some cases, we set up pilots/proof of concepts, in others we executed some basic quick-wins, and in others still we commenced a full roll-out.

Attain leadership in mid-Corporate/Commercial and SME segments

The financial services industry in Nigeria has experienced one of its most challenging periods in recent history, with thinning margins, heightened regulatory interventions and increased competition. The Bank remains optimistic of its ability to continue to deliver exceptional returns to its shareholders and continues to drive initiatives to realise its financial goals.

Attain leadership in mid-Corporate/ Commercial and SME segments

	Be the bank of choice in Commercial segment	Build transaction banking capability	Institutionalise relationship manager (RM) sales excellence
Description	Become the commercial bank of choice in Nigeria, significantly increasing revenues and profits	Build a distinctive transaction banking capability, becoming preferred provider of cash management, trade finance and payments in Nigeria	Drive step-by-step change in RM productivity, leading to a significant increase in sales per RM in our Institutional Banking and Corporate Business segments
Areas of Impact	Total revenue from Commercial SBU Commercial Banking trade volume	Non-interest revenue Cross-sell ratio Product profitability	RM productivity Customer concentration ration Customer conversion ratio

Be the bank of choice in the Commercial segment

We are developing tailored value propositions for identified high-growth segments within the Retail and Commercial Banking strategic business units (SBUs) by developing/modifying specific products and services. We have also focused on optimising coverage and distribution channels to balance revenue, cost and customers' needs. In addition, we have adopted a systematic approach to generating sales opportunities by leveraging technology and cross-selling, continuing to develop competence and building in performance incentives.

In line with our expectations, we have grown non-interest income from increased treasury management activities, e-business transactions, and by focusing on and deepening transaction banking services from cash management and improved collections, while offering value-driven e-payment and liquidity management solutions.

RM sales excellence programme

As part of our commitment to foster deep relationships with our esteemed customers, we are committed to developing well-versed relationship managers (RMs). Our RMs will have a deep understanding of their customers' industries, delivering solutions to meet the customers' needs, and the business acumen to identify and convert opportunities. Through this approach we will increase customer wallet share and achieve diversification into various sectors of the economy.

We adopted a scientific approach to our sales and relationship model to increase the capability of our RMs to succeed in their roles. This programme incorporates the critical enablers required from a lead generation framework into works tools, time management and performance management.

The RM excellence programme has so far been successfully implemented across three of our SBUs – the Institutional Banking group (IBG), the Corporate Banking group (CBG) and the Commercial Banking group (CMG), with all the RMs in these groups benefiting from this initiative.

Establish Transaction Banking group (TBG)

The TBG was created to drive non-interest income in the Bank by managing transaction-based products and providing technical support to RMs and their customers. This has ensured FirstBank is able to increase its share of wallet among its wholesale customers by providing them with tailor-made solutions. Our increased focus on banking services will stimulate improved collections, grow low-cost deposits and retain funds through offering effective e-payment and liquidity management solutions.

Looking ahead: priorities for 2016

- Conclude roll-out of RM excellence programme across all sales teams.
- Continue to drive roll-out of branch transformation initiative in priority locations.
- Extend middle office functionality.

IMPROVE COST AND CAPITAL EFFICIENCY

In line with recent regulatory changes, as well as the evolving business environment, the Bank's business operating model has been reviewed to ensure proper strategic realignment and optimal use of available resources. The Bank continues to aggressively pursue cost optimisation and containment and efficient capital management strategies across its entire operations, and we are positive these efforts will yield results to the bottom line

Improve cost and capital efficiency		
	Scale up intergrated cost-containment programme	**Drive aggressive non-performing loan (NPL) management**
Description	Significantly contain cost growth going forward, to enable Bank to reach cost-to-income ratio of 55% by 2016	Rapidly reduce NPL portfolio within the 2014-2016 strategic cycle frame
Areas of Impact	Cost-to-income ratio Growth rate in costs by category	NPL ratio Recoveries/Bank's profit before tax (PBT)

Scale up integrated cost-containment programme

In order to drive cost efficiency, the Bank developed a roadmap for implementing identified cost-containment initiatives. Some of the initiatives being implemented include rationalising unprofitable branches, restructuring procurement processes and centralising processes across the Bank to reduce transaction costs and processing cycles.

We are targeting a cost-to-income ratio of 55% by 2016; as at December 2015, the figure stood at 59.3%. We believe that our target is achievable with a focused implementation of these initiatives and close monitoring, as well as a greater emphasis on the ratio denominator-revenue.

Non-performing loans management

This initiative has been supported by the creation of a middle office. The middle office provides more effective and proactive monitoring of non-performing loans (NPL); further improvements will be driven by recoveries and a more effective remedial management process. The Bank closed with NPLs of ₦338.7 billion (2014: ₦84.4 billion).

Looking ahead: priorities for 2016

- Reduce cost-to-income ratio.

DRIVE SERVICE DELIVERY EXCELLENCE

Drive service delivery excellence		
	Aggressively pursue service excellence programme	Transform branch into best in class service and sales machine
Description	Achieve continuous improvement of services, so as to increase customer satisfaction and customer stickiness	Improve service and enable more proactive sales to occur in the branch by implementing lean processes, centralising operations and providing critical sales enablers
Areas of Impact	Industry customer satisfaction ratings	Self-service rate Customer turnaround time Sales per RM

Service excellence programme

Service excellence is a key element of our strategic drive to be the 'clear leader and Nigeria's bank of first choice'. In line with our commitment to strengthen our service excellence proposition, we are focusing on revamping the customer experience within the Bank, including the branch experience and the speed of processing. Excellent service and branch transformation strategies have been placed at the forefront of our drive to ensure we attain the leadership position in the industry.

The drive to improve our service excellence will be accomplished through the implementation of service programmes and standards. Internal and external customer engagement sessions and other forums will be held in order to continuously receive feedback from customers on their expectations and service delivery levels.

The implementation of these and other measures has culminated in the Bank obtaining ISO 10002:2004 certification for complaints handling, making FirstBank the first Nigerian financial institution to obtain this globally recognised certification.

Transform branches into sales centres

The Bank is focused on driving more effective utilisation of its branches by upgrading them from 'operational centres' to sales centres, while transforming the customer experience. For example, we aim to benefit customers visiting our branches by introducing innovations to eliminate queues. This will help create an enabling environment to support the proactive selling of our relevant banking products to address customers' needs, boost in-branch revenue and engender customer migration to self-service channels.

We have also introduced other measures to improve overall customer service. To further assist with managing large numbers of customers at our branches, and provide a speedier service for them, we introduced an SMS banking option. This enables customers who require account balances or mini-statements avoid queues and receive them via their mobile phones by texting the word HELP to a designated number. This self-service option has been complemented by the introduction of a short code for all FirstBank customers.

In addition, we have also introduced a cash dropbox facility as part of the branch as a Sales and Service Centre project. The cash dropbox is a fast-track channel for customers depositing up to ₦40,000. This facility further reduced congestion in branches, and has now been extended from 180 to 269 branches.

On top of these initiatives, we have strengthened the efficiency of our complaints handling mechanism. Together, these actions will not only improve service but will also lead to tangible revenue and cost benefits. Looking ahead, our focus will be on reinforcing our achievements across key customer touch points and continually enhancing our processes.

As a bank, we regard our customers as the single most important asset for our business and we are committed to going the extra mile to ensure their needs are fulfilled. Our value proposition to our esteemed customers remains 'YouFirst'. To this end, we are confident that we will have established a customer-centric bank by the end of our strategic cycle.

Looking ahead: priorities for 2016

Improve customer complaints visibility and resolution.

DIVISIONAL OPERATING REVIEW

INSTITUTIONAL BANKING

Bashirat Odunewu, Group Executive*

INTRODUCTION

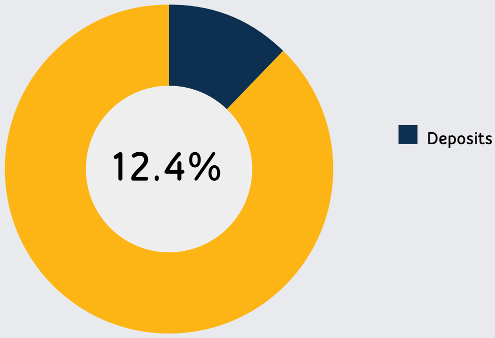
The Institutional Banking group (IBG) is set up along six industry lines – energy (oil and gas), telecoms, construction and infrastructure, conglomerates and services, manufacturing, and financial services/ multilateral agencies. Several leading organisations in these sectors currently bank with the Group.

The IBG target markets and customers include multinationals and corporate customers with revenue greater than ₦10 billion. The IBG has been restructured and merged with the Corporate Banking group effective January 2016.

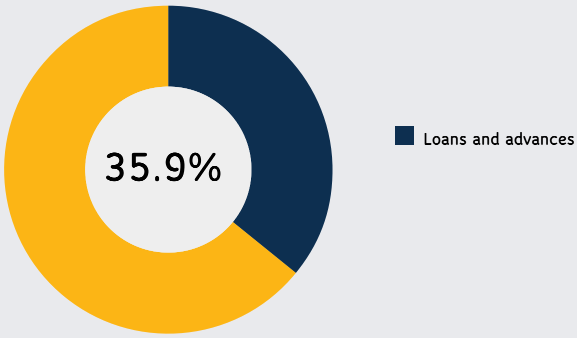
The IBG provides a collection of banking and financial services, ranging from project finance, trade and corporate finance, reserve-based lending and term loans, to foreign exchange, treasury services, cash management and guarantees. A distinguishing strength is our ability to provide custom-made solutions unique to individual customer requirements.

We continue to build strategic partnerships across key institutional banking market segments, either by financing cutting-edge transactions that drive revenues or by adding value to customers' businesses or projects through the provision of advisory services. We are set up with the flexibility to lead in the increasingly dynamic business environment and are positioned to take advantage of the outcomes.

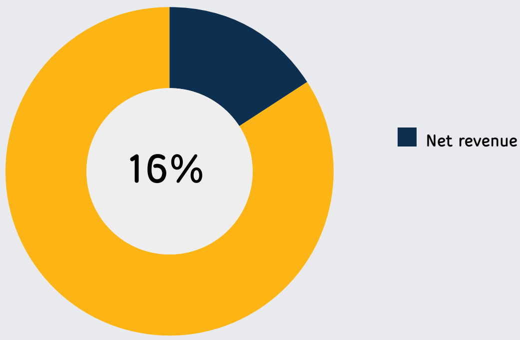
PERCENTAGE OF DEPOSITS



PERCENTAGE OF LOANS AND ADVANCES



PERCENTAGE OF NET REVENUE



4,332 ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

* Appointed Group Executive International Banking in 2016

OPERATING ENVIRONMENT

ENERGY

The last 12 months witnessed a weakening of market fundamentals in the energy sector, occasioned by the unabated downward spiral of crude oil prices amid a global supply glut. On the regulatory side, a weakened naira led the CBN to impose restrictions on the dollar, which posed a foreign exchange risk and negatively affected petroleum product imports. To ensure the business is on a sustainable trajectory, and to enhance our commitment to our stakeholders, we adjusted our risk acceptance criteria and positioned the portfolio against headwinds by engaging in transactions with a strategic focus on portfolio risk quality and profitability. There was a decline in capital expenditure for upstream industry, which led to reduced contracts for oil and gas servicing companies, including rig operations.

The downstream industry also experienced a lull in the importation business due to foreign exchange scarcity for payment of imported cargoes, and some marketers depended on local purchase of products. Downstream transactions declined further due to the delay in receipt of subsidy, mainly on non-deregulated petroleum products. To grow revenues, we focused on shorter-term current account and savings account (CASA)-generating and fee-earning opportunities.

TELECOMS

The telecoms sector also had its fair share of foreign exchange constraints experienced by the economy in 2015, coupled with a declining average revenue per user (ARPU) figure in the industry, resulting from an intense price war among network operators. Consequently, the sector witnessed reduced margins with a negative impact on the profitability of transactions.

These factors had a significant impact on the IBG's ability to generate fee-based income from foreign exchange-related businesses such as letters of credit and invoice discounting for original equipment manufacturers (OEMs). In addition, there was the adoption of new International Finance Reporting Standards regulation, which increased the cost of bonds and guarantee (B&G) facilities and therefore affected the group's competitiveness in our bid to participate in some B&G transactions.

However, the Bank maintained a good relationship with all the key players in the industry, including MTN, Airtel, Glo Mobile, Etisalat, Huawei, ZTE and Main One Cable. Our service excellence, in addition to ring-fenced funding support to the dealers, has helped us to retain a sizeable share of their business. This has led to a significant growth in our collection business, from a total of ₦109 billion in 2014 to ₦128 billion. By virtue of these strong relationships, we are positioned to continue enjoying good patronage from the key players when macroeconomic challenges ease, as expected, in the coming year.

The industry ratings remain high, with strong cash flow, despite the challenges. Consequently, it is anticipated that future growth potential is very high, and with incremental broadband penetration as articulated in the National Broadband Policy, the sector is expected to be one of the highest GDP growth contributors in the near future. As an SBU, we are well positioned to take advantage of these opportunities as they unfold. In 2016, our goal will be to continue to retain our strong relationships with the operators, while leveraging the Bank's extensive Information and Communication Technology (ICT) platforms to drive more growth in sales collections.

MANUFACTURING

Our focus for this sector in 2015 was to increase the Bank's share of wallet of transactional activities, value chain management and corporate finance mandates. The volatile economic environment, coupled with the limited supply of foreign exchange had a major impact on growth in the sector.

Nevertheless, we achieved 110% of the set profitability target and in excess of 200% of the collections target, while still retaining trade transactions with foreign exchange volume in excess of USD500 million.

With manufacturing expected to be one of the growth sectors of the economy in 2016, our goals are to be the bank of choice for both strategic corporate finance and transactional mandates, to deepen fee-based ancillary transactions and to work in partnership with the Manufacturers' Association to influence regulatory policies. This should lead to an increased sign-on of new customers, an increased share of customers' business and enhanced visibility in the manufacturing sector.

FINANCIAL INSTITUTIONS AND MULTILATERALS

In the financial sector, our team is responsible for coverage of bank and non-bank financial institutions both locally and internationally. Leveraging the Bank's brand, extensive branch network and investment in technology, we are the natural partner for both existing and new entrants to the Nigerian financial market. We continue to improve on our offerings to ensure we meet the service demands of our extremely sophisticated clientele.

Over the past year, our foreign correspondent banking relationships have grown with a number of Middle East/United Arab Emirates (UAE) banks joining the ever-expanding pool of short-term lines available for trade finance activities, which benefits both our Bank and our African subsidiaries.

We continue to build on the medium- to long-term pool of funds available to the Bank's customers, with continued engagement of the development finance institutions (DFIs) and export credit agencies with which we have over the years developed an excellent working relationship. A credit line with one of the DFIs was concluded in the last quarter of the year and others are expected to be consummated in the near future.

CONGLOMERATES AND SERVICES

The Services and Conglomerates team offers banking services to operators in the services industry, in addition to companies with various subsidiaries across different business interests. Despite the tough operating environment in 2015, the IBG was able to participate in some high-end transactions such as the establishment of a USD195 million letter of credit for the construction of a cement plant.

In 2016, we hope to further stimulate our existing and prospective customers with the provision of seamless and effective services and, by extension, maximise the returns on the relationships. The group will also ensure the effective monitoring of our customers' value chains in order to maximise the resultant benefits therein.

INFRASTRUCTURE

The Bank continued to play a foremost role in the financial sector's support for infrastructure development in the country. Early in 2015, we participated in the CBN-Nigeria Electricity Market Stabilisation Fund, as both a collection bank and as a principal collection bank. We also supported the critical overhaul of a power plant under the CBN's Power and Aviation Intervention Fund.

We maintained a close relationship with the Airlines and Port Concessionaire in our books in 2015, and were in discussions for additional collection centres for the international airlines. This should translate into increased collections for the business in 2016.

STRATEGY

We will continue with our strategic objective of diversifying the group's portfolio by investing in growth industries while deepening existing relationships through increased penetration of non-loan solutions and services. Upscaling our relationship teams' capacity for corporate and structured finance will be a critical enabler to meet our increasingly dynamic and sophisticated customers' needs.

Our objective will be to attain market leadership in the delivery of transactions and electronic solutions in the institutional banking marketplace. Adequate priority will be given to enhancing service delivery platforms to ensure turnaround time, quality information and other measures are of best in class standard.

A key priority is to increase the group's net revenue contribution to the Bank to 18%. We hope to achieve this by growing profitability, improved performance across all metrics, deepening relationships with customers and growing transaction volumes.

We also intend to deepen our share of wallet of low-performing relationships, drive new customer acquisition across identified growth areas and reactivate strategic inactive relationships, while extracting value from the value chain of key principals. It will also be a priority to maximise non-interest opportunities and be more efficient in service delivery to customers, understanding their unique business needs better and thereby offering more value-adding products to meet these needs.

BUSINESS MODEL

Our proposition for IBG customers is to provide bespoke end-to-end services to the top tier of the market, designed to address their unique needs. We leverage the Bank's subsidiaries, such as FBN Capital, to provide advisory services to our customers, and collaborate with our customers in charting new growth platforms by providing advisory services.

We continue to focus on the growth sectors of the economy, while deepening value chain penetration of key principals in other sectors in line with best practices.

FINANCIAL HIGHLIGHTS

	Institutional Banking group	
	2015 ₦ million	2014 ₦ million
Gross earnings	85,361	105,661
Net revenue	47,558	48,557
Loan and advances	624,096	668,954
Deposit	292,858	310,117

KEY RISKS AND MITIGANTS

The major risks that may challenge the financial sector in the year are credit and non-performing loans as banks rally towards recoveries and preventing new delinquencies. Improving the credit knowledge of the group's employees, and enhancing the monitoring of loan portfolios will be necessary to mitigate against risk. In the course of the year, risks associated with the manufacturing sector, such as trade-related risks in addition to another likely devaluation of the naira, may be present. This will increase import costs for manufacturers and other import-dependent concerns.

We are, however, well placed to mitigate these concerns. Our trade financing transactions are well hedged ahead of prevailing trends, and this is in addition to our internal credit process.

OUTLOOK

In 2016, we see a scope for increased investments in growth markets driven by intense margin pressures and the strengthening of the oil and gas market, as companies reallocate capital to optimise their portfolios and focus on higher returns. Locally, divestments from onshore and shallow water assets present opportunities for indigenous companies to increase participation, creating room for local currency-funded risk asset creation.

Going forward, we are preparing for growth by leveraging existing business for higher returns, identifying and harnessing growth opportunities in the large mid-stream service space, exiting underperforming and lower-yielding portfolios, and converting a more diverse range of new-to-bank opportunities. Although the new government is yet to unveil many details of its infrastructure development plans, it is foreseeable that 2016 will be characterised by government spending on transport, housing and power infrastructure development, as stated in the 2016 Budget. This will provide opportunities for partnership for project funding, bank guarantees, etc.

TRANSACTION BANKING GROUP

OVERVIEW

The Transaction Banking group (TBG) was set up in July 2014 with the critical imperative of growing the Bank's non-interest income. The group's prime goal is to grow transaction volume and revenue from trade, collections and electronic payments by providing technical sales support to market-facing units and ensuring the optimisation of back-office platforms that process transactions. The group has eight hubs in key locations across the country, which have the sole purpose of increasing market reach in generating and supporting customers' transaction mandates.

PERFORMANCE

The economic landscape in 2015 presented us with several changing indices, policies and government regulations that together had an adverse impact on our ability to achieve projected transaction volumes. These include the plummeting price of oil, full implementation of the Treasury Single Account (TSA), the paucity of foreign exchange, the exclusion of 41 items from the CBN-controlled foreign exchange markets, and the Federal Government's tighter fiscal policies.

Despite these challenges, the TBG, in collaboration with the business units, achieved the following results in 2015.

Transaction category	2015 Volume	2015 Budget	% Achieved	2015 Income	2015 Budget	% Achieved
Collections (₦bn)	4,334	4,700	92.0	1.2	1.3	88.0
e-Payment count (₦mn)	20.7	27.8	74.0	1.3	2.0	63.0
Trade (₦bn)	722	1,614	45.0	5.7	7.1	80.0

In addition, the Bank sustained its lead position in industry collections with an 18.0% market share. Projected e-payment revenue and volume were greatly affected by the Federal Government's implementation of the Government Integrated Financial Management Information System (GIFMIS), which caused the loss of several significant government e-payment mandates. Nevertheless, we achieved 74.0% and 63.0% of budgeted e-payment volume and revenue respectively.

Trade volumes dipped by 36.0% to ₦722 billion, compared with ₦1,614 billion in 2014. However, revenue from trade grew by 6.0% on account of optimal pricing, increased efficiency and transaction diversification.

TRANSACTION BANKING OPPORTUNITIES

Our strategic thrust will be to optimise the Bank's transaction platforms for greater efficiency and resilience. In this regard, we will drive the roll-out of the recently launched FirstTrade platform to all trade customers to improve turnaround time in trade transaction processing. We will also work with relevant stakeholders to fully automate other trade services, such as bills for collection, invisible trade and exports, in addition to automated letters of credit processing.

To grow float income, deposits and increase retention of wholesale customers, we will implement an integrated cash and liquidity management platform for top-end corporates.

With the big losses resulting from the implementation of the TSA implementation, and the increasing unavailability of foreign exchange, we will focus on increasing our wallet share in states and corporate collections, driving export volumes, and on trade business in the manufacturing, food and beverage, textile and agriculture sectors that enjoy government support.

We will thus seek to radically generate new transaction mandates, while deepening the Bank's wallet share of existing customers' businesses.

RISKS AND MITIGANTS

The major factors likely to affect transaction banking in 2016 remain the instability of government policies and the likely adoption of the TSA policy by some state governments. In granting trade facilities to customers, risks include diversion of proceeds by the customer, goods being not properly cleared and exporters supplying goods that do not meet the buyer's specifications.

In mitigating these risks, we intend concentrating our attention on winning mandates from the private sector and multilateral organisations, while leveraging the drive for TSA implementation by state governments to pitch for the lead/consolidation bank mandate for revenue collection and payments.

For the risks associated with the trade facilities, we intend using relevant documentation as leverage to monitor warehousing, transportation and procurement of goods to ensure the Bank is not exposed.

MILESTONES

TBG was set up on 1 July 2014, and in 2015 achieved the following milestones.

A 39.4% growth in collection volumes, from ₦3.1 billion in 2014 to ₦4.3 billion in 2015. The group maintained industry leadership in collection platforms, with a market share of 18%. E-payment mandates nearly doubled, from 394 in December 2014 to 751 at year end 2015.

FirstTrade, a world-class, web-based solution that enables trade customers to initiate letters of credit from the comfort of their office, while receiving notifications at every stage of the transaction cycle via SMS text alerts and emails, was launched last year and over 100 trade customers have signed up for this service.

PRIORITIES

Our priorities will be to consolidate our industry-wide position by delivering the following:

1. Full innovation of trade transactions delivery by pursuing the nationwide roll-out of the FirstTrade platform to all trade customers.
2. An integrated cash and liquidity management solution.
3. Growth of non-interest income through the aggressive sale of cash management products.
4. Continuous partnership with our trade customers to ensure their business growth and sustainability, while providing necessary financial and business advisory support.
5. A portal targeted at pre-tertiary institutions.
6. Aggressive sale of TSA/internally generated revenue consolidated solutions to state governments.
7. Strong marketing of the Bank's transaction banking services and platforms.

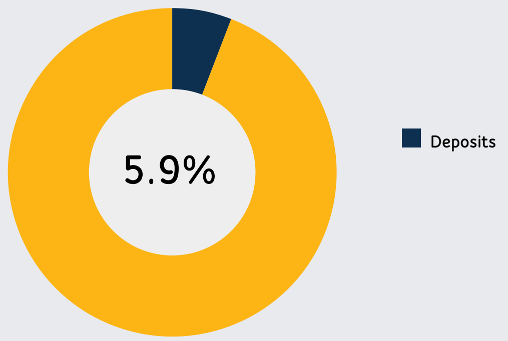
2016 OUTLOOK

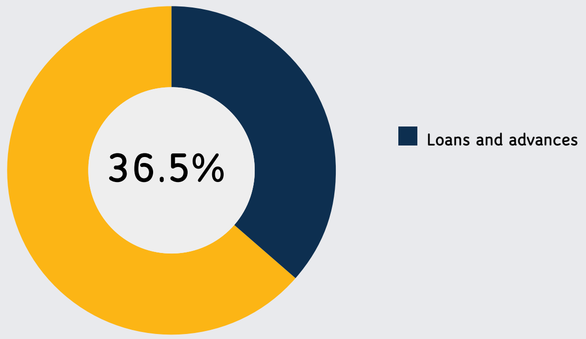
The continuous drop in crude oil prices will see the Government continue to implement policies to stabilise the naira and enhance internally generated revenue. Further exchange rate depreciation will be a challenge, while external reserves will be under immense pressure. The volume of imports is expected to decrease, based on the Federal Government's policies to encourage integration and non-oil exports. A review of the Federal Government's budget reveals that the key focus will be on areas such as infrastructure development, power and transportation.

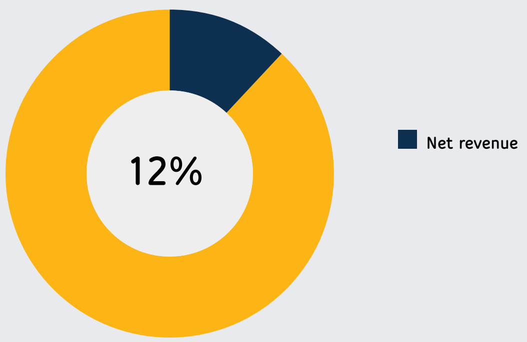
We will closely observe and review these areas for opportunities to provide solutions, financing and platforms for relevant stakeholders and the Bank to exploit all possible opportunities.

CORPORATE BANKING GROUP

Tokunbo Abiru, Group Executive, Corporate Banking
(Retired March 2016)







8,531 ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

INTRODUCTION

The implementation of the bank's Corporate Banking group is led by Tokunbo Abiru, an Executive Director. He achieves effective coverage of the corporate banking space through a network of 14 Group Heads, whose offices are strategically located where their customers are concentrated. The Corporate Banking group serves the high-end corporate customers within specialised industries. This SBU has been formed through a merger between the former Institutional Banking group and the upper end of the former Corporate Banking business unit. It serves private organisations with an annual revenue of more than ₦5 billion but less than ₦10 billion as well as mid-size and large corporate customers with an annual revenue greater than ₦5 billion but with a key man risk.

TARGET MARKETS AND PRODUCT OFFERINGS

Through the 14 regional hubs, the Corporate Banking group (CBG) focuses on corporate customers in the following sectors:

AGRICULTURE AND AGRO-PROCESSING

These are companies operating in the agriculture value chain.

Product offerings include:

- export trade finance;
- warehouse financing;
- collections and cash management;
- project finance under the Commercial Agricultural Credit Scheme (CACS); and
- letters of credit.

MANUFACTURING

These are manufacturers of fast-moving consumer goods, including pharmaceuticals.

Product offerings include:

- import finance for the importation of raw materials;
- collections and cash management;
- warehouse financing; and
- letters of credit and bills for collection.

TRADING AND GENERAL COMMERCE

This segment is made up of importers of various fast-moving consumer goods, as well as key distributors of manufacturing companies and exporters of raw materials.

Product offerings include:

- trade finance (import/export);
- key distributorship finance (KDF);
- warehouse financing; and
- letters of credit.

SERVICES

These include customers providing services in aviation, education, entertainment, health and logistics.

Product offerings include:

- schools solution/collection platforms/combo cards for educational institutions;
- working capital; and
- capacity expansion finance including leases.

OIL AND GAS

These are primarily indigenous oil-servicing companies in the downstream sector and marginal field operators in the upstream sector of the oil and gas industry.

Product offerings include:

- oil and gas contract finance;
- stock replacement facility;
- petroleum products lifting facility;
- bonds and guarantees;
- equipment leasing;
- project finance;
- export proceeds domiciliary account; and
- funds transfer services.

POWER VALUE CHAIN, CONSTRUCTION AND INFRASTRUCTURE

These include power distribution and generation entities as well as companies in the fields of architecture, civil engineering and road, rail and ports construction, as well as provision of Information Technology (IT) infrastructure.

Product offerings include:

- bonds and guarantees;
- contract finance facility;
- collections and cash management;
- expatriates' remittances; and
- letters of credit.

TELECOMMUNICATIONS

These are typically dealers of major telecoms companies.

Product offerings include:

- telecoms dealership finance; and
- collections and cash management.

OPERATING ENVIRONMENT

In 2015, the continued drop in the price of crude oil had its attendant effects on the supply of foreign exchange in particular. This challenging operating environment also affected majority of our customers, who import raw materials for their production processes.

In response, we provided alternative sources of foreign exchange, to support their integration initiatives while leveraging on our enterprise-wide expertise to provide advisory services.

We continue to explore innovative and cost-benefit approaches to meet the needs of our customers.

BUSINESS MODEL

Our approach is to identify the specific needs of our individual customers and develop tailor-made solutions. This requires a good understanding of the customers' businesses, their operating environment, competitors' offerings, etc.

Furthermore, we find out the challenges faced by operators in the sectors that we serve and provide cost-effective solutions to earn their patronage and loyalty and, by extension, revenues.

Some of the attributes of our solutions include the following:

- Uniqueness: our solutions are tailor-made to the specific needs of our individual customers.
- Cost-effectiveness: our cost-effective solutions help to increase our customers' profits and enable us to maintain a low-cost profile to gain a competitive advantage.
- Simplicity: our customers do not necessarily have to engage financial experts before understanding how our products work. They are all designed with the customer in mind.
- Technology-driven: our robust collection platform aids our valued customers in the management of their working capital.

STRATEGY

The Corporate Banking SBU aligns with the Group's overall objective of attaining an industry leadership position, and extending this especially to profitability and efficiency.

Our strategies include:

- Expanding and deepening our sector coverage by establishing active banking relationships with at least five out of the top 10 CBG-type names in the priority growth sub-sectors: general commerce (non-oil export, major retailers and importers of fast-moving consumer goods (FMCG)); manufacturing (FMCG, pharmaceuticals and chemicals); services; power; and agro-processing and packaging.
- Developing a high-quality customer base by aggressively driving the reactivation of low-activity and inactive CBG accounts.
- Driving best-in-class credit and portfolio performance by focusing on disciplined growth with rigorous economic hurdle rates/benchmark rates for foreign currency and term loan origination, and consciously grow short-term lending products.
- Investing and growing market share in solution capabilities, with specific focus on trade financing and payment and cash management.

FINANCIAL HIGHLIGHTS

	Corporate Banking group	
	2015 ₦ million	2014 ₦ million
Gross earnings	62,916	65,357
Net revenue	35,509	44,022
Loan and advances	439,260	516,928
Deposit	142,254	192,616

KEY RISKS

FOREIGN EXCHANGE

Current economic realities make foreign exchange risk a major issue in our business. We mitigate this by encouraging spot transactions and, where possible, offering derivatives and providing financial advice on the best funding options based on the individual characteristics of each customer.

INTEGRITY OF FINANCIAL STATEMENTS

We are aware that there is always a risk of the integrity of customers' financial statements being called into doubt. To mitigate this risk, we carry out a third-party confirmation to determine their reasonableness. This confirmation could be in the form of statements of accounts from the customers' major bankers, credit bureau checks, industry checks and peer reviews.

PRICE SENSITIVITY

Customers in our segment can be very price-sensitive. We therefore offer well-researched, cost-effective solutions to meet their needs.

KEY PERSON RISK

For most of the companies operating in this segment of the market, decision-making and, ultimately, the survival of the company is centred on an individual or a family, such that whatever affects that individual or family is likely to affect the profitability or survival of the company. This risk could be transferred by taking out a key person risk insurance policy. In addition, exposures could be structured to be short-tenured in nature, especially where the risk and profitability are both high. This risk is gradually becoming less prominent in our business, because we have helped most of our customers to build structures around their operations so that their businesses can outlive their promoters.

2016 OUTLOOK

In 2016, we shall remain committed to our strategic focus of dominating the middle-upper segment of the corporate banking space. In line with present economic realities, we shall commit more resources to the non-oil sector, particularly the export-oriented and/or import-substituting industries in commodities export, manufacturing, foods and agro-allied processing.

More than ever, our financial intermediation role will provide a platform enabling exporters and importers to meet and trade much-needed export proceeds, thereby reducing importers' dependence on the single official source for foreign exchange.

While the business strategy remains basically unchanged, our goal is to operate a streamlined business aimed at delivering maximum efficiency and productivity. Overall, our stakeholders are assured of our customised, value-adding and sustainable banking solutions.

CASE STUDIES

Med-view Airline Nigeria Limited

Med-View Airline arrived on the Nigerian aviation scene in 2007, primarily to transport Nigerian pilgrims to and from Saudi Arabia. The airline has since grown to offer an impressive range of aviation services, including cargo operations, Hajj and Umrah flights, and private charters, with local, regional and international passenger flight operations now at the core of its business.

OUR COMMITMENTS

Helped by financial and advisory services from FirstBank, Med-View Airline Nigeria Limited has grown from being a travel agent/Hajj and Umrah carrier to a full-fledged local, regional and international airline operating routes from Lagos to London, Accra, Abuja, Port Harcourt, Maiduguri, Yola and Enugu.

The airline has been able to grow its fleet from zero in 2012 to five Boeing aircrafts in 2015.

PERFORMANCE

By working with FirstBank in 2015, Med-View Airline was able to partner with AerCap Aviation and finance the acquisition of additional Boeing aircraft, as well as opening up its maiden international route from Lagos to London. It also opened up new local routes, including Lagos to Maiduguri and Lagos to Yola. This growth in capacity has enabled Med-View Airline to increase its passenger traffic.

Rite Foods Limited

Rite Foods Limited was incorporated in 2007 as a food processing company within the Ess-ay Holdings Ltd Group. It has regional offices in Benin, Abuja, Port Harcourt and Ibadan, with a head office in Lagos. Rite Foods produces packaged sausages, under the name of Rite Sausages (Bigi), which is fast becoming a household name comparable with market leaders like Gala (UAC Foods).

OUR COMMITMENTS

Rite Foods Limited approached FirstBank for support in its business expansion. We were able to supply both financial and advisory services to assist in the introduction of new products and establishment of additional depots. The company already has a successful factory at Adebola House, which presently operates at a capacity of 8,000 cartons per day. Its new, state-of-the-art facility in Ososa, Ogun State, is expected to boost minimum capacity to more than 40,000 cartons per day.

Rite Foods is one of the biggest players in the Nigerian snacks industry, with products such as Bigi beef sausage roll, Bigi Apple Snack, Rite Spicy Beef Snack and Cheese Snack. The company is also in the process of introducing additional production lines for beverages at its ultra-modern factory site.

PERFORMANCE

By working with FirstBank in 2015, the company is expected to boost minimum capacity and expansion plans.

Criswel Equity Nigeria Limited

Criswel Equity Nigeria Limited is a registered Nigerian company that was incorporated in June 2003. The company deals in the trading and exportation of agricultural products such as cocoa beans, cashew nuts and sesame seeds. Criswel established a relationship with FirstBank in 2013.

OUR COMMITMENTS

Criswel Equity's vision is to become a leading trader in agricultural-related products, and approached FirstBank for support in achieving this aim. This was in line with our long-term objective of diversifying our risk-asset portfolio and creating additional revenue streams outside the oil and gas sector. The Bank was able to support Criswel, through our Warrant Finance Facility (WFF), to finance its procurement and export of cocoa beans. We are also supporting Criswel's plan to procure and export cashew nuts.

PERFORMANCE

By working with FirstBank in 2015, Criswel has experienced a steady growth in its turnover.

COMMERCIAL BANKING GROUP

Cecilia Majekodunmi, Group Executive, Commercial Banking
(Retired December 2015)

INTRODUCTION

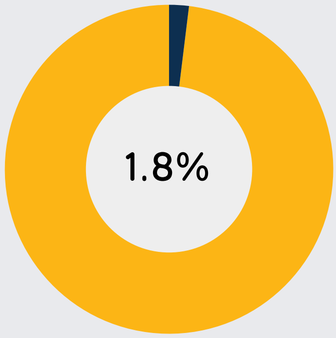
The Commercial Banking group serves businesses with a turnover of ₦500 million to ₦5 billion using a geographical model. This SBU combines the previous Commercial Banking group with the rest of the former Corporate Banking business unit.

The Commercial Banking group offers banking services to the middle market segment of the economy, specifically:

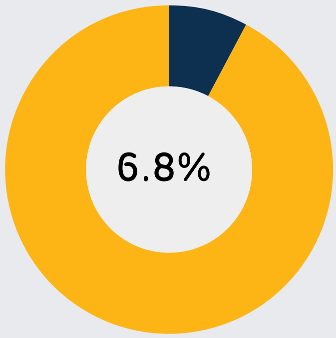
- ✓ oil and gas;
- ✓ pharmaceuticals;
- ✓ agriculture;
- ✓ mining;
- ✓ transportation;
- ✓ telecommunications distributors;
- ✓ general commerce;
- ✓ manufacturing;
- ✓ hospitality;
- ✓ government contractors;
- ✓ importers and exporters of commodities in focus sectors; and
- ✓ distributors and suppliers of fast-moving consumer goods (FMCGs) and services.

8,122 ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

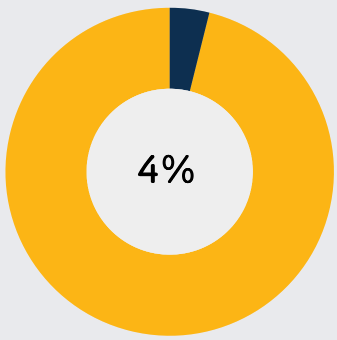
PERCENTAGE OF DEPOSITS



PERCENTAGE OF LOANS AND ADVANCES



PERCENTAGE OF NET REVENUE

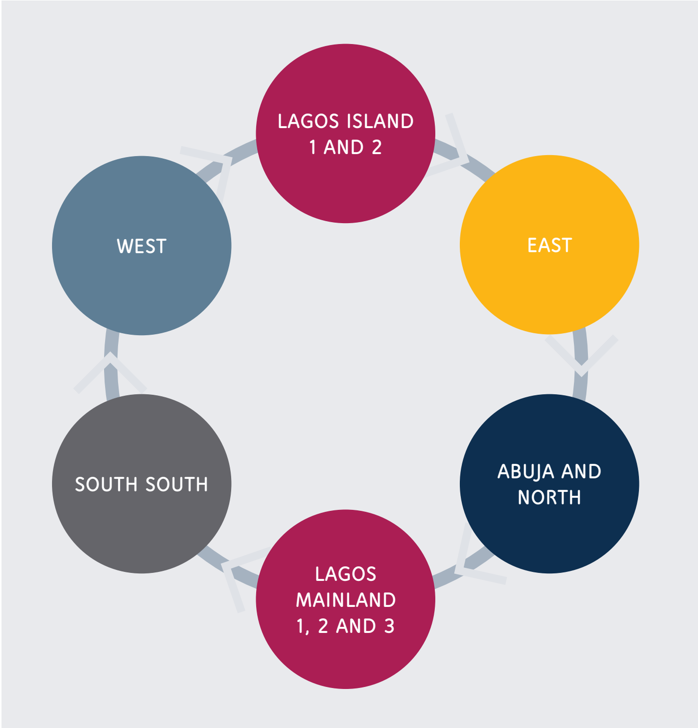


BUSINESS CLASSIFICATION

- Annual sales turnover of between ₦500 million and ₦5 billion, comprising private sector enterprises, government contractors, hospitality and educational institutions.
- Unstructured management: this target market comprises a management structure which does not involve succession planning or corporate governance.
- Sole ownership, i.e., entrepreneurs: organisations in this segment are run by one person, as such decisions are taken unilaterally.
- Value chains of conglomerates. A sizable percentage of customers in this market forms the value chain/contractors of top corporate organisations.

WHAT DIFFERENTIATES US?

- Our principle of strict adherence to quality and innovative products and services has set us apart from the rest, thereby making us the best choice for one-stop commercial banking products. The key focus of the group is to create an environment in which trade business thrives, and this will, in turn, enable us to achieve our goal of becoming the established leader in commercial banking business.



BUSINESS MODEL

Our business model shows how we implement our strategic initiatives to generate revenue and sustain a profitable business operation.

The Commercial Banking group is made up of 12 smaller groups located in key hubs around the country, with each group composed of four teams. The structure enables us to penetrate our target markets and offer tailor-made solutions to meet our customers' needs. The Commercial Banking group has continued to grow its business through innovative product development and excellent customer service delivery. To achieve our core vision, we reshuffled the relationship engagement model to ensure that appropriate teams can match their resources to customers' requirements.

These groups are located in Lagos, Oyo, Ondo, Osun, Anambra, Enugu, Aba, Akwa Ibom, Bayelsa, Rivers, Abuja, Kaduna and Kano. These locations are able to provide services to a wide array of customers in the country.

PRODUCT AND SERVICES

We have provided the following specialist products to service the needs of commercial banking customers during the year:

- import finance and export finance product programmes;
- the Procter & Gamble distributorship finance programme;
- the oil and gas contractors' finance product programme;
- the key distributorship finance product programme; and
- the agriculture financing scheme.

The impact of these products, coupled with the Bank's robust technology platform, has ensured the best service for the middle markets.

STRATEGIC OBJECTIVES

The strategic objective of the Commercial Banking group is to ensure we become 'the bank of choice in the commercial banking segment of the economy', while the strategic imperatives remain the acquisition of new customers, repositioning the Commercial Banking group as a true partner to customers and ensuring growth across all revenue streams.

Some of the group's strategic imperatives have been cascaded into the following priority initiatives:

- Robust trade platform/customer service centre: this is a one-stop trade platform that will be used to address all the trade issues of our customers.
- Deepen market penetration: leverage the Bank's rich suite of products and services to deepen penetration into the various chosen commercial market segments.
- Periodic seminars for trade businesses: this will provide a platform through which experts in the various trade businesses can provide insights, analyse government policies and advise customers on ways of doing business ethically and profitably.
- Trade customer reward scheme: developed a reward scheme for customers who route their trade transactions through the Bank.
- Competitive pricing for our credit lines: the provision of competitive prices for customers across the various credit lines offered by the Bank.

GROW NON-INTEREST INCOME

- Focus on transaction-based lending with short turnaround time (TAT).
- Aggressive sale of our product programmes to enhance quick wins and reduce TAT.
- Strategic marketing call targeted at deepening our share of key customers' transaction and ensuring all is done to generate necessary non-interest income.

COST EFFICIENCY

- Ensure that human capital returns index guides the actions of relationship managers.
- Strict control of all expenses incurred during the course of operations.
- Restructuring of teams to reflect focus on key performance indicators (KPIs) and costing standards.

GROW DEMAND DEPOSIT

- Drive for advance payment guarantees (APGs), bond and trade transactions.
- Deploy e-collection channels to poach competing banks' business.
- Deepen our share of existing customers' business through constant follow-up.

CREDIT RISK MANAGEMENT

- Strategic follow-up on past due obligations for quick recovery.
- Close monitoring of existing oil and gas transactions to be termed out due to foreign exchange influenced gap.
- Portfolio approach to risk management by adhering to non oil and gas transactions only.

RISK AND MITIGANTS

Continuing a strong tradition of increasing asset quality, risk management remains one of the central pillars of the Commercial Banking group. Essentially, we have employed a holistic approach to managing and mitigating the risks inherent in our business. The key risks evident in this segment are:

- **Diversion risk:** This is the risk that funds availed or payments received are diverted to other purposes and other banks respectively. Our credit risk management has measured this risk and mitigated against loss of funds. Some of the measures is direct credit of availed funds to suppliers account.
- **Performance risk:** This risk is associated with the probability that the borrower will not achieve good earnings and profitability from their operations. We try to mitigate this risk before granting credit to customer by finding out what might happen to earnings from operations – whether they would be sustained, increased or adversely affected in any way. This will enable the Bank to make an informed decision as to whether to approve or decline such a request. Most of the time, when products are tangible, profitability analysis is conducted before approval of funds.

The 12 months ended 31 December 2015 presented the Commercial Banking group with one of its most challenging periods, largely as a result of the global fall in oil prices, and fiscal and monetary pressure on the economy. This affected the ability of our customers to meet maturing obligations.

FINANCIAL HIGHLIGHTS

	Commercial Banking group	
	2015 ₦ million	2014 ₦ million
Gross earnings	23,157	16,508
Net revenue	12,730	7,963
Loan and advances	121,992	118,030
Deposit	43,093	59,527

OUTLOOK FOR 2016

The middle market is on a sound footing to becoming the engine of growth for the economy as a whole, as it now becomes necessary for this segment to take advantage of the 2016 budget where the real sector is expected to grow through deficit financing. Overall, and in line with the Commercial Banking group's 2015-2016 strategy, we envisage a balance sheet growth of about 35%.

In this regard, our key priority in 2016 is to seize the opportunity to grow our trade, general commerce and export businesses with a view to capturing about 25% of the available market share.

We intend to develop innovative products and increase the reach of existing products to drive revenue growth.

We aim to harness the value chain of key multinationals, manufacturing companies and service providers by increasing their business dealings with FirstBank.

While we still have much to do, we are now closer than ever to achieving our objective of building a strong Commercial Banking group, thereby contributing to the growth of FirstBank.

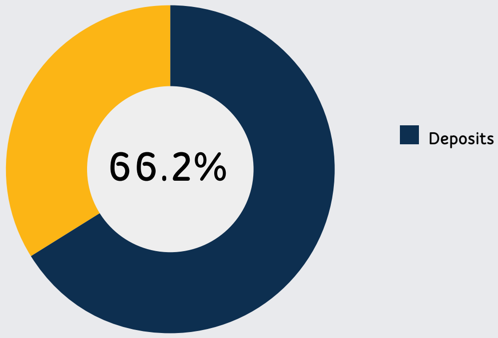
RETAIL BANKING GROUP

Gbenga Shobo, Executive Director, Lagos & West
(Deputy Managing Director w.e.f.* 1 January 2016)

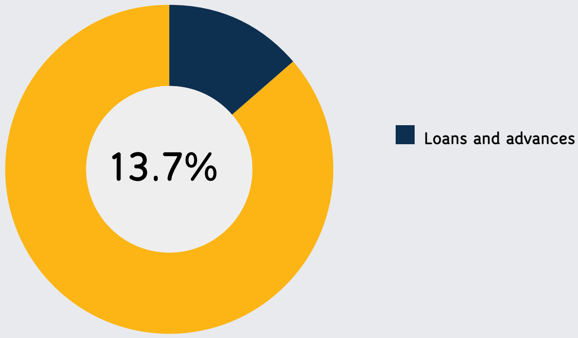
Dauda Lawal, Executive Director, Retail North
(Executive Director, Public Sector w.e.f.* 1 February 2016)

UK Eke, Executive Director, Retail South
(GMD, FBNHoldings Plc w.e.f.* 1 January 2016)

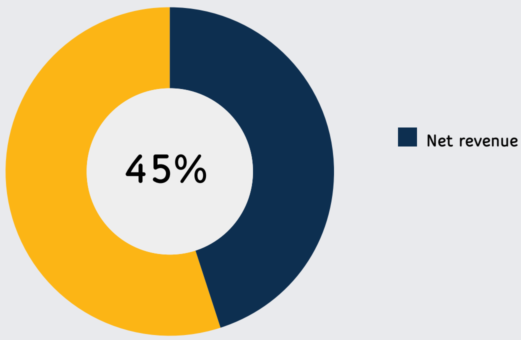
PERCENTAGE OF DEPOSITS



PERCENTAGE OF LOANS AND ADVANCES



PERCENTAGE OF NET REVENUE



4.3m LAGOS & WEST ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

3.2m RETAIL NORTH ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

3.3m SOUTH REGION ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

* w.e.f. – With effect from

INTRODUCTION

FirstBank's Retail Banking group (RBG) provides financial products and transactional services to individuals and corporate customers. The RBG serves mass retail, affluent with annual income of up to ₦50 million as well as small business and local governments with annual turnover of up to ₦500 million. The group's network is spread across all the states in Nigeria, ensuring that FirstBank branches are within easy reach for every Nigerian. The retail business offers a wide range of financial products with significant value propositions for our individual customers and their businesses.

- **Tailored personal services:** We provide dedicated relationship managers (RMs) to handle our customer relations, thereby ensuring consistent, high-quality services throughout our branches. We also ensure that our products and services offer unique solutions to meet our customers' personal and business needs. Our dedicated RMs and 24-hour contact centre provide contact points for customers across the world, while affluent customers are also served in our premium lounges throughout the country.
- **Convenience:** We provide various transactional channels for customers to manage their financial activities and access their funds with ease, including conveniently located branches, ATMs and customer-friendly online and mobile banking services. We also have a number of virtual and electronic card products that enable online purchases, as well as electronic channels for bill payments. For SMEs, we provide bolt-on web payment systems, which allow them to receive online payments from their customers and make payments to suppliers online, thereby dramatically increasing their reach.
- **Loan products:** These are broken down into two types – consumer loans and SME loans. We provide various loan products, including credit cards for customers and consumer loans for individual customers. Our personal loan against salaries is one of the most widely utilised loan products for civil servants in Nigeria, while our Naira Credit Card is the first true credit card available in the Nigerian market. For SMEs, we offer loans addressing specific customer needs, such as contract execution, office equipment acquisition and mortgages. FirstBank's SME loans and transactional services offer a competitive advantage to our SME clientele, who have the opportunity to expand their business with our support.

OPERATING ENVIRONMENT

The market environment for retail banking is built around individuals and corporate customers. Opportunities within the retail banking space in Nigeria are varied. There are now more than 93 million adults of banking age in Nigeria, with over 31% of the population living in urban areas and over 40 million of the adult population financially excluded from the formal banking sector. There are also more than 17 million SMEs in the country. In addition, local governments present an interesting opportunity with regards to consumer loans to their employees, as well as contract finance loans to their contractors. Therefore, there is still significant room for growth for the RBG with regards to customer acquisition, including growing the youth segment and increasing product sales to existing customers.

CHALLENGES AND OPPORTUNITIES

The collapse of crude oil prices points to a continued contraction of government revenue and a reduction in GDP growth and consumer spending, since a lot of spending nationwide is driven by government expenditure. However, the Government's expansionary budget for 2016 of over ₦6 trillion promises several interesting opportunities to expand retail lending across Nigeria. This is particularly so with regards to loans to support the infrastructural development and federal employment components of the budget. Also, the unrelenting depreciation of the naira will continue to have a significant impact on trade business for our SME customers as it becomes even more difficult to access foreign exchange to import goods for sale. However, Nigerian SMEs are hardy enterprises and we expect that alternative businesses will be created by such import-dependent firms.

Cross-selling activities between the Bank and its subsidiaries will be expanded in 2016, specifically between FBN Capital and the Bank, an initiative that will provide opportunities for increased revenues. Improvements in our technology platforms (online banking, mobile banking, etc.) will allow retail to increase revenue from non-interest income, as we make more fees from transactional services provided to customers in 2016.

BUSINESS MODEL

We have continued the implementation of our business model built around customer segments to reflect our new strategic thrust. The RBG has three customer segments:

- **Affluent:** Individual customers with annual debit turnover between ₦5 million and ₦50 million.
- **SMEs:** Corporate customers with annual debit turnover of ₦500 million and below.
- **Mass market:** Corporate and individual customers with annual debit turnover below ₦5 million.

To exploit the business potential within these customer segments, we created segment-specific product and services bundles based on identified needs and value propositions, allowing for easier products sales. We have also assigned our RMs across specific segments to gain a deeper understanding of the customers and to develop relevant expertise.

In 2016, the private banking team will become part of the RBG. This will enable us to have two focused RMs for each private banking customer and to extend our private banking services to premium lounges across the country.

Also in 2016, a new segmentation will be used for our Affluent and SME segments in a bid to reflect actual value derived from each one.

- **Affluent:** Customers who meet any of the following criteria:
  - annual debit turnover from ₦5 million to ₦50 million;
  - average monthly turnover of ₦500,000 to ₦2.5 million.
- **SME:** Customers who meet any or all of the following criteria:
  - annual debit turnover from ₦5 million to ₦2 billion;
  - minimum loan amount of ₦1.5 million to a maximum of ₦25 million;
  - average monthly balance of ₦500,000 to ₦5 million.

PUBLIC SECTOR

In 2014, the cash reserve ratio (CRR) for public sector funds was increased first from 12% to 50%, then finally to 75%, which meant that most public sector funds had to be kept with the CBN. This dramatically reduced the profitability of a standalone public sector SBU as well as impacted the relevance and requirement for the existence of a public sector SBU. A decision was therefore taken by the Bank to restructure the two SBUs by merging the Public Sector SBU into the Retail SBU and splitting the Retail SBUs from the existing two (Retail North and South) into three SBUs (Retail North, Retail South and Lagos & West).

The above was done in the third quarter of 2014 and was maintained throughout 2015, which meant there was no separate Public Sector SBU during that period.

However, due to new regulatory changes, the Public Sector SBU has been revived and will be tailored to focus on public sector opportunities.

The Public Sector group (PSG) will concentrate on the Federal Government and select state governments, where the Bank can add value. The PSG will also work with the other SBUs to handle government contractors.

STRATEGY

Our key strategic priorities for 2016 are to grow our market share of the Affluent, SME and mass market segments, and to increase the transactions we provide. This will enable us to increase our profitability and deposit base, based on meeting customer needs and product sales. We also intend to deepen synergies with FBNHolding subsidiary companies to diversify the range of products available for our customers. Identification and exploitation of new opportunities throughout the year will also serve to strengthen our revenue lines.

Our focus points are:

- Grow market share of all retail segments: we will continue to grow our customer share of all segments.
- Increase non-interest income: we have shifted our focus to increasing our sales of non-interest income products, such as transactional cards (debit cards), to our Affluent and SME customers through offering additional value-added services.
- Low-cost liability generation: this is to ensure we continue to increase our deposit contribution to the Bank's balance sheet through attracting low-cost funds from our large customer base. The strategy is to improve our focus on the mass market by significantly improving the quality and speed of our customer service to this segment. The Bank also plans on deepening our revenue from the informal sector by aggressively pushing our agency and mobile banking offerings.
- Focus on specific industries to drive business growth: RBG will continue our strategy of partnering with stakeholders in various industries – such as healthcare, commerce and online retail – to develop systems and processes for profitable business in those areas.
- Improve product sales to all customers across segments.
- Focus on cross-selling of FBN subsidiary products to our customers to drive revenue.
- Focus on cost optimisation across all retail operations and branches.

PERFORMANCE

	Retail Banking – Lagos & West	
	2015 ₦ million	2014 ₦ million
Gross earnings	57,334	119,193
Net revenue	76,837	76,604
Loan and advances	126,900	186,783
Deposit	707,885	656,990

	Retail Banking – North	
	2015 ₦ million	2014 ₦ million
Gross earnings	27,371	49,204
Net revenue	53,216	37,615
Loan and advances	45,392	51,269
Deposit	547,260	322,084

	Retail Banking – South	
	2015 ₦ million	2014 ₦ million
Gross earnings	42,622	98,294
Net revenue	57,510	63,981
Loan and advances	105,217	173,278
Deposit	564,723	547,230

NON-FINANCIAL PERFORMANCE

We have launched a Traders Solution Product that enables us to provide financing to traders located in designated market locations across Nigeria using their stock as collateral. We have also refocused effort on pushing our First Instant Account, which is targeted at the vast number of unbanked individuals and which reduces the threshold for account opening for this category of customers.

KEY RISKS AND MITIGANTS

- Our key risk in 2016 will be from the economic slowdown (the drop in the value of the naira, reduction in trade and resulting reduction in customer purchasing power). To a lesser degree, there might be exposure to regulatory pressures on our fee income.
- To mitigate the impact of the economic slowdown, RBG will aggressively focus on the revenue potential of the expansionary Federal Government budget, and its impact on the market, contractors and employees in the value chain involved in executing the capital aspects of the budget. We will also increase our non-interest income by providing transactional services that customers are willing to pay for in the SME and individual banking space.

OUTLOOK AND 2016 PRIORITIES

GDP growth will be significantly reduced in 2016. The reduction in the main components of GDP (government and consumer spending, investments and net export) and our ability to deal with them will determine the performance of the retail business unit in 2016. Reduction in government spending should normally translate to reduced consumer spending because government revenue drives consumption in Nigeria and the drop in crude prices will severely affect government revenue; however, the Government has proposed an expansionary budget with a large capital expenditure component (this is combined with a strong drive to reduce all revenue leakages), which will provide avenues for growth through financing government contracts and social security spend. Unfortunately, private sector consumer spending will be reduced. Also the unavailability and depreciation in the value of the naira will continue to restrict growth in the trade business as importers are unable to access foreign exchange to bring in goods. The potential flipside is an increase in domestic production of goods that cannot be imported or their substitutes that might trigger a growth in manufacturing.

The outlook for the retail business looks tough; however, FirstBank has traditionally had a strong focus on the retail market and will translate this focus into identifying and growing new opportunities rapidly in an otherwise challenging environment. We will focus on cutting service costs while deepening our knowledge of and support for our customers to enable us to take a high wallet share of their corporate and personal businesses. Retail will strive to increase product sales while offering transactional services to enhance our customers' business performance in this environment, thus improving our non-interest income significantly.

CASE STUDIES

Falke Industries Limited

SUMMARY

Falke Industries Limited produces soya meal (animal feed) and soya bean oil. The company started its relationship with FirstBank in 2006 and operates a 100/110 metric ton milling plant that produces soya meal and oil from the soya beans. With a staff of over 100 (permanent and contract), Falke Industries has maintained a good reputation and sells soya meal to reputable companies.

OUR COMMITMENTS

FirstBank has been a pivotal part of Falke Industries' business for a decade. Since 2006, the Bank has supported the business through both conventional and specialised facilities. This support has helped the company expand and improve its service delivery to its customers.

PERFORMANCE

Falke Industries is one of the fastest-growing SMEs in Kaduna State, and is a pacesetter for many upcoming soya bean mills, winning various awards for excellence. By virtue of the diligence, focus and prudence of the management, the Bank witnessed around 1,000% growth in the company's turnover between 2006 and 2015.

Charkin Maritime & Offshore Safety Ltd

BACKGROUND

Charkin Maritime Offshore Safety Ltd provides manpower training for the marine, oil and gas sectors. The company is affiliated to the Rivers State University of Science and Technology, Port Harcourt, where it began as a small training outfit in 2006.

In 2007, the company sought to expand and requested finance to purchase a Helicopter Underwater Escape Training (HUET) simulator. This request was rejected by most banks because of the specialised nature of the equipment and because the customer was relatively new to the industry.

OUR COMMITMENTS

In 2009, FirstBank approached the company and agreed to fund the expansion of their business. This transformed the centre, as it was able to draw funds based on outstanding invoices and build structures such as administrative blocks, classrooms, accommodation blocks and swimming pools as well as state-of-the-art simulators. This achievement boosted the clientele base and yielded international accreditation (OPITO), which saw the customer's turnover rise by 2,000%.

The centre recently entered into a partnership with Unique Hydra (Pty) Ltd, a South African marine training facility for the provision of dynamic positioning training in Nigeria, and as such increased its customer base.

Temple Preparatory School

SUMMARY

Temple School is an independent co-educational school located in the city of Lagos. It commenced in 2004 with seven children, and currently has over 760 pupils aged between one and 16 years across all the classes, from pre-school to secondary level. The school offers a unique curriculum that combines aspects of the British Cambridge syllabus with the local Nigerian curriculum. Temple Preparatory School's relationship with FirstBank dates back to 2008.

OUR COMMITMENTS

Over the years, FirstBank has supported the school's growth and development plans. This has helped improve the school's image and the provision of quality educational services to its students, which the parents are proud of. Temple School is equipped with modern educational, sporting and boarding facilities, which have helped increase pupil intake.

PERFORMANCE

Temple School has rapidly gained a reputation for high standards, and its students have achieved outstanding results, earning the school fame both locally and internationally. The school's dedication to attaining its goals resulted in growth of over 1,700% between 2008 and 2015.

PRIVATE BANKING GROUP

Bernadine Okeke, Group Executive, Private Banking
(Retired December 2015)

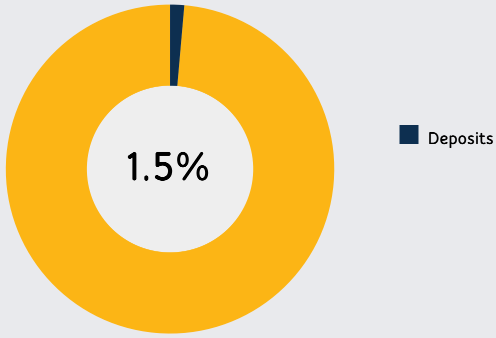
INTRODUCTION

The Private Banking group (PBG) is focused on the upper segment of the individual customer market space. The business unit comprises three hubs, at Lagos, Abuja and Port Harcourt, with teams located in eight clusters where the majority of the unit's clients can be found. The PBG has been restructured and merged with the Retail Banking group effective January 2016 and will serve the high net worth individuals and families.

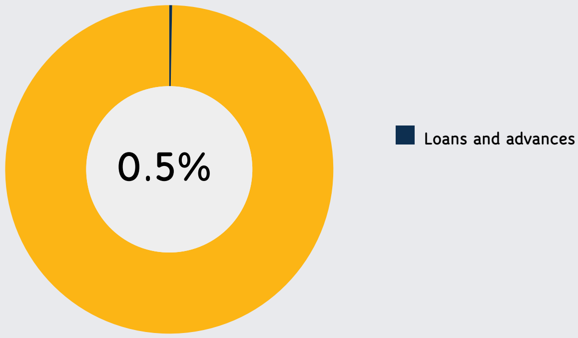
The PBG's business activities cover the following range of services:

- **Transactional banking and credit solutions:** These include conventional banking services such as the operation of current, savings and domiciliary accounts. This area is also concerned with the provision of credit-related services, such as term loans, overdraft facilities, guarantees in naira and foreign currencies, and credit cards to target clients.
- **Wealth management:** This includes providing a means through which customers are able to access various investment products, such as corporate, national and sub-national bonds, mutual funds, equity capital investments, structured products and alternative investments. This arm of the business is also concerned with managing the process of securing and transferring the wealth of customers to their next generation or appointed beneficiaries.

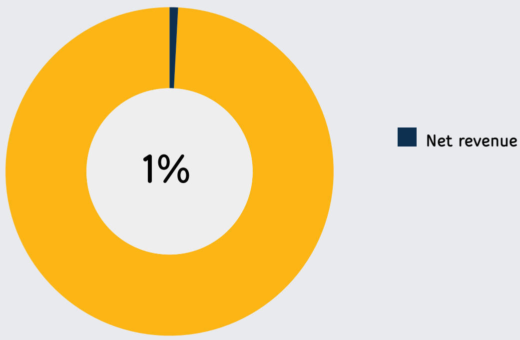
PERCENTAGE OF DEPOSITS



PERCENTAGE OF LOANS AND ADVANCES



PERCENTAGE OF NET REVENUE



1,896 ACTIVE ACCOUNTS AS AT THE END OF DECEMBER 2015

The year 2015 marked another significant transition for the PBG, with the retirement of the Group Executive, Bernadine Okeke, after 15 years of meritorious service. Her successor, Idowu Thompson, brings a wealth of experience spanning more than 20 years in the banking and financial services industry across Africa and North America. We believe that he will build on the successes achieved by his predecessor as the Group continues its journey to become a global participant in the private banking sector.

OPERATING ENVIRONMENT

The political turmoil in the run-up to the 2015 General Elections also affected the Group's business development activities for most of the year. Nevertheless, Private Banking managed to grow its assets under management (AUM) portfolio by approximately 28.0%. Results were less positive on the deposits side, as the group saw a reduction of approximately 10.0% from 2014. The PBG's year-on-year revenue growth was, however, sustained, with a slight increase of 4.0% on the previous year's figure.

Once again, the PBG's efforts received recognition in the form of the award for Best Private Bank, Nigeria from *World Finance* magazine. The award was in recognition of the strides made by the group over the period reviewed. The PBG also had an article published on the *World Finance* website titled 'How to stay profitable in emerging markets'.

The PBG's aim in 2015 was on enhancing market penetration through a review of the business model, which was to be focused on enhancing staff capacity to provide services to its target market at the required levels. However, economic realities throughout the year posed considerable challenges to this aim. Nevertheless, the PBG was able to grow its portfolio of foreign currency denominated investments, and the quality of its risk asset portfolio on book was further improved with the restructuring and full liquidation of impaired loans.

The group's trustee and estate management business continued to be a principal aspect of the relationship managers' business development activities. However, these transactions have proven to have a longer gestation period than attracting short- to medium-term investments from clients in money market instruments. The PBG's drive to attract and retain the best talent in the industry will continue in the coming year as the capacity to serve target clients better must be continuously enhanced. The PBG will, however, remain mindful of the need to manage costs efficiently in light of the forthcoming period of austerity as the Nigerian economy undergoes significant restructuring.

Despite the challenges faced in 2015, the PBG was able to retain all of its relationships and increase the total number of accounts under management (AUM) to 1,869 (a 30.0% increase from 2014). It is expected that the clients who were forced to liquidate investments and withdraw significant sums due to exigent circumstances brought about by the prevalent economic situation will eventually return as the relationship managers follow up with them closely.

BUSINESS MODEL

The group's business model remains focused on and anticipatory of market realities. The key driver being value creation for existing and potential clients through in-depth analysis and understanding of their personal finance needs, future goals and life stage; as well as deploying a wide range of wealth management solutions to fulfil these, leveraging on exceptional customer service delivery.

The PBG's business model is focused on ensuring clients' wealth management as well as transactional banking needs are met. Our product and service offerings are broadly divided into two major areas:

- **Banking services**: This provides private banking clients with products and services aimed at meeting their day-to-day transactional banking needs. The unit also provides customers with access to various world-class privileges through a concierge service supported by Visa International. Patronage of the lifestyle management service is expected to grow in the coming years as service delivery capacity is enhanced through partnerships with various lifestyle service providers.
- **Wealth management:** This is supported by a team of well-trained private bankers providing customised wealth solutions to clients, leveraging on the access to a range of investments, asset management and risk management products. The PBG continued to take steps towards improving its wealth management service structures with the introduction of new client products.

The PBG has been restructured and merged with the Retail Banking group effective January 2016.

STRATEGY

A review of the PBG's current strategy was undertaken in the latter stages of the year and a new strategy roadmap was proposed. This outlines key action plans to achieve the unit's aspirations for 2016-2018. The delivery of this strategy will rest on five pillars:

- Strengthening the customer value proposition – client-focused.
- Driving a people agenda and elevating competencies – people-focused.
- Structuring products, sales and support to deliver value – solutions-focused.
- Building synergies within the FirstBank family and holding companies and supporting this with a formal referral framework – partner-focused.
- Exploring the opportunities presented with a selective expansion into other African markets – Africa Footprint Agenda.

To meet its strategic aspirations, the PBG has set out a series of strategic imperatives. These provide the basis for the proposed refreshed private banking strategy, and also address the areas of weakness in the current structure of the PBG.

- **Increased focus on customer value proposition:** Deployment of a properly defined client assessment matrix, which will be used for accepting new clients as well as assessing existing ones to ensure their needs are adequately matched with solutions. The delivery of lifestyle benefits will also form a key part of the enhanced private banking customer value proposition.

- **Deploying scalable wealth products:** The products must be both relevant and customised to the needs of the defined segments. This will include new capital-protected notes for older clients and Sharia-compliant investment products for Muslim clients.
- **Client engagement levels:** The number of active clients must be increased significantly to drive desired growth and profitability.
- **Staff productivity:** Benchmarks will be redefined, tracked and managed in driving relationship manager performances. These benchmarks will shape and encourage the desired sales and service behaviours.
- **Revenue profile:** Emphasis should be on further diversifying the Private Bank's revenue profile by actively driving the fee income potential.
- **Leverage on the group and holding companies' structure:** to enhance the PBG's earning potential standards.

FINANCIAL HIGHLIGHTS

	Private Banking group	
	2015 ₦ million	2014 ₦ million
Gross earnings	2,116	4,479
Net revenue	2,530	2,480
Loan and advances	6,619	7,189
Deposit	34,490	39,212

OPPORTUNITIES

Investing in training and technology, and adapting its client engagement model to become more customer-centric will enhance the PBG's capacity to perform as a one-stop shop for its clients. This in turn will provide additional opportunities to grow the client base and wallet share per client. Specifically, it will improve:

- **Customer segmentation and profiling:** Our ability to understand the subtle differences between the needs of ultra high net worth (UHNW) individuals currently being served and those of prospective customers will be enhanced. The accuracy of our assessment of the risk/return profile, financial goals, life stage and nature of client wealth will facilitate better product structuring and selling opportunities.
- **Leveraging FBNHoldings' platform/cross-selling:** FBNHoldings Group is one of the most robust financial platforms in the West African sub-region and continues to grow in geometric proportions. FirstBank's focus on establishing cross-selling processes to diversify revenue streams will augment the income generation of the entire Group. One area that the PBG intends to explore rigorously in coming years is intergenerational wealth transfer and management; an area in which First Trustees has a deep level of experience.
- **Third-party tie-ups and international offerings:** It is anticipated that these will assist the PBG in creating strong customer pull, by offering solutions not available within its jurisdiction or under home country regulations. The modalities of such tie-ups will need to be properly defined in order to ensure appropriate conditions for the Bank.
- **Fringe services:** Offering services beyond the conventional financial solutions usually provided by banking institutions. This ties in with the previous item, but partners do not have to be international bodies. Such services will focus on lifestyle management and on providing private banking clients with access to a world of convenience. Fees charged on these services will further diversify revenue sources.

KEY RISKS

Market risks: In 2015, the major risks facing the PBG were the regulatory changes that occurred in the period. These changes had a significant impact on the yields earned on client portfolios. This situation posed a huge challenge as customers were not easily amenable to accepting lower interest rates; with some devolving to higher risk products from competitors. The aftermath of the elections, and the dip in market prices for fixed income and equity instruments, also demonstrated how susceptible our operations were to changes in the political landscape. This was exacerbated in the third quarter, when advance notice was given on the delisting of Nigerian bonds from the JP Morgan Emerging Bond Index with a subsequent run-through effect on bond prices.

The group was able to mitigate these risks through the provision of defensive investment options to our clients.

OUTLOOK

It is expected that 2016 will undoubtedly be a challenging year for businesses across the various industries in the Nigerian economy. The effects of the dwindling foreign reserves driven by the decline in international oil prices and the drop in non-oil exports will significantly impact the value of the naira. A flight to safety into alternate major currencies is expected, as investors seek to be defensive, preserving the value of their holdings. A possible growth in the demand for Eurobonds and US dollar-denominated investments could, however, be mitigated by the regulatory restrictions around repatriation of foreign currency funded deposits.

High margins and spreads on investments may prove a challenge to maintain. However, with the anticipated growth in the group's wealth management portfolio as a result of increased internal collaboration and synergies with other segments within the newly restructured Retail Banking group, as well as the subsidiaries on the FBNHoldings platform, and the enforcement of the private banking minimum qualifying criteria in onboarding new clients, it is expected that the growth in AUM volumes will mitigate the effects of thinning spreads.

For the most part of 2016, we expect that liquidity, safety and security will be priorities for clients as the economic situation sees the financial markets in a highly volatile state. This situation could bode well for private banking as the PBG looks to modify its client engagement models to ensure increased proximity to customers in order to ensure we are the 'go to' private bank of first choice to deliver these solutions.

PERFORMANCE BY BUSINESS GROUP

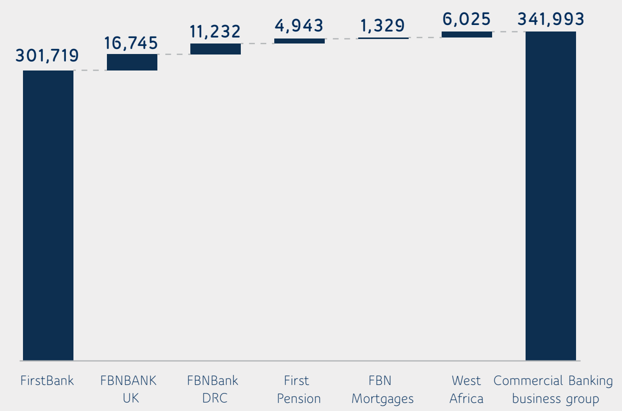
COMMERCIAL BANKING BUSINESS GROUP PERFORMANCE

Commercial Banking comprises FirstBank and its Subsidiaries with operations in 12 countries offering commercial banking services to both individual and corporate customers. FirstBank and its Subsidiaries recorded a 2.3% year-on-year increase in gross earnings, which however translated into an 89.2% decline in profit before tax. The soft performance was driven by the high impairment charges resulting from the adverse macroeconomic environment.

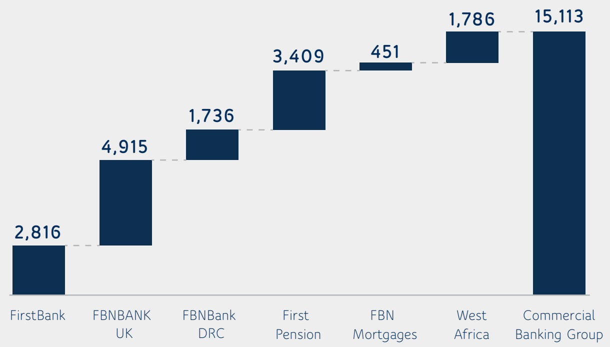
Below are the performance highlights of the Commercial Banking business group:

- Gross earnings rose by 2.3% year on year to ₦465.8 billion (Dec 2014: ₦455.1 billion)
- Net interest income increased by 8.0% to ₦258.8 billion (Dec 2014: ₦239.6 billion)
- Non-interest income declined by 22.7% to ₦77.4 billion (Dec 2014: ₦99.6 billion)
- Net revenue declined by 0.7% to ₦336.4 billion (Dec 2014: ₦338.6 billion)
- Profit before tax of ₦10.2 billion (Dec 2014: ₦94.5 billion)
- Profit after tax of ₦2.9 billion (Dec 2014: ₦84.9 billion)
- Total assets decreased by 3.8% year on year to ₦3.97 trillion
- Customer loans and advances (net) of ₦1.8 trillion, was down 17.2% year on year (Dec 2014: ₦2.2 trillion)
- Customer deposits decreased (-2.8% year on year) to ₦2.9 trillion (Dec 2014: ₦2.99 trillion)

Net revenue (₦bn)



Profit before tax (₦bn)



FIRST BANK OF NIGERIA LIMITED

Gross earnings of FirstBank rose 3.6% year on year to ₦421.2 billion in 2015, driven largely by an increase in interest income of 9.0% to ₦337.8 billion, but muted by the 16.3% rise in interest expense to ₦109.9 billion (2014: ₦94.5 billion), as a result of continued intense competition for deposits. As a result, net interest income increased 5.8% to ₦227.9 billion, while non-interest income declined by 16.0% to ₦73.8 billion.

The decrease in operating expenses, which closed at ₦178.9 billion (2014: ₦201.1 billion), largely reflected the impact of the cost containment drive of the Bank and ensuring improvement in the cost-to-income ratio at 59.3% (2014: 66.3%). Profit before tax (PBT) decreased to ₦2.8 billion (2014: ₦81.4 billion).

Gross loans, on the other hand, dropped by 12.9% to ₦1.6 trillion (2014: ₦1.8 trillion), mainly as a result of our deliberate attempt to slow down our loan portfolio growth (LPG) in view of the challenging economic conditions in Nigeria impacting domestic output. During the year, 12.3% of FirstBank's gross loans were restructured essentially to realign business cash flows with loan repayments. The oil and gas sector has the highest proportion of the loan book, representing 38.5%. The short- to medium-term target for the oil and gas sector is to reduce the proportion further (2014: 43.1 %).

The Bank closed with non-performing loans (NPLs) of ₦338.7 billion (2014: ₦60.3 billion). Going forward, our strategic focus is to grow retail and trade finance business to enhance liquidity and yield, and optimise portfolio mix. Total assets decreased 4.5% year on year to ₦3.3 trillion (2014: ₦3.5 trillion), largely from the reduction in loans and advances.

Customer deposits declined by 5.9% year on year to close at ₦2.4 trillion (Dec 2014: ₦2.6 trillion). This was largely as a result of the impact of the Treasury Single Account (TSA) policy, which was fully implemented in the year. Term deposits at FirstBank (Nigeria) reduced from 24.1% in the previous year to 21.2% of total deposits at the end of 2015. The Bank continues to attract sticky and good quality deposits, highlighted by the increasing duration of deposits as well as the contribution of the low-cost deposits to 78.8% of total deposits (Dec 2014: 75.9%). Current account balance remains strong at ₦640.6 billion in spite of the 8.3% year-on-year decline from ₦698.7 billion. Savings accounts on the other hand, representing 34.0% of deposit liabilities, grew by 14.0% year on year to ₦814.8 billion, primarily due to increased focus on harnessing opportunities from our extensive distribution platform in addition to demonstrating the strength of our franchise and ability to continually attract a well-diversified and sustainable funding base.

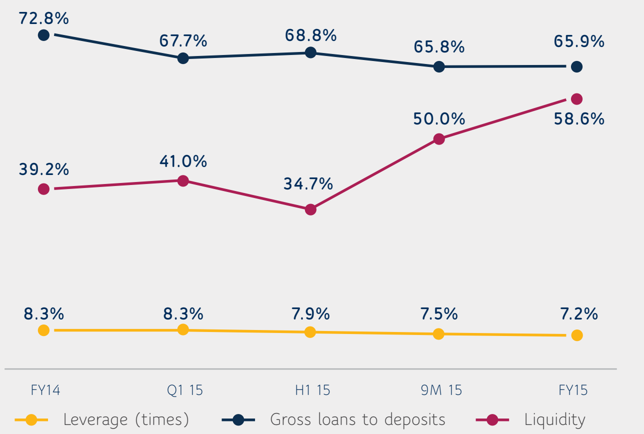
Customers' deposit liabilities constitute 72.0% of funding[1] (2014: 73.1%). Equity and long-term borrowings respectively represent 13.8% and 8.7%, while other liabilities made up 5.5%. Funding and liquidity positions have been strong throughout the period as the Bank continued to attract low-cost deposits, while the capital resource remained adequate to support lending activities. Cost of funds stood at 4.4% (2014: 3.9%), reflecting the high interest rate environment and intense competition for deposits.

The Bank's focus is to deepen existing relationships and increase penetration in the various customer segments to further harness possible opportunities and enhance service delivery and offerings. Our focus remains on increasing penetration in each of our customer segments, especially in retail and commercial banking. This will be done by leveraging our extensive retail platform with the goal of diversifying our deposit base. Retail banking at the moment accounts for 66% (2014: 57%) of the deposit liabilities.

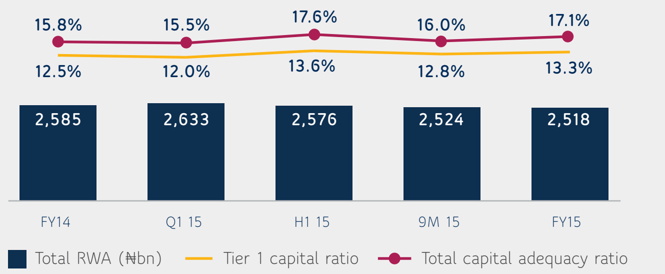
The pictorial representations below further illustrates FirstBank's performance.

BALANCE SHEET EFFICIENCY AND CAPITAL EVOLUTION

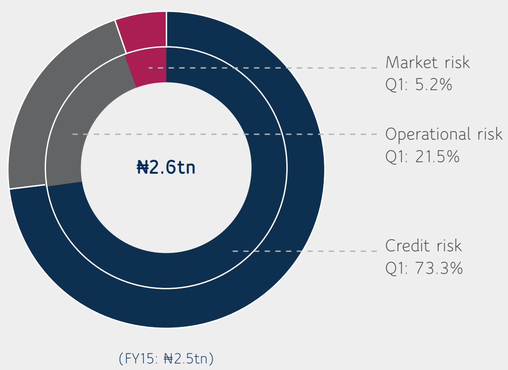
Balance sheet efficiency



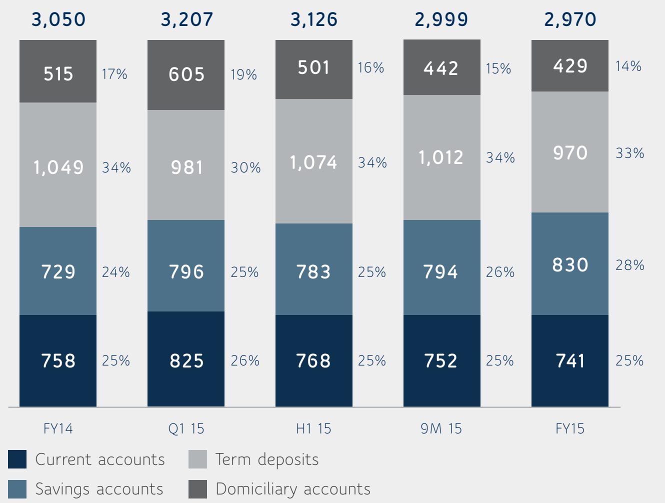
Capital ratios – FirstBank (Nigeria)



RWA components

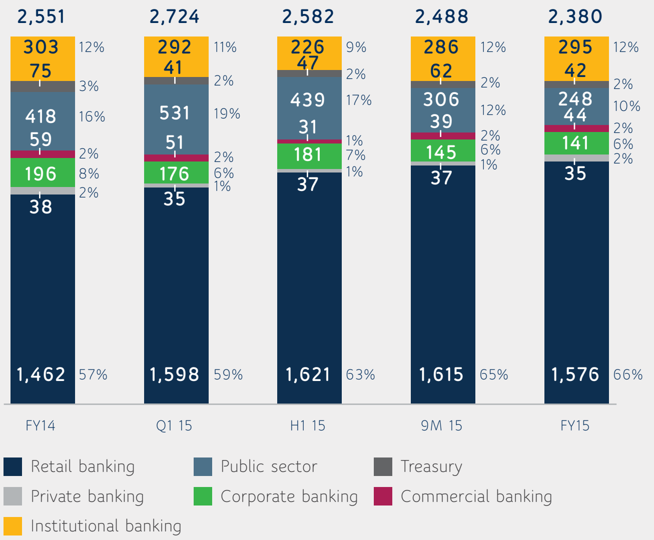


Deposits by type (₦bn)

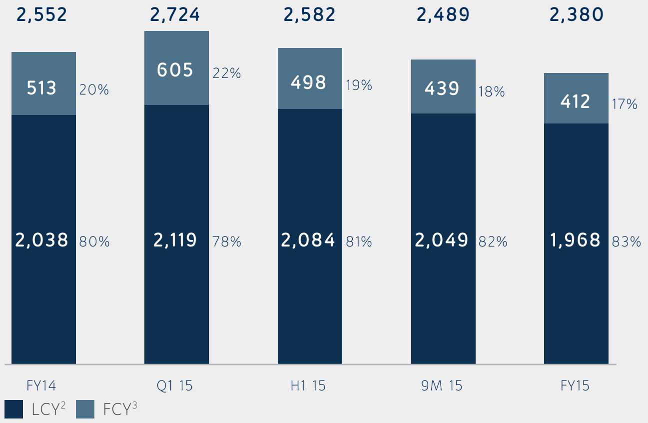


1 Liabilities and shareholders' fund.

Deposits by SBU trend (₦bn)

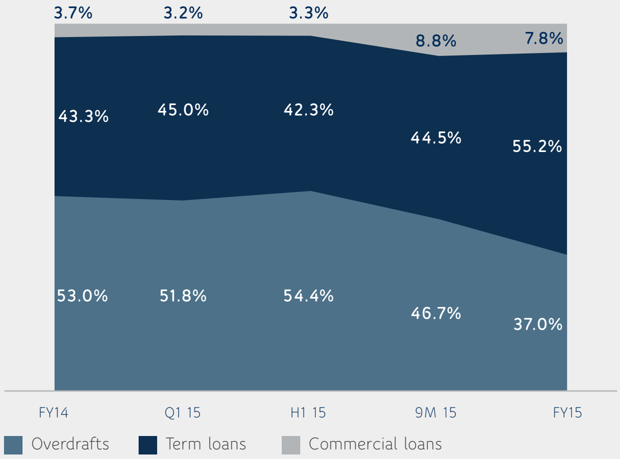


Deposits by currency (₦bn)

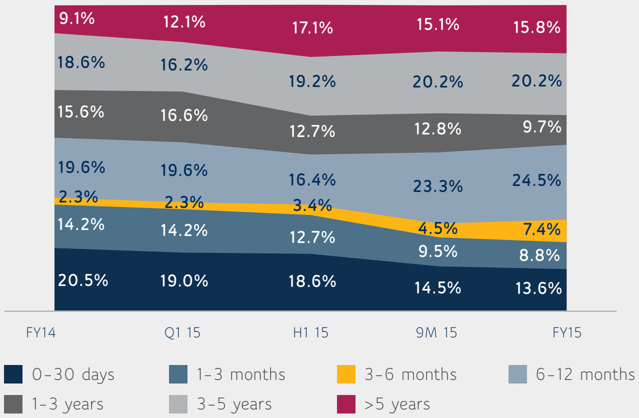


ASSET QUALITY

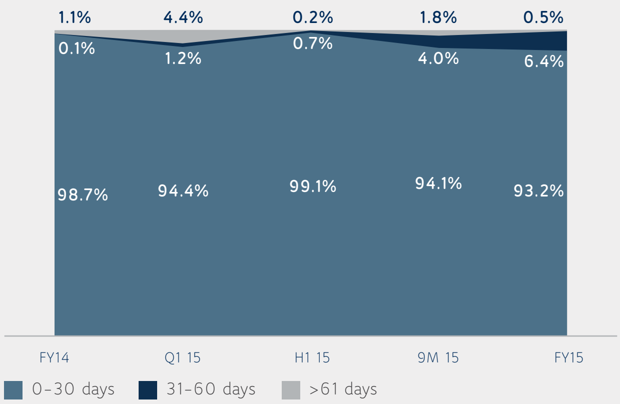
Loans and advances by type



Loans and advances by maturity

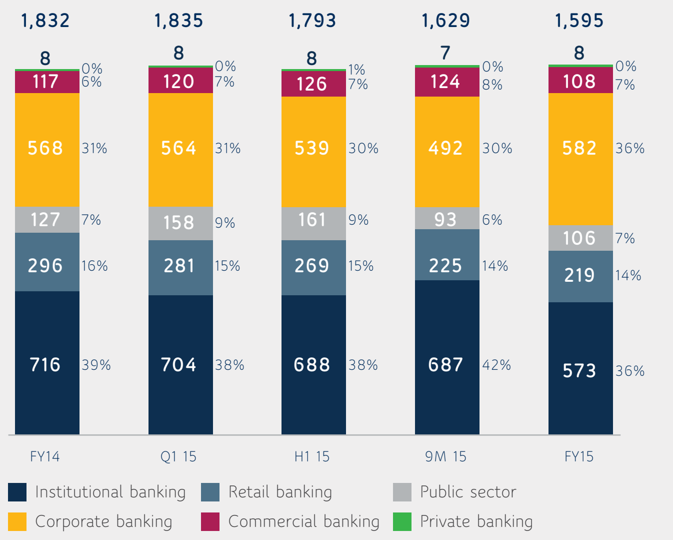


Ageing analysis of performing loans and advances

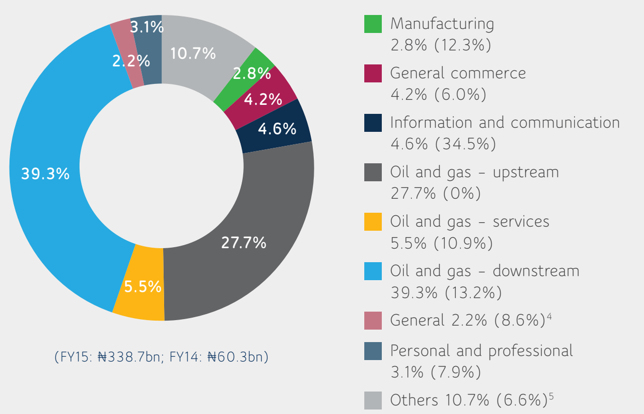


2 Local currency.
3 Foreign currency.

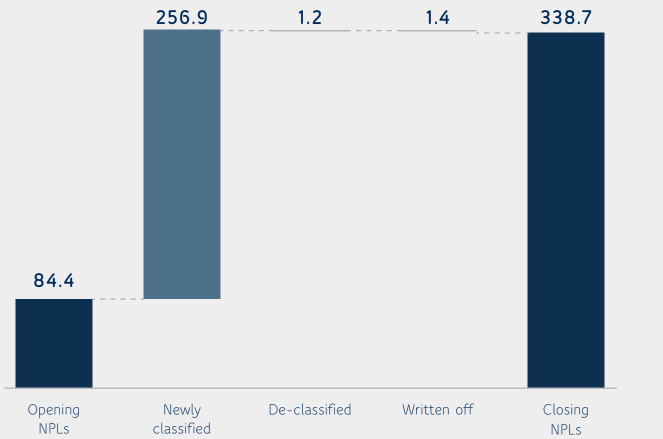
FirstBank (Nigeria) gross loans by SBU (₦bn)



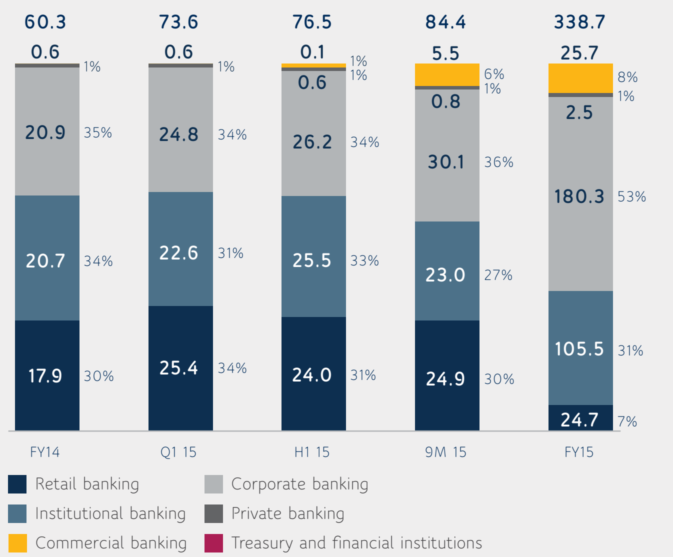
NPL breakdown by sector



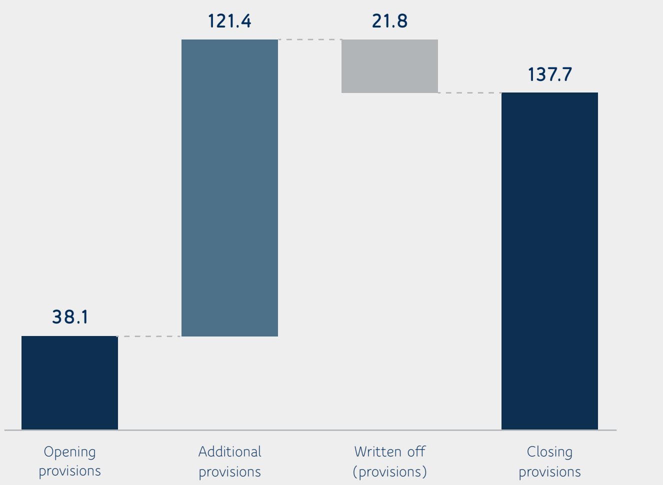
NPL evolution (₦bn)



NPLs by SBU (₦bn)

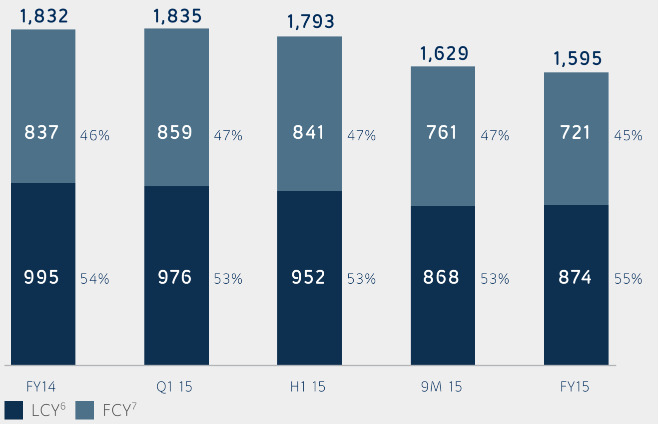


FY15 provisions evolution (₦bn)

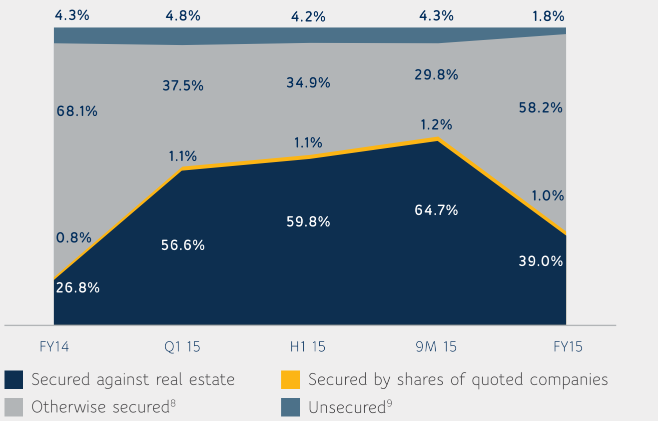


4 General includes hotels and leisure, logistics, religious bodies.
5 Others includes finance, transportation, construction, agriculture and real estate activities.

Loans and advances by currency



Breakout of loans and advances by type of collateral



Given recent key management changes, we have restructured the composition of FirstBank (Nigeria) Management Committee (MANCO) and appointed new business unit heads. To strengthen risk management, enhance and optimise productivity, appropriately deploy resources, deliver consistent product offerings and speed to market, as well as drive profitability, we have streamlined the FirstBank (Nigeria) operating model. The new business segments are Retail and Products, Corporate Banking, Commercial Banking, Public Sector, International Banking as well as Treasury and Financial Institutions.

The fundamentals of our business remains very strong; our underlying business continues to generate healthy revenues as we deepen relationships and acquire new customers. At the end of 2015, the total number of active customer accounts increased by 12.5% year on year to over 10.9 million. Over 95% of the additional customer accounts are from the retail segment, which re-emphasises the strategic direction of the Bank going forward.

Electronic banking remains a major focus of the Bank to grow its revenue in an increasingly cost-efficient manner. Electronic banking fees grew by 34.1% year on year for the Bank, closing at ₦15.4 billion (Dec 2014: ₦11.5 billion). The Bank's cards and acceptance channels have continued to improve service delivery quality and diversify earnings streams, generating non-interest revenues, growing the quality of accounts and forging partnerships that will continue to strategically position the Bank.

The total debit card base grew by 24% from 6.8 million in 2014 to 8.4 million cards in 2015. The Bank had a total of 2,749 ATMs as at year end (Dec 2014: 2,597), a growth of 5.9% year on year, as we continue to improve on customer proximity and convenience of banking with innovative banking solutions. We are changing customer behaviour from using ATMs for only cash withdrawals to other value-added services, such as bill payments, airtime purchases and funds transfers, through increased awareness and signage. As at December 2015, 45% of bill payment services through ATMs in the nation's banking industry were processed with FirstBank of Nigeria, demonstrating our strength in the e-payment space.

We have also continued to see growth in the value of transactions through our other alternative channels. Value of transactions via our internet banking and mobile banking services increased by 12.2% and by 108.9% respectively to ₦945.0 billion and ₦65.8 billion. FirstBank was awarded the 'Best Mobile Technology Bank of the Year 2015' and 'Best Payment Bank of the Year 2015' by Nigerian Banking Technology Awards. Furthermore, we continue to be the leader in Bank collections volume in 2015 with an overall market share of 18%.

6 Local currency.
7 Foreign currency.
8 Otherwise secured refers to credits secured through cash/treasury bills, guarantees/receivables of investment grade banks and corporates, enforceable lien on fast moving inventory in bonded warehouses/tripartite warehousing agreement, all asset debentures, charge on asset financed, insurance policy, postdated cheques, domiciliation.
9 Unsecured credits represent clean lending to top tier corporates.

FBNBank UK[10]

FBNBank UK posted a strong profit performance in 2015, in light of the prevailing market conditions, with a slight reduction in balance sheet footing, a reflection of a difficult business environment, increased loan provisioning and a strict regulatory environment. The capital position was strengthened through high loan-to-equity conversion and high retention of profit, while funding and liquidity positions remained solid throughout the year.

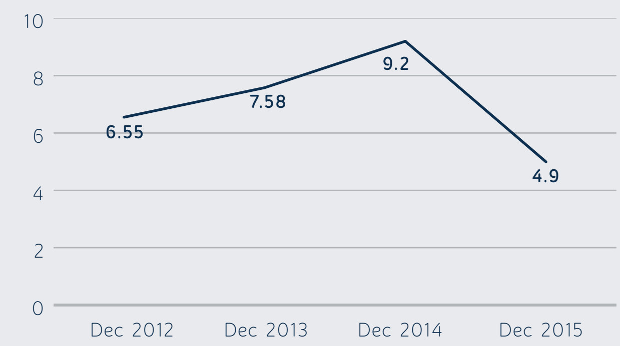
Gross earnings increased by 7.62% to ₦25.1 billion. The increase in gross earnings compared to the prior year resulted from a combination of expansion of customer lending and improved asset yield. Our portfolio of earning assets reduced by 1.75% in line with the Bank's business consolidation strategy. Net interest income grew by 13.95% to ₦20.4 billion, resulting from additional interest income driven by increased customer lending activities and improved asset yield. Interest costs decreased by 1.14% to ₦8.3 billion as a result of a favourable deposit liability mix.

Total commissions and fee income generated in 2015 decreased by 31% to ₦1.8 billion. The reduction in commission and fee income is attributable to a weak turnover of trade finance and other fee-related activities due to the implementation of an unfavourable exchange control policy by some countries in Africa.

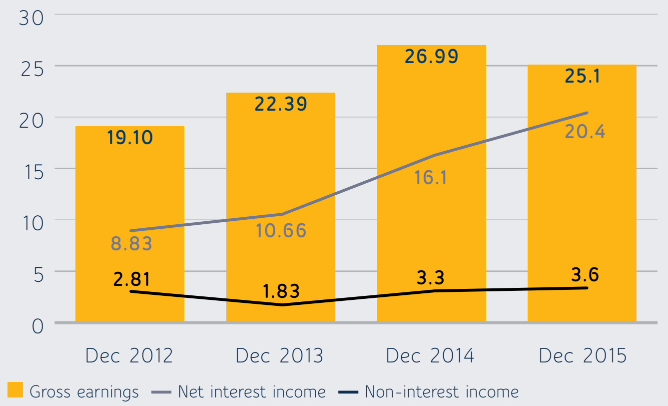
Operating costs declined by 13.44% to ₦7.4 billion. Appropriate levels of operational framework and systems remained in place to support the Bank's business and safeguard assets. However, a reduction in staff costs was recorded, which mainly explains the fall in operating costs despite the strong growth in operating income. The increased amount of impaired loan charges of ₦4.7 billion (2014: ₦2.8 billion) resulted in a worse cost-to-income ratio[11] of 42.5% (2014: 38.2%) compared to the previous year.

Specific credit impairment charges increased to ₦7.2 billion from ₦1.99 billion in 2014 in relation to stressed risk asset portfolio. The Bank also decided to increase collective impairment provision by ₦5.2 billion in 2015 in relation to performing asset portfolio. Consequently, FBNBank UK posted a profit before tax (PBT) of ₦4.9 billion for the year ended December 2015. The amount was short of the previous year's PBT by ₦4.3 billion.

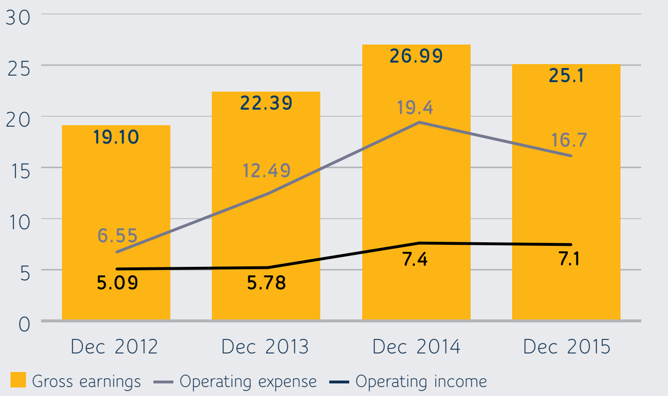
Profit before tax (₦bn)



Income (₦bn)



Operating income and expense (₦bn)



The balance sheet contracted by 1.9% to ₦657.7 billion, in line with the Bank's deleveraging strategy.

Earning assets decreased by 1.9% to ₦671.6 billion in 2015. Loans to customers decreased by 8.18% to ₦344.9 billion, while loans to banks increased by (4.18 %) to ₦261.3 billion as FBNBank UK continued to lend to the productive sectors. FBNBank UK increased its exposure to short-term related assets. The non-performing assets ratio increased to 1.77% (2014: 0.64%) of total earning assets, and was fully provisioned net of collateral. Deposit liabilities decreased by 3.65% to ₦546.2 billion in 2015. The reduction in deposits was strategically driven to achieve an optimal funding mix and interest cost reduction.

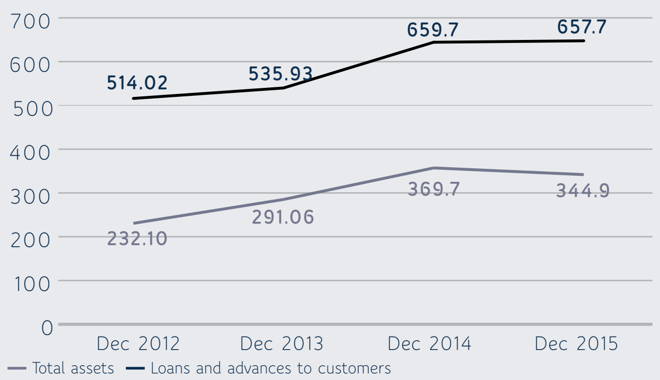
Total shareholders' equity increased by 27.8% to ₦81.7 billion from a combination of good profit retention and new equity injection to strengthen the capital base. ₦1.5 billion (£50 million) debt capital was liquidated and the proceeds invested in equity.

Dividend payments of ₦2.2 billion (+49.2%) were made in 2015 to the shareholders. FBNBank UK continued to operate a sustainable business model based on its diversified stable funding base and high-quality assets portfolio held.

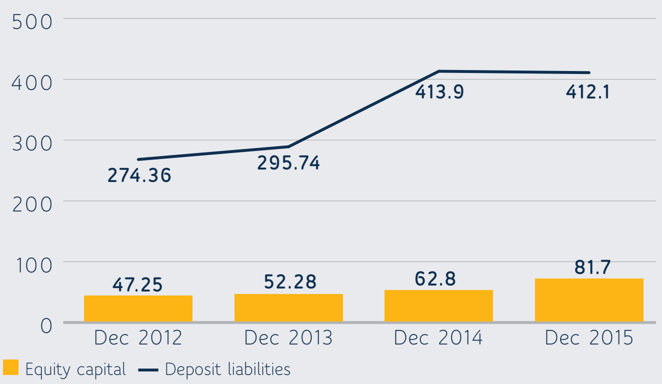
10 Actual performance of the business is discussed noting the exchange rate. ₦301.7862/1GBP. The numbers reported in the prior year have been stated in the graphs.

11 Excluding impairment charge.

Movement in assets (₦bn)



Equity capital and deposit liabilities (₦bn)



FBNBank UK's funding strategy is to maintain a well-diversified funding base and to continually seek alternative funding sources in order to manage costs and guard against funding disruption. At 31 December 2015, FBNBank UK had ₦546.2 billion in customer deposits, composed of ₦134.1 billion in wholesale funding and ₦412.1 billion in retail customer deposits, diversified among over 40,000 retail customers. A significant percentage of the retail deposits was generated through the FirstSave deposit product.

In 2015, the FirstSave euro deposit product, which was launched in 2014, grew significantly to over 2,250 in customer base. The FirstSave postal deposit product and capital broadened the funding source base.

Liquidity remained strong during the year as FBNBank UK continued to hold high-quality, unencumbered liquid assets and maintained a reserve account at the Bank of England, in line with the regulatory buffer asset requirements. In addition, significant highly liquid money market instruments were held to support liquidity requirements.

Loans and advances to customers were largely funded by customer deposits, long-term wholesale debt and equity. Wholesale deposit funding was mostly matched with assets of a similar tenor to mitigate unnecessary liquidity stress.

FBNBank UK will continue to monitor compliance with existing regulatory buffer asset requirements and relevant Basel III metrics, including the liquidity coverage ratio and net stable funding ratio.

At 31 December 2015, FBNBank UK recorded a capital adequacy ratio of 17.12% (2014: 18.60%), with a core tier 1 capital ratio of 17.12% (2014: 14.90%), reflecting the increase in core lending and changes to risk-weighting rules for assets in third countries.

The capital ratios were in excess of regulatory requirements as at the reporting date, and demonstrated the strong capital position of FBNBank UK. Risk-weighted assets increased by 17.78% to ₦479.8 billion in December 2015, reflecting the increased risk weightings assigned to financial institutions, especially those in third countries. It is expected that with the strength of our current capital ratios, our ability to retain future profit and our optimal mix of risk-weighted assets, FBNBank UK will be able to meet its regulatory capital requirements in the future.

FBNBank DRC S.A.[12]

FBNBank DRC S.A. continues on a growth path despite the tough operating environment. Gross earnings increased by 5.49% to ₦12.1 billion. The increase in gross earnings compared to the prior year resulted from the expansion of customer lending activities as our portfolio of loans and advances increased by 12.2% for the year to ₦39.96 billion.

Net interest income grew by 12.2% to ₦5.7 billion, resulting from a rise in interest income driven by a combination of increased customer lending activities and improved asset yield. Interest costs increased by 18.6% to ₦903.2 million as a result of growth in deposit volume as well as increasing demand for higher rates by customers.

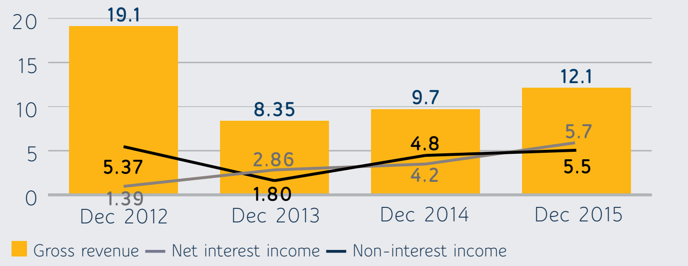
Total commissions and fee income generated in 2015 declined by 7.4% to ₦4.2 billion. This slight decline is attributed to the loss of commission on transfer business caused by the termination of our banking relationship with our major correspondent bank.

Operating costs increased by 10.2% to ₦8.8 billion. This performance was essentially driven by appropriate levels of an operational framework and systems now in place to support increased business and safeguard assets. The improvement in the framework and systems led to a rise in staff costs, professional fees and premises costs. Though our operating income grew, operating expenses also rose slightly, resulting in a cost-to-income ratio of 78.4% (2014: 73.8%).

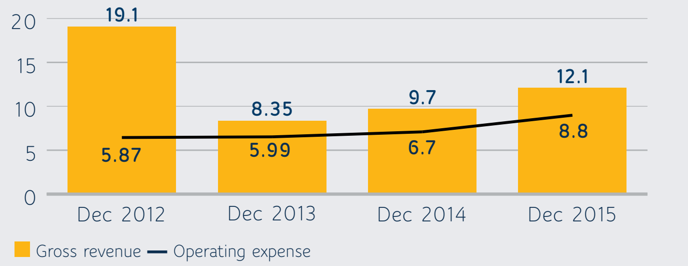
Consequently, FBNBank DRC S.A. posted a profit before tax (PBT) of ₦1.74 billion for the year ended December 2015, a 38.8% increase over the previous year.

12 Actual performance of the business is discussed noting the exchange rate. ₦0.2137/1CDF

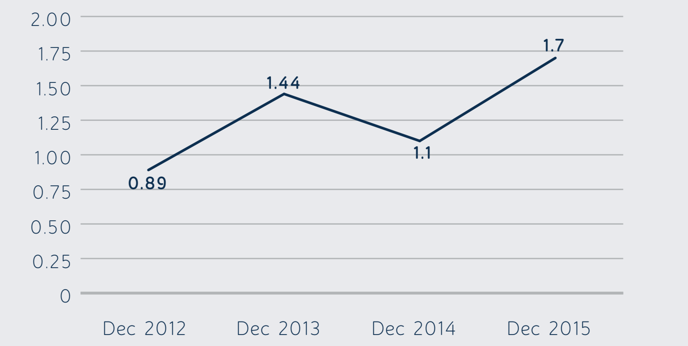
Income (₦bn)



Operating income and expense (₦bn)

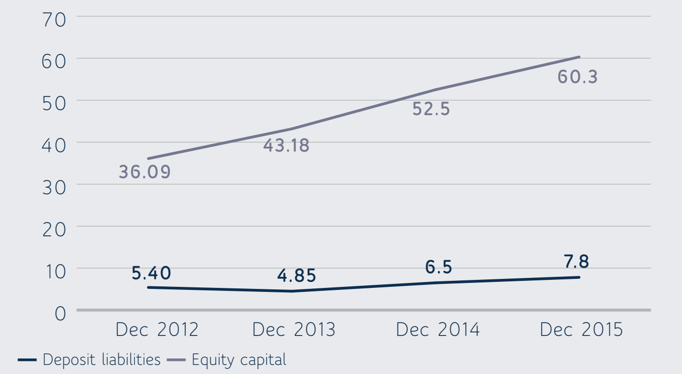


Profit before tax (₦bn)



The balance sheet expanded by 9.8% to ₦74.8 billion, driven by growth in customer deposits generated to support increased lending activities. Gross loans and advances increased by 14.9% to ₦42.8 billion in 2015, with net loans to customers increasing by 15.7% to ₦39.96 billion. Deposit liabilities grew by 7.5% to ₦60.3 billion in 2015. The growth in deposits recorded was strategically driven to achieve an optimal funding mix and interest cost reduction. In addition, advances to customers were largely funded by customer deposits and equity. Total shareholders' equity increased by 11.2% to ₦7.8 billion, driven by profit retention to strengthen the capital base.

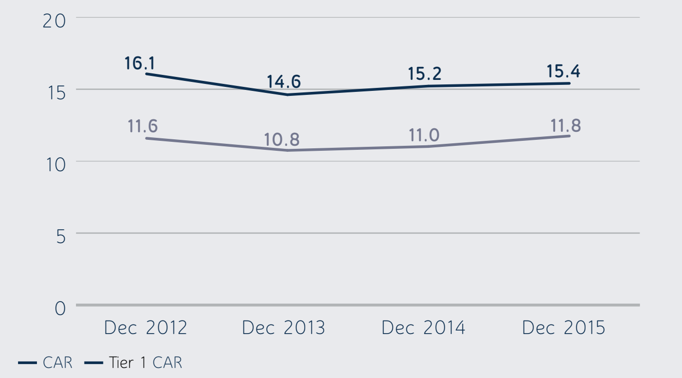
Movement in assets
Equity capital and deposit liabilities (₦bn)



FBNBank DRC S.A.'s funding strategy is to maintain a well-diversified funding base and to continually seek alternative funding sources in order to manage costs and guard against funding disruption. Liquidity remained strong during the year as the Bank continued to hold high-quality, unencumbered liquid assets and maintained a reserve account at Central Bank of Congo, in line with the regulatory buffer asset requirements.

At 31 December 2015, FBNBank DRC S.A. recorded a capital adequacy ratio (CAR) of 15.4% (2014: 15.2%) with a core tier 1 capital ratio of 11.8% (2014: 11.0%), reflecting the contribution from increased profit retention and optimal balance sheet management. The capital ratios remain in excess of regulatory requirements and demonstrate strong capital position for FBN Bank DRC S.A.

Capital adequacy ratio (%)



OUTLOOK

It is anticipated that 2016 will be challenging for FBNBank DRC S.A., particularly as commodity prices are likely to remain low, the economic situation is still below full recovery and the regulatory environment continues to operate harder rules.

The political environment is already experiencing some level of uncertainty. Nevertheless, we look forward with optimism and confidence to identifying and executing viable business opportunities, which in turn should produce excellent financial performance.

First Pension Custodian Nigeria Limited (FPCNL)

During the 2015 financial year, we made progress in the delivery of our strategy and achieved a strong financial performance despite the challenging operating environment. Strong financial management is at the heart of our strategic priorities. Focusing on this, we finished the year in a more secure financial position.

The company's underlying profit increased by 36.7% in 2015 to ₦3.41 billion (2014: ₦2.49 billion). This reflected strong growth in income of 22.7%, boosted by continued progress in our cost-management initiatives, leading to a reduction of 0.04% in operating costs. Profit after tax in 2015 was ₦2.42 billion (2014: ₦1.71 billion).

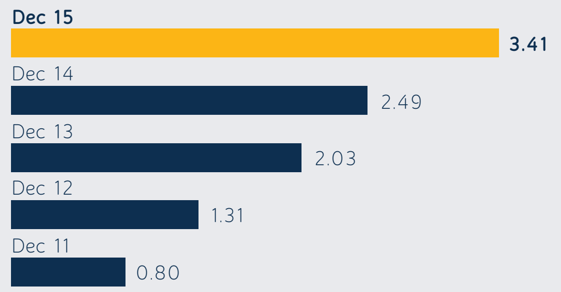
Total income recorded in 2015 was ₦4.95 billion, a rise of 22.7% (2014: ₦4.03 billion). This result was driven by strong growth in custody fees and interest income offsetting the lower Other income. Custody fee income increased by 18.9% to ₦4.18 billion. This was driven by 16.5% growth in assets under custody to ₦2.11 trillion (2014: ₦1.82 trillion), assisted largely by newly added volumes from new businesses. Net interest income increased by 50% to ₦0.76 billion (2014: ₦0.51 billion), driven mainly by growth in investible funds. Other income in the year was 2% lower, at ₦0.83 billion (2014: ₦0.85 billion).

Total operating expenses recorded in 2015 were ₦1.538 billion, a reduction from the 2014 figure of ₦1.539 billion by 0.04%. This demonstrates the effectiveness of our cost-containment initiative during the year. Costs in the fourth quarter included the ₦40 million donation to the pension industry-wide corporate social responsibility (CSR) initiative and the ₦52.76 million in benefits (cash and non-cash) paid to members of staff who took advantage of the Board-approved voluntary early retirement scheme in December 2015. We continue to invest to improve our IT infrastructure for increased operational efficiency and customer satisfaction.

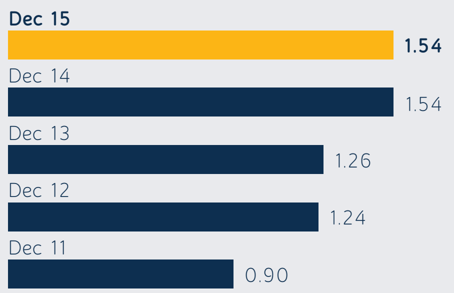
Basic earnings per share increased by 41.2% to 120.84 kobo (2014: 85.59 kobo) per share. The weighted average number of shares in issue during the period was the same as the prior year: 2 billion units.

FINANCIAL POSITION ANALYSIS

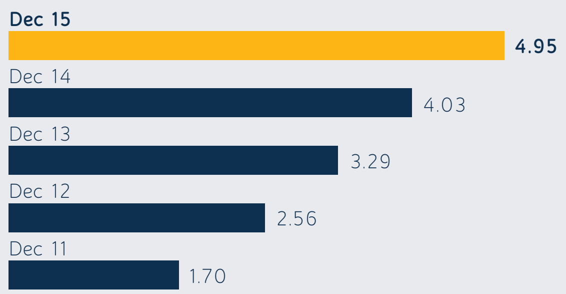
Profit before tax (₦bn)



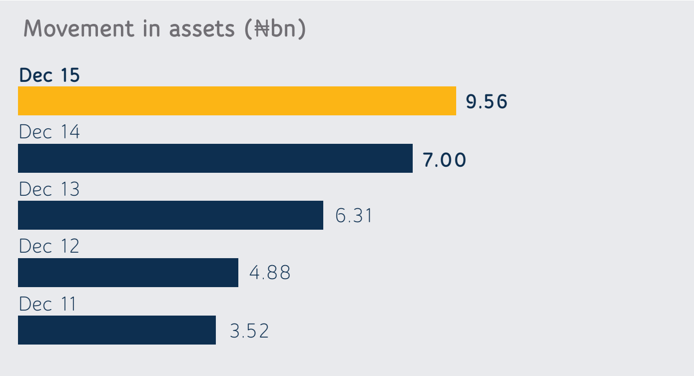
Operating expenses (₦bn)



Operating income (₦bn)

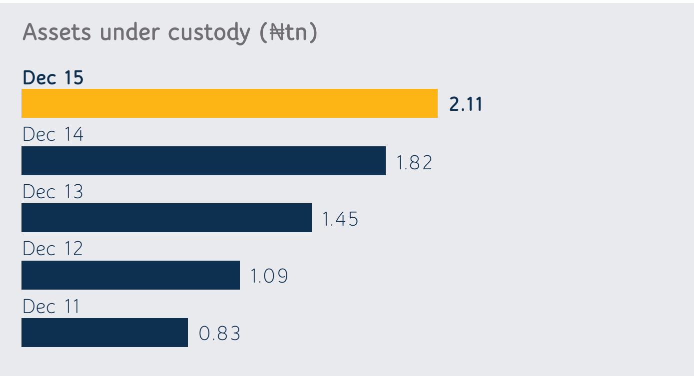


Total assets increased by 36.5% to ₦9.56 billion (2014: ₦7.00 billion), driven by growth in both earning and non-earning assets. Earning assets increased by 42.25% to ₦7.52 billion (2014: ₦5.29 billion), mainly attributable to an increase in investment securities by ₦2.24 billion (42.63%) to ₦7.48 billion. Property, plant and equipment recorded an increase of 13.6%, arising from advance payment on the modification works on new office accommodation, which is expected to be concluded in the first quarter of 2016. Total shareholders' equity increased by 20.8% to ₦6.52 billion, due to growth in profitability, and consequently, increased retained earnings. This will eventually drop with the payment of the final dividend at the end of the 2015 financial year.



ASSETS UNDER CUSTODY (AUC)

AUC recorded a growth of 16.5% to ₦2.11 trillion, from ₦1.82 trillion in 2014. During the year, equity market movements were not favourable, with a drop in the All Share Index of 16.14% year on year, which impacted the AUC. During the year, there were eight new custodial relationships for non-pension assets.



CONCLUSION

Our aim for 2016 is to continue to operate an efficient business and build platforms for long-term sustainable growth.

FBN Mortgages

FBN Mortgages is a fully fledged primary mortgage bank providing integrated mortgage solutions and funding to individuals and property investors. The Bank's target markets are a mix of high-end to middle-class income earners, as well as carefully screened and qualified self-employed customers. These classes of customers provide enormous opportunities for the Bank.

Offering risk assets, savings and deposits, the Bank is a market leader in the primary mortgage banking sector of the financial industry, with a customer base of 5,768, deposit base of ₦12.0 billion and an asset base of ₦16.0 billion, leveraging on the top-notch brand of FBNHoldings in the marketplace, robust information technology (IT) and highly seasoned personnel for its cutting-edge operations and service delivery.

Operating costs decreased 73.3% year on year to ₦0.6 billion (2014: ₦2.3 billion); total assets increased by 13.2% to ₦16.0 billion (2014: ₦14.2 billion), principally from new business growth of real estate properties.

The profitability of the company was impacted positively at ₦450.8 million as a result of the positive improvement from real estate investment disposal compared to the loss suffered in the previous year (2014: ₦2.3 billion), reflecting the 153.3% growth in gross earnings at ₦2.5 billion (2014: ₦985.9 million). Access to long-term low-cost funding continues to create a major challenge for mortgage financing in Nigeria. The Bank will persistently strive to increase its risk asset portfolio with a focus on increasing the ratio of risk assets to total assets. The Bank is already forming a strategic partnership with some reputable development finance institutions, which will provide the Bank with cheap, long-term funding. In pursuit of our loan creation priorities, we will seek to improve our credit processes by deploying new initiatives and optimising the efficiency of the processes. We are focusing on strategies, processes and controls around our credit processes to ensure incidences of loan losses are reduced and kept as low as possible. In addition, in improving our credit processes, we are enhancing customer service delivery to provide excellent and creative services to our esteemed customers in a timely manner.

West Africa operations

The performance of our West Africa banking operations is progressing in line with the long-term objectives of our international expansion, especially the main goals of reducing country-specific risk, diversifying our earnings base and continuing to support our customers' trade requirements. These five subsidiaries are tier 3 banks in their respective markets, offering a number of financial services and products to their customers comprising retail, corporate, SMEs and the public sector, with their operations classified into business and consumer banking. The Bank is beginning to gain from all the structures that have been put in place, as well as our focus on extracting revenue opportunities through product innovation and extension. Aligning the Group's corporate governance standards and optimising the processes and policies, as well as the core banking applications, has improved our gains. The total asset of the five FBN West Africa banking operations has grown to ₦55.6 billion, a 17.4% rise from 2014 at ₦47.4 billion, partly as a result of the marketing drive of the teams in the various locations. The West Africa banking operations account for 1.4% of the Banking Group's assets. Gross earnings were ₦7.4 billion (2014: ₦5.7 billion) demonstrating a 29.4% turnover growth. The West Africa banking operations returned a PBT of ₦1.8 billion (2014: ₦1.3 billion), indicating a 39.8% rise in profitability.

RELATIONSHIPS AND RESPONSIBILITY SUMMARY

As we strive to enhance our vision as the pre-eminent financial services group in Sub-Saharan Africa, FBNHoldings is committed to creating more value for our stakeholders. We attribute the successes mainly to the relationships with our stakeholders. Our ability to effectively manage the challenges resulting from the shocks in the global marketplace and the macroeconomic headwinds is due to our responsible approach to putting our stakeholders first. We believe in consistently building and nurturing mutually beneficial relationships, which has enabled us to provide the right products and services for our customers and their families, empower our employees and support the communities in which we live and work.

Stakeholder engagement

Our stakeholders are broadly categorised into two groups: internal, comprising management and employees; and external, comprising investors, customers, non-governmental organisations (NGOs), host communities, regulators, the media and government. As in previous years, in 2015 we continued to engage our stakeholders. This provided opportunities for us to align our business practices with societal needs and expectations, and to drive long-term sustainability and shareholder value.

Employee empowerment, engagement and inclusive workplace

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

To ensure we sustain a learning and development culture and that staff (irrespective of their location) are adequately equipped to perform optimally on the job, in 2015 we again committed to building staff capacity across the Group based on training needs analysis. To achieve the Group's business goals, our training of staff in the required skills and competencies, included the following:

- Leveraging the skills of FBNBank UK's Structured Trade and Commodity Finance (STCF) desk to organise STCF Training for relevant strategic business units – all staff from FBNBank UK were also trained during the programme.
- Rolling out an intensive French language training programme aimed at building French language capabilities in staff to enable the Group to operate effectively in the Sub-Saharan Africa Francophone countries – a total of 36 targeted Africa Integration Project staff were trained.
- Conducting an advanced International Financial Reporting Standards (IFRS) training programme for around 30 delegates from the following departments: Financial Control, Internal Audit, Business Performance Monitoring, Treasury, Internal Control, Subsidiaries Finance Coordination, Market and Liquidity Risk, FBN Mortgages and Credit Risk Management.

In addition, the Banking Awareness Test, designed to ensure that every employee in the Bank has a balanced and updated knowledge of banking and developments in the environment, was implemented based on a training module. We have so far trained and tested a total of 3,557 staff out of 5,460, or 65.1% of all employees eligible for the test.

We have an organisational culture that encourages an open and clear line of communication between superiors and subordinates in order to foster collaboration and teamwork, as well as exchange of ideas. Implementing this has seen us develop an interactive platform that enables everyone across FBNHoldings to easily access the portal.

Our efforts at engendering diversity in the workplace include having in place a diversity policy that encourages inclusion. The Group's diversity and inclusion objective is to be a recognised industry leader in workforce diversity and leverage diversity for the growth of the Group and the success of the customers and communities we serve. We have a diversity team responsible for ensuring the Bank/Group has a diverse workforce and an inclusive workplace with opportunity for the talents of all employees to create value, deliver a superior customer experience, and develop innovative solutions for the markets and the communities we serve.

Promoting financial inclusion; putting our customers' needs first

Our responsible approach to enhancing the quality of life and financial security of our customers and their families has seen us design sustainable products and services tailored to meet their needs and expectations. Inclusive finance is a good example. Through our mobile money platform, Firstmonie®, as well as the employment of the agency banking model, we have provided financial services for the unbanked and under-banked.

Firstmonie boasts around one million subscribers who are non-bank account holders. This represents an 87.0% growth over 2014. In addition, we currently have about 15,000 agents spread all over the country to offer these financial services to our customers in their local environment.

Innovating to support our customers

We recognise that we have a diversified customer base and thus ensure that they have access to their accounts 24/7 by providing a wide variety of digital banking options. Indeed, we aim to simplify banking through digitalisation. We encourage our customers to embrace our various electronic platforms for convenient banking at their fingertips. They are increasingly doing so, with a large rise in online banking transactions and the successful take-up of our new mobile banking app. In addition, we have the largest ATM network in the country with a total of 2,749, and processed a total of 131.7 million transactions, representing 31.0% of the total industry transaction volume as at December 2015.

Customer focus and engagement

In 2015, service stakeholders collectively designed our service strategy document highlighting the areas requiring urgent attention. This document was articulated using a segment-based approach to ensure that the specific needs of each customer segment were clearly identified and addressed. Following the articulation of the service focus areas, concerted effort was targeted at ensuring improvements in all identified areas with specific focus on the following:

- ensuring the security, stability and availability of our alternative platforms;
- effective migration of the crowd/queues out of our banking halls;
- institutionalising a best-in-class complaints/issue management framework;
- improving staff attitude; and
- improving knowledge levels regarding the Bank's products and services as well the dynamics of the customers' business/industry.

We have a responsibility to always put the customer first. To help us achieve this, we listen continually to what customers tell us, from holding Voice of the Customer meetings (which involve dedicated one-on-one customer engagement sessions) to conducting special surveys aimed at obtaining customer feedback on our service delivery. While the survey findings in 2015 revealed areas to be improved upon, such as issue resolution, our performance regarding relationship building with our customers across most segments is strong. Under the External Customer Satisfaction Survey, a total of 2,832 corporate and retail customers were interviewed. As at December 2015, our customer satisfaction rating for our complaints handling process stood at 83.0%. The feedback received has enabled us to identify key service delivery areas on which to focus in 2016.

Supporting our communities

Supporting the communities in which we live and work is our key corporate responsibility and sustainability (CR&S) strategic pillar. We understand that the survival of these communities underpins our sustainability. Therefore, to help drive long-lasting impact, we have adopted the citizenship approach (an aspect of CR&S), which entails considering our stakeholders' needs while making business decisions. Under community support, we focus on education, economic empowerment, and health and welfare. Our key programmes within these platforms are Hope Rising, FutureFirst, FirstBank Endowment, Employee Giving and Volunteering, Youth Leadership and Development, and the FirstBank Conservation Initiative.

Building supplier relationships

We partner with our suppliers with a view to ensuring that we create long-term value both for our Group and for our suppliers. We base our collaboration on strategic procurement principles that place emphasis on trust and mutual interest. This includes extensive evaluation of our suppliers' performance and consolidating our supplier relationships.

Our corporate responsibility and sustainability approach

CR&S involves meeting the needs of our stakeholders without compromising the ability of our future stakeholders to meet their needs and aspirations. It goes beyond financing economic activity in a responsible way to ensuring an inclusive, positive impact on our communities. It is about creating long-term stakeholder value by adopting the opportunities and managing the associated environmental, social and governance risks.

CR&S is not bolted on to our corporate strategy. It is embedded in our business strategy and our daily operations.

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

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

The sustainability strategy is designed to deliver value in a structured way along four key areas:

1. DRIVING SUSTAINABLE FINANCE AND INVESTMENTS

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

2. EMPOWERING PEOPLE

We are committed to growing our people by providing opportunities and a supportive environment and culture for personal development.

3. SUPPORTING OUR COMMUNITIES

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

4. CONTRIBUTING TO ENVIRONMENTAL SUSTAINABILITY

We are committed to avoiding or minimising environmental impacts beyond our responsible lending efforts.

Our sustainability strategy also supports our commitment to encouraging and supporting the CBN's financial inclusiveness drive. Our many activities in pursuit of this goal include stimulating growth of SMEs, enhancing local participation in the oil and gas sector, facilitating quicker and easier money transfers, encouraging young people to save, and deepening the overall customer experience.

The sustainability governance structure

In the Group, our approach to conducting business is premised on high ethical standards and strict adherence to all provisions of the code of conduct guidelines. To ensure sustainability becomes embedded throughout the Group with strong leadership and support, the Board Risk and Management Committee has been approved by the Board of Directors to provide oversight role and direction for FirstBank.

FirstBank's current structure includes a Sustainability Committee led by the Chief Risk Officer. This committee provides oversight to the strategy and operational delivery of sustainability across FirstBank. It also works with external stakeholders to provide input and ensure effective engagement. The roles and responsibilities of this committee are reflected in the Board charter on sustainability.

The process of approving the governance structure for the Group is ongoing.

Standards and codes

Our commitment to international standards has made us adopt only principles that can be supported by the relevant framework and those that are strategically aligned to our business. These include the Nigerian Sustainable Banking Principles (NSBP) and the United Nations Global Compact (UNGC).

For more details please refer to the FBN Holdings Plc 2015 Annual Report.

A breakdown of our complaints-handling figures for 2015 compared to the previous year, as well as the financial implications for the Bank, is shown below:

Customer complaints received in 2015

Serial no	Description	Number		Amount claimed (₦)		Amount refunded (₦)	
		2015	2014	2015	2014	2015	2014
1	Pending complaints brought forward	**9,527**	670	**434,293,529.73**	5,295,753,038.34	**43,221,238.65**	123,561,481.28
2	Received complaints	**270,028**	77,185	**63,401,953,964.70**	18,222,117,149.71	**3,930,348,674.43**	1,270,519,125.13
3	Resolved complaints	**270,529**	68,328	**63,484,100,612.27**	21,101,788,635.74	**3,930,348,674.43**	1,270,519,125.13
4	Unresolved complaints escalated to CBN for intervention	**0**	0	**0**	0	**0**	0
5	Unresolved complaints pending with the Bank carried forward	**9,026**	9,527	**352,146,882.16**	2,416,081,552.31	**0**	0

GOVERNANCE

First Bank of Nigeria Limited has a well-defined corporate governance framework in place to support the Board's aim of achieving long-term and sustainable shareholder value.

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CHAIRMAN'S INTRODUCTION

Ibukun Awosika, Chairman (w.e.f. January 2016)

HOW DO WE GOVERN FOR LONG-TERM SUSTAINABILITY?

On behalf of the Board of First Bank of Nigeria Limited, I am pleased to have the opportunity to present our Corporate Governance Report. We believe a strong and effective governance is imperative for our business to enhance shareholder value and safeguard our shareholders' long-term interests. Accordingly, we are committed to adopting robust corporate governance practices and applying the highest standards of business integrity in all of our activities.

In our Corporate Governance Report and the reports from the Board committees contained therein, we described the operations of the Board and explained how we applied the principles of good governance as set out in the Central Bank of Nigeria Code of Corporate Governance for Banks and Discount Houses in Nigeria ('the Code') during the year. The Board also followed best practice and embarked on an externally facilitated board evaluation exercise, more details of which are set out on page 106. The evaluation was a means by which the Board and its committees examined collective and individual performance, and reaffirmed our commitment to deliver value to our shareholders by identifying plans for improvement.

Part of being a great company is being a responsible corporate citizen. Sustainability is our long-term approach to balancing our business priorities with our social, economic and environmental responsibilities. At FirstBank, we are dedicated to several corporate social responsibility initiatives through our FirstBank Sustainability Centre. In the fiscal year 2015, the Board approved a number of initiatives to reinforce its commitment to promoting empowerment, entrepreneurship and financial inclusion. Notable is our recent exclusive sponsorship of the CNN African Start-Up, an initiative that aligns with our commitment to drive and sustain the growth of SMEs in Africa.

Our governance framework

Our governance framework and those of our major subsidiaries encompass a number of policies, charters and terms of reference that shape the Commercial Banking Group's approach to managing a wide range of issues, including compliance, risk supervision, audit, remuneration, evaluation, succession planning, ethics and conduct, corporate governance, budgeting and capital management. This governance framework guides the operations of the Board.

In line with the provisions of the Code and the Guidelines for Whistleblowing in the Nigerian Banking Industry, several committees exist to assist the Board in performing its duties and discharging its responsibilities.

Furthermore, the performance of the various business segments is reviewed and monitored through reports submitted to the Board at its quarterly meetings.

Disclosure

It is a key responsibility of the Board to ensure transparency and disclosure to stakeholders, as this instils trust in the organisation, its Board and its management. We aim to achieve the highest standards in all the disclosures included in this report in order to provide accurate and complete information to all our stakeholders, as this will enable them to make informed decisions relating to our organisation. In providing a comprehensive report on the organisation's performance and its ability to create value, we provide both financial and non-financial information in an integrated manner.

Looking ahead

Effective risk management is fundamental to the success of the Bank, and is recognised as one of the Bank's strategic priorities in the ensuing year. We have a clear vision and purpose, based on solid values and our obligation to ensure adherence to laid-down regulations and best corporate governance practices in our Commercial Banking group. The Board has an unswerving resolve to ensure strong oversight of our entire risk management framework, particularly in relation to credit risk, improved credit portfolio management and a drive to aggressively reduce the incidence of non-performing loans.

The Board is committed to enhancing operational efficiency by increasing our investments in technology and exploiting emerging digital channels in order to maximise our earning potential and align remuneration policies with shareholder interests.

Board effectiveness continues to be a priority for the Bank in the next financial year. Greater focus will be placed on directors' training and development, to ensure that the Board and its committees are fully equipped and improved continuously to fulfil their responsibilities.

The Board has a renewed focus on entrenching global best practices in corporate governance in our existing subsidiaries and representative offices in Europe, Asia (UAE and China) and Sub-Saharan Africa. We are building robust frameworks for cross-border supervision over these entities with a view to optimising our return on investment.

The Bank will continue to find the right balance to have excellent corporate governance while striving for innovation and growth to benefit shareholders.

Conclusion

In the review period, the Nigerian banking industry continued to mirror the larger economy, which was characterised by macroeconomic challenges. Our bank is not insulated from the economic realities in our operating environment. We are, however, confident that our strategy will deliver a financial institution that earns the trust of its stakeholders. We look forward to the future with the confidence and determination to take value from our rich heritage as an iconic institution, while building a strong and dependable organisation, committed to good governance practices and able to deliver value to our shareholders.

Ibukun Awosika
Chairman
w.e.f.* 1 January 2016

* w.e.f. – With effect from

KEY GLOBAL TRENDS IN CORPORATE GOVERNANCE

Following thorough ongoing reforms of the domestic governance space, corporate governance infractions were not common in the period covered by this report. Nonetheless, compliance challenges have arisen as diverse regulators have tried to strengthen the regulatory space. This means broadening the governance remit to include monitoring of the extent to which work ecosystems have been structured to promote rule-based conduct. At FirstBank, this challenge manifests itself at two levels. First, ensuring that compliance functions do not deteriorate into box-checking routines; and second, to clearly delineate the goals of corporate governance. Increasingly, it is obvious that the Board and senior management's responsibility for good governance is a collective effort to strengthen both reporting and compliance mechanisms.

BOARD COMPOSITION AND DIVERSITY

Some countries have set diversity targets with a specific time frame, and others have established quotas to improve the representation of women on boards. In today's times, the trend is changing and board composition and diversity are two significant topics that are at the heart of corporate governance. With increased emphasis on directors' qualifications, gender, ethnicity and age, a new group of directors is bringing unique experience and perspectives to the boardroom.

BOARD CLASSIFICATION

A high number of board declassification proposals (annual election of all directors) was expected in 2015 – continuing the trend of the past two years. Shareholder proposals to remove classified boards have been largely successful.

LEADERSHIP STRUCTURE

Board leadership structures continue to be a leading topic of discussion for businesses around the world, particularly with regard to whether the roles of Chairman and Chief Executive Officer should be separate or combined. The appropriate board structure depends on applicable laws and regulations, as well as on company circumstances, all of which vary among countries.

RELATED PARTY TRANSACTIONS

Countries have adopted a variety of approaches to address related party transactions. Common solutions include one or more of the following: approval of such transactions by the Board or a special committee of the Board; full disclosure of transactions or disclosure of material transactions; incremental policies and procedures for transactions; and the evaluation of material transactions by independent experts.

SUSTAINABILITY

Sustainability includes ethical, social and governance factors, including workplace and community relations, compliance and reporting, in addition to the organisation's impact on the environment. Organisations' corporate social behaviour is closely scrutinised from all corners of the marketplace – by investors, employees, regulators, competitors, customers and communities – and is factored into their investment, business, purchasing and employment decisions.

Corporate governance developments in Nigeria in 2015

With its ever-dynamic banking policies since its creation in 1894, FirstBank has maintained its pre-eminent status as Nigeria's largest, leading and most diversified bank. With the holding company structure that provides a spectrum of financial services covering commercial, investment and mortgage banking as well as insurance, and with a total assets base of ₦4.2 trillion, customer deposits of ₦2.9 trillion, over 750 branches and service points in Nigeria and five subsidiaries, the FBNHoldings Group has continued to consolidate its position every year in all financial sectors of the Nigerian economy and in corporate governance.

FirstBank has continued to sustain its formidable corporate governance structure as a leading player, keeping all Nigerian competitors at bay. The Bank has also continued to produce renowned and formidable leaders for the Nigerian financial sector from among its management, replacing them with comparable banking leaders. This has ensured business continuity and stability while the Bank has continued to build new and expand existing networks in Nigeria and abroad, train and employ well-qualified staff, and create and implement successful and profitable banking models.

The overall results of FirstBank's strict implementation of a properly structured corporate governance culture in 2015 were a harvest of local and international awards. More details on these awards can be found on pages 17, 18 and 19.

The pilot stage of the Corporate Governance Rating System, organised by the Nigerian Stock Exchange and the Convention on Business Integrity (CBi), ranked listed companies on the basis of their compliance with corporate governance principles.

Pursuant to the above, the Nigerian Stock Exchange commenced the delivery of a fiduciary awareness course to all directors of listed companies, in order for them to be certified. The purpose of the course is to ensure directors understand their fiduciary duties to the companies they serve.

As reported above, the Financial Reporting Council of Nigeria developed a national Code of Corporate Governance in Nigeria, to regulate corporate governance issues across all sectors and industries in the country. Exposure drafts of the sectoral codes were published for review by stakeholders and, following several public hearings, second exposure drafts have been published for review by stakeholders.

Directors also attended the Corporate Governance and Anti-Money Laundering/Combating Financing of Terrorism workshop for directors of banks in Nigeria, which was facilitated by the Central Bank of Nigeria in December 2015.

LEADERSHIP

BOARD OF DIRECTORS

The FirstBank Board comprises 18 members, made up of 11 non-executive directors and seven executive directors, including the Managing Director (MD). This is in line with the CBN Code, which requires that the number of non-executive directors should be more than the number of executive directors, subject to a maximum board size of 20.

The Bank is in compliance with the CBN Code, which requires that banks have a minimum of two independent non-executive directors. The two independent directors in 2015 were Mahey Rasheed, OFR, and Dr Ijeoma Jidenma.

The number and stature of non-executive directors ensures that adequate contributions are made to the Board's deliberations. The composition makes sure that there is a balance of authority and power, so that no one individual has absolute influence and power. In the area of equal opportunity and diversity in the work place, FirstBank intends to implement the CBN circular, which enjoins banks to consider the diversity of gender when making board appointments. The gender composition of the Bank's Board is currently about 16% for females and 84% for males.

Top row (left to right): Olayiwola Yahaya (Company Secretary), Dauda Lawal, UK Eke, MFR, Ibukun Awosika, Dr Adesola Adeduntan, Abiodun Odubola, Tunde Hassan-Odukale.
Bottom row (left to right): Obafemi Otudeko, Ebenezer Jolaoso, Gbenga Shobo, Dr Ijeoma Jidenma, Olusola Oworu, Lawal Ibrahim, Ibrahim Waziri, Ambrose Feese.

Prince Ajibola Afonja
Chairman

Appointed Non-Executive Director 23 August 2005
Appointed Chairman 29 December 2010
Retired from the Board 31 December 2015

Prince Ajibola Afonja is a renowned entrepreneur who in 1974 established the first fibreglass manufacturing company in Nigeria, International Glass Fibre Industries Limited, Ibadan, of which he was the first Managing Director. He was also the Chairman/CEO, Integrated Dimensional Systems Limited, Oyo. Prince Afonja has served various committees on the FirstBank Board and continues to provide invaluable leadership for the Bank from his extensive experience in business administration and executive management in both the public and the private sectors of the economy. He has held distinguished appointments with the Federal Government of Nigeria, and was Federal Minister of Labour and Productivity in 1993. He is married with children, and enjoys folk, country and rock & roll music. His hobbies include reading biographies, science magazines, children's story books and playing draughts.

Prince Ajibola Afonja retired from the Board effective 31 December 2015.

Ibukun Awosika

Appointed Non-Executive Director 28 October 2010
Appointed Chairman 1 January 2016

Ibukun Awosika was appointed Chairman, Board of Directors, First Bank of Nigeria Limited, with effect from 1 January 2016. She is also the founder and Chief Executive Officer of The Chair Centre Group. The companies in the group include: The Chair Centre Limited, Sokoa; Chair Centre Limited; Furniture Manufacturers Mart; TCC Security Systems; and Cubes and Boxes Limited. These companies are involved in manufacturing, retail and bank-way security systems services. Ibukun chairs a number of corporate and not-for-profit boards, among which are House of Tara International and the Afterschool Graduate Development Centre (AGDC), a facility she promoted to help address youth employability and enterprise issues in Nigeria. She sits on the boards of Digital Jewel Limited, Cadbury Nigeria Plc, the Convention on Business Integrity (CBi) and the Nigerian Sovereign Investment Authority. She was Chairman of FBN Life Assurance Limited, FBN Capital Limited and Kakawa Discount House Limited. Ibukun is a graduate of chemistry from the University of Ife (now Obafemi Awolowo University), Nigeria, and an alumna of Lagos Business School's Chief Executive Programme, the Global Executive

MBA of IESE Business School, Barcelona, and the Global CEO Programme of the Wharton School of the University of Pennsylvania, IESE and the China European International Business School.

With a strong interest in social issues, particularly those relating to women, Ibukun is a co-founder and past chairman of Women in Business, Management and Public Service (WIMBIZ). An ordained pastor and founder of the Christian Missionary Fund, Ibukun works with hundreds of missionaries across Nigeria to change lives through the provision of medical, educational and other supplies. As a fellow of the African Leadership Initiative, Aspen Global Leadership Network, the Institute of Directors and the Society for Corporate Governance Nigeria, she aspires to use her opportunities in life to help create jobs for the large unemployed youth population. She is a member of the Nigerian Economic Summit Group, served on the National Job Creation Committee, and sits on the International Advisory Board of the IESE Business School, Barcelona. Ibukun is a multiple award-winning entrepreneur and the first Nigerian recipient of the prestigious International Women's Entrepreneurial Challenge award as a nominee of the US Department of State in 2008.

In her spare time, Ibukun loves to watch investigative and legal series. She is happily married to Abiodun Awosika and they are blessed with children. Ibukun was appointed Chairman, First Bank of Nigeria Ltd effective 1 January 2016, following the retirement of Prince Ajibola Afonja from the Board at the end of 2015.

Bisi Onasanya

Group Managing Director/Chief Executive Officer (GMD/CEO)

Appointed Executive Director 1 January 2009
Appointed GMD 4 June 2009
Retired from the Board 31 December 2015

Prior to his current appointment, Bisi Onasanya was Executive Director, Banking Operations and Services and the first MD/CEO of First Pension Custodian Nigeria Limited, a subsidiary of FirstBank. He joined FirstBank in 1994 and coordinated the Century 2 Enterprise Transformation Project for the Bank. Bisi is a Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers of Nigeria. He is also an Associate Member of the Nigerian Institute of Taxation with over 30 years' post-qualification experience. He sits on the boards of several companies and bodies, including the Presidential Jobs Board. Bisi has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal and Monetary Policies, and the Presidential Committee on Reduction of Interest Rates. He has attended various executive programmes at London Business School, Harvard Business School and the Wharton School of the University of Pennsylvania. He loves swimming and is married with children.

Bisi Onasanya retired from the Board effective 31 December 2015.

Dr Adesola Adeduntan

Executive Director/Chief Financial Officer (CFO)

Appointed Chief Financial Officer 1 July 2014

Managing Director/Chief Executive Officer (MD/CEO)

1 January 2016

Dr Adesola ('Sola') Adeduntan became the Managing Director of First Bank of Nigeria Limited and its Subsidiaries in January 2016. Prior to this appointment, he was Executive Director and Chief Financial Officer for the Bank.

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

Sola attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He also holds a master's in Business Administration (MBA) from Cranfield School of Management at Cranfield University in the United Kingdom, which he attended as a British Chevening Scholar. He has attended executive/leadership programmes at the universities of Harvard, Cambridge and Oxford and at INSEAD.

Over the course of his sterling career, Sola has garnered expertise in diverse areas of management, including financial and risk management, treasury, performance management, strategy design and execution, information technology and compliance.

Sola is a Director of the Africa Finance Corporation, the Nigeria Interbank Settlement System Plc and FMDQ OTC Securities Exchange, and a member of the Sigma Educational Foundation, which is focused on enhancing the quality of the tertiary education system in Nigeria. He is a Fellow of the Institute of Chartered Accountants of Nigeria.

Sola is happily married with children and loves music, especially African folktale music.

Sola Adeduntan was appointed Managing Director, First Bank of Nigeria Limited and its Subsidiaries with effect from 1 January 2016, following the retirement of Bisi Onasanya from the Board at the end of 2015.

Adetokunbo Abiru

Executive Director, Corporate Banking

Appointed Executive Director 1 August 2013
Retired from the Board 31 March 2016

Adetokunbo Abiru has over 23 years of banking experience, and brings his far-reaching experience to bear on the Bank's Board. He joined the Board in 2013 as Executive Director, Corporate Banking. Prior to this, he was Group Head, Corporate Banking and, in 2006, one of the Bank's first Business Development Managers at the inception of this business model. In the same year, he won the prestigious FirstBank MD/CEO Merit Award as the Best Branch Manager of the Year. He also served as the Commissioner of Finance for Lagos State between 2011 and 2013. Adetokunbo is a Director of FBN Bank DRC S.A., FBN Capital Limited and Airtel Networks Limited. He is a Fellow of the Institute of Chartered Accountants of Nigeria and an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria. He is happily married with children and loves football, swimming and reading.

Adetokunbo Abiru will retire from the Board with effect from 31 March 2016, having commenced his terminal leave from 31 December 2015.

Abiodun Odubola

Executive Director/Chief Risk Officer

Appointed Chief Risk Officer 16 January 2014
Retired from the Board 30 June 2016

Abiodun Odubola joined the Board of the Bank as Executive Director in 2014, after being appointed Chief Risk Officer in 2013. He had previously been Head, Credit Analysis and Processing Department at FirstBank and Chief Risk Officer at Ecobank Plc. He also spent a year as a Credit Auditor with Citibank NA in the United Kingdom. Abiodun started his banking career with Citibank over 20 years ago and garnered diverse hands-on experience in relationship management, credit underwriting, credit risk management, country risk management and credit audit. He has attended a number of training and development programmes both locally and abroad, including at Columbia Business School Executive Education, New York. He brings these varied experiences to bear in performing his function at the Bank. Abiodun is an Honorary Member of the Chartered Institute of Bankers of Nigeria, a Director of CRC Credit Bureau Limited and FBNBank Ghana Limited, and Board Chairman, FBNBank The Gambia. He is happily married with children and loves reading.

Abiodun Odubola will retire from the Board w.e.f.* 30 June 2016, but commenced his terminal leave w.e.f. 1 April 2016.

Olusola Oworu

Independent Non-Executive Director

Appointed Independent Non-Executive Director 21 January 2016 subject to CBN's approval

Olusola Oworu joined the Board of FirstBank in 2016. She was Honourable Commissioner for Commerce & Industry in Lagos State from 2011 to 2015 and before then Special Adviser to the former Governor of Lagos State, Babatunde Fashola, SAN, on Commerce & Industry from 2007 to 2011. Olusola spearheaded the development of a number of greenfield projects, initiated schemes to improve the investment climate and led the drive to attract new investments in Lagos State. An Accounting graduate, Fellow of the Institute of Chartered Accountants of Nigeria and Associate, Women in Management, Business & Public Service, she has had an enviable career in consulting and banking spanning over 20 years. She started her career at Coopers and Lybrand (now PricewaterhouseCoopers) in 1982 and subsequently, in 1986, joined NAL Merchant Bank (now Sterling Bank Plc) and later Citibank Nigeria, where she rose through the ranks to the level of Vice President, with a strong bias for credit risk management and marketing. She brings her banking and financial services as well as public sector experience to impact her Board contributions. She is happily married and enjoys reading and travelling.

UK Eke (UK), MFR

Executive Director, South Region

Appointed Executive Director 24 March 2011
Appointed GMD FBN Holdings Plc 1 January 2016

UK Eke assumed office as Group Managing Director, FBN Holdings Plc, on 1 January 2016. He joined the Board of First Bank of Nigeria Limited in 2011 as Executive Director, Public Sector South, and until his appointment as GMD was Executive Director, South at FirstBank. He is a seasoned banker with deep financial services experience spanning diverse areas, including risk management, consulting, taxation, process engineering, capital market operations and business assurance. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a Senior Audit Consultant. He subsequently joined Diamond Bank Plc, where he worked for 19 years and became Executive Director, Regional Businesses, Lagos and West.

UK has over 30 years of professional experience and he brings his wealth of knowledge to the Boards of a number of institutions for which he serves as a Non-Executive Director, including FBNBank UK Limited, First Pension Custodian Nigeria Limited and the Financial Institutions Training Centre. He holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri.

A philanthropist and respected business administrator, UK Eke is a Paul Harris Fellow of Rotary Club International, a Member of the Institute of Management Consultants, Fellow of the Institute of Chartered Accountants of Nigeria and recipient of Nigeria's national honour of Member of the Order of the Federal Republic (MFR). He is happily married with children.

UK resigned from his appointment as Executive Director, South effective 31 December 2015, in order to take up his new appointment as Group Managing Director of FBN Holdings Plc, effective 1 January 2016.

Dauda Lawal

Executive Director, Public Sector

Appointed Executive Director 11 September 2012

Dauda Lawal was previously the Executive Director, Public Sector North and Executive Vice President, Public Sector North. He also held several management positions within the Bank, including Business Development Manager, Maitama, Abuja, where he grew the Bank's business with the Abuja metropolis as his principal remit. He has over 27 years' post-qualification experience, which covers commercial and public sector banking. Dauda's abilities have enabled him to build a strong record of achievement. He is a two-time recipient of the FirstBank CEO Merit Award for Outstanding Performance, firstly as the Best Business Development Manager in 2006, and again as The Most Enterprising Staff in 2009. He is happily married with children and enjoys reading and travelling.

Gbenga Shobo

Executive Director, Lagos & West

Appointed Executive Director 11 September 2012
Appointed Deputy Managing Director 1 January 2016

Gbenga Shobo is the Deputy Managing Director of First Bank of Nigeria Limited. He was formerly the Executive Director overseeing the Retail and Public Sector business in Lagos and West Directorate, prior to which he was in charge of the Retail Banking South Directorate, first as Executive Vice President and then as Executive Director. He was appointed to the Board of FirstBank in 2012.

Gbenga joined FirstBank in 2006 and has worked in various divisions of the Bank. He was the General Manager in charge of the Products & Channels Group, Business Development Manager in charge of the Bank's Retail/Commercial Banking activities in its Rivers and Bayelsa States region, and also held the position of Group Head, National Corporates in the Corporate Banking SBU.

* w.e.f. – With effect from

Before joining the FirstBank family, he worked as a General Manager in charge of Corporate/Commercial Banking at FBN (Merchant Bankers) Limited and as the Divisional Head, Corporate Banking Division of MBC International Bank Limited.

Gbenga has garnered over 30 years' work experience from reputable organisations, of which he has spent more than 26 years in the banking industry. He started his professional career with Coopers & Lybrand Chartered Accountants as an external auditor and tax consultant and further honed his skills in credit and relationship management, business development, service excellence, products development and improvement, product sales, segment penetration, operational management, and development and implementation of marketing strategies.

He is a Fellow of the Institute of Chartered Accountants of Nigeria and an alumnus of the Kellogg School of Management and Harvard Business School. Gbenga also has a BSc in Political Science from the University of Ife. In addition, he has attended various courses and programmes in top-rated business schools, including the Wharton School (University of Pennsylvania) and Stanford University.

With effect from 1 January 2016, Gbenga is the first to be appointed to the position of Deputy Managing Director of FirstBank in the Bank's history, a testament to his commitment and professionalism. He is happily married with children and loves reading, playing golf and tennis.

Bello Maccido

Non-Executive Director

Appointed Non-Executive Director 13 December 2012
Resigned from the Board 31 December 2015

Bello Maccido joined the Board of FirstBank in 2011 as Executive Director, Retail Banking North and held that role until September 2012, when he was appointed the Group Chief Executive Officer (GCEO) of FBN Holdings Plc. He has over 25 years' financial services experience, covering retail, corporate and investment banking at Ecobank Nigeria Plc, New Africa Merchant Bank Limited and FSB International Bank Plc, where he rose to become Acting Managing Director. Bello was the first Managing Director of Legacy Pension Managers, a pension fund administration company, a position he held before joining the Board of FirstBank, to which he brings his diverse experiences across the financial services industry. He was a member of the Finance Committee of the National Council on Privatisation, the Implementation Committee of the Financial System Strategy (FSS) 2020, and the Presidential Monitoring Committee on Niger Delta Development Company (NNDC) among others. Between March 2009 and June 2012, he was also a Council Member of the Nigerian Stock Exchange. A chartered stockbroker, Bello is happily married with children. He holds the traditional title 'Wakilin Sokoto' and loves basketball.

Bello Maccido resigned from the Board with effect from 31 December 2015.

Lawal Ibrahim

Non-Executive Director

Appointed Non-Executive Director 28 October 2010

Lawal Ibrahim is an astute development banker and a strategic transformation manager. His working career spans the Nigerian Bank for Commerce and Industry and New Nigeria Development Bank Limited, Kaduna, where he rose through the ranks to become the Acting Group Managing Director. He has been a director for over 15 companies spread across Nigeria and in different sectors of the economy, and he brings this immense experience to bear on the Bank's business. He has professional certificates in investment banking, managing and measuring organisational culture, and leading with impact from the African Development Bank, Witwatersrand University, South Africa, and Harvard Business School respectively. He served as a member of the Vision 20:20 Technical Working Group's SMEs Thematic Area, and is presently on the board of Borini Prono Nigeria Limited. He holds the traditional title of 'Dallatun Kankiya' and is happily married with children. He is a strong advocate of family values and loves reading, writing and philanthropy. He is also the author of the book *The Investment Decision*.

Ambrose Feese

Non-Executive Director

Appointed Non-Executive Director 28 October 2010

Ambrose Feese has over 27 years' banking experience spanning development, commercial and investment banking. He attained the position of Managing Director/Chief Executive at ICON Limited (Merchant Bankers) and has extensive boardroom experience, having served as chairman and director in several quoted blue chip companies in the financial services and manufacturing sectors. Ambrose has served on several Government committees and assignments, including service as the Federal Minister of State for Works and Housing in 1998/99. He qualified as a chartered accountant in 1970 and his varied experiences establish profound relevance, which he brings to the Board of the Bank. He is happily married with children and loves cricket, reading and listening to global radio.

Ebenezer Jolaoso

Non-Executive Director

Appointed Non-Executive Director 28 October 2010
Resigned from the Board 29 October 2015

Ebenezer Jolaoso has a rich work experience in banking spanning over 24 years, with exposure to commercial banking, corporate banking, and credit and risk management. He has also worked as Head, Corporate Services and Administration at Nigerian Eagle Flour Mills Plc, where he had a wide range of responsibilities including corporate communications, branding, facilities management and human resource management. He also spearheaded and managed the organisation's corporate responsibility initiatives to give back to the immediate society within which the business operates. He is an associate of the Chartered Institute of Bankers, UK, and an associate of the British Institute of Management. His experience has been invaluable in the administration of the Bank's business. Ebenezer is happily married with children and plays table tennis, snooker and billiards, and loves watching football.

Mahey Rasheed, OFR

Independent Non-Executive Director

Appointed Independent Non-Executive Director 21 July 2009
Resigned from the Board 31 December 2015

Mahey Rasheed started his career at the New Nigeria Development Company, Kaduna, and was a Principal Investment Executive before joining the Central Bank of Nigeria as an Assistant Director. He rose to the position of Departmental Director, and was subsequently appointed a Deputy Governor of the Central Bank. He was a major player in economic and financial policy formulation and implementation during his career at the Central Bank. Mahey Rasheed, an Edward Mason Fellow of Harvard University, has held several Federal Government appointments and sits on the boards of various institutions in the country. In addition, he is currently the Chairman of the Nigeria Sovereign Investment Authority, the nation's sovereign wealth fund. He was conferred with the national honour of Officer of the Federal Republic (OFR) in 2004.

Mahey Rasheed, OFR, resigned from the Board with effect from 31 December 2015.

Khadijah Alao Straub

Non-Executive Director

Appointed Non-Executive Director in January 2011
Resigned from the Board 29 October 2015

Khadijah Alao Straub's career spans the Lister Group and the Fantastic Corporation, Switzerland, where she led legal negotiations and supervised attorneys who worked for the firm. She also worked with EurotaxGlass's International AG, Switzerland, where she managed negotiations, contracts and advised executive management on business strategy and legal matters. Khadijah is an active attorney and a member of the New York Bar, and her diverse experience in the formulation of structure, business and legal strategy is germane for her role on the Board. She is married with children. Khadijah recently received her black belt in mixed martial arts. She also enjoys target shooting and reading.

Khadijah Alao Straub resigned from the Board with effect from 29 October 2015.

Obafemi Otudeko

Non-Executive Director

Appointed Non-Executive Director 1 January 2011

Obafemi Otudeko's work experience spans the Honeywell Group, where as Executive Director he leads Group Corporate Development and is responsible for the comprehensive transformation of the Group into a world-class, admired company, and PricewaterhouseCoopers, where he led and managed various audit and consultancy engagements for major banks and non-bank financial institutions in Nigeria as well as other special projects. He also has wide experience managing oil and gas projects. Obafemi is an Associate Member of the Institute of Chartered Accountants of Nigeria, an alumnus of the London Business School and a member of the UK Energy Institute. He therefore brings a wealth of experience in corporate finance and business development to the Board. He is happily married with children. His interests include horse-riding, playing polo, watching football and reading.

Tunde Hassan-Odukale

Non-Executive Director

Appointed Non-Executive Director 1 January 2011

Tunde Hassan-Odukale is the Executive Director of Leadway Assurance Company Limited. His executive management experience spans over 21 years and includes asset management, finance, IT and life insurance operations. He has a keen disposition towards evaluating proposals as well as forming IT strategy and direction, skills beneficial to the Board's work. Tunde also sits on the board of Total Health Trust Limited and other Leadway Assurance subsidiaries. He is happily married with a child. He loves playing tennis, reading and seeing new places.

Ibrahim Waziri

Non-Executive Director

Appointed Non-Executive Director 1 January 2011

Ibrahim Waziri has over 35 years' professional experience in public service, banking, and oil and gas businesses. His work experience includes: Member of the Federal House of Representatives; Financial Analyst and Manager, International Merchant Bank Limited; Group Executive Director at the Nigerian National Petroleum Corporation; Executive Director, Nigeria Gas Company Ltd and the Pipeline and Product Marketing Company Ltd; Deputy Managing Director, Nigeria LNG Limited; Managing Partner, Gulf of Guinea Petroleum Consulting Limited; and Board Chairman of the Transmission Company of Nigeria. Ibrahim has extensive corporate governance experience, having served on the boards of directors of several companies. He is a Fellow of the Institute of Directors and his experience across varied industries is brought to bear on his contributions to the Board. Ibrahim is happily married with five children and loves reading, golf, philanthropy and nature conservation.

Dr Ijeoma Jidenma

Independent Non-Executive Director

Appointed Independent Non-Executive Director 24 March 2014

Dr Ijeoma Jidenma, a notable human resources and organisational development professional and management consultant, holds a PhD in psychology with a specialisation in psychometrics from the University of Lagos. She is the Chief Executive Officer of Leading Edge Consulting and has consulted widely for organisations across diverse sectors of the economy, including the financial services sector. She has also consulted for the public sector and international non-governmental organisations, as well as leading international joint venture initiatives. She is also the Managing Partner of IRC (Nigeria), a member firm of the IRC Global Executive Search Partnership with footprints across six continents and over 75 countries.

Dr Jidenma served as a non-executive director of First Pension Custodian Nigeria Limited from 2011 to 2014 and made effective contributions at committee and board levels. She brings to the Board an excellent blend of strategic and hands-on consolidated experience garnered over 31 years. Earlier in her career, she worked in operational capacities at the Industrial Training Fund and Price Waterhouse (now PwC), where she was a Senior Consultant in Human Resources. She worked in executive capacities as Head of Human Resources as well as Head of Strategic Planning at Merchant Bank of Africa, and served as a senior lecturer at ESUT Business School. Dr Jidenma is a Fellow of the Nigeria Institute of Management, the Chartered

Institute of Personnel Management, where she is a member of the Board of Fellows, and the Institute of Directors, where she serves on its Governing Council.

A firm believer in continuous learning, she has attended several executive and Board-level developmental programmes across the world, including Harvard Business School, IESE Business School, Cranfield School of Management and Lagos Business School. A Paul Harris Fellow of Rotary International, she also sits on the advisory boards of several reputable non-for-profit organisations. Dr Jidenma is a multiple role model awardee. She currently serves as a Trustee/ Executive Secretary of the Goddy Jidenma Foundation. She is blessed with children.

Olayiwola Yahaya

Company Secretary

Retired 13 April 2016

Olayiwola Yahaya was appointed Company Secretary of the Bank in 2013. Before this appointment, he had been Deputy Company Secretary of the Bank, with a brief stint at Seawolf Oilfield Services Limited, to which he was seconded as Company Secretary for two years before returning to the Bank in 2011. He has 27 years' legal and banking experience and is in charge of the Bank's Secretariat, by virtue of which he is the Secretary to the Board of Directors and Annual General Meeting, with supervisory oversight for the company secretarial functions of relevant subsidiaries of the Bank. Olayiwola is an alumnus of Wharton School, University of Pennsylvania, and a member of the Nigerian Bar Association, the International Bar Association and the Chartered Institute of Bankers of Nigeria. He is married with children and loves inspirational and recreational reading, physical work-out, table tennis, gardening and travelling.

Olayiwola has elected to take early retirement from the services of the Bank with effect from 13 April 2016.

OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

Cecilia Majekodunmi

Group Executive, Commercial Banking

Cecilia Majekodunmi was appointed Group Executive, Commercial Banking in 2013. She was the pioneer head of the Bank's Emerging Corporates Sub-Business Unit, which she steered to remarkable growth within two years. Her sterling performance informed the upgrade of FirstBank's Emerging Corporates business into a fully fledged commercial banking business. She is a versatile professional with over 29 years of banking experience covering human capital, marketing, customer relationship management, business development, institutional banking and corporate banking. She is an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria, a Member of the Institute for Fraud Management Control, an alumnus of London and Lagos Business Schools and has attended executive courses at the Harvard Business School. Cecilia was a recipient of the FirstBank CEO's Annual Merit Awards as The Best Business Development Manager of the Year in 2009 and The Best Market-Facing Staff of the Year in 2011. She is married with children and loves travelling, reading and networking.

Cecilia Majekodunmi retired from the Bank with effect from 31 December 2015.

Bashirat Odunewu

Group Executive, International Banking

Until her recent appointment as the Group Executive, International Banking, Bashirat Odunewu was the Group Executive, Institutional and Transaction Banking. Prior to this, she was the Group Head, Ikoyi/ Victoria Island in the Corporate Banking Directorate of the Bank. With over 27 years' experience across institutional, corporate and investment banking, as well as treasury, in various financial institutions, Bashirat brings her deep market-facing experience to bear on the Bank's international banking business, which includes FBNBank UK, all African subsidiaries and all foreign representative offices. She was recipient of The Best Business Development Manager award in the 2010 FirstBank CEO Annual Merit Awards. Bashirat holds a BSc in chemistry from the University of Manchester Institute of Science and Technology, UK, and an MSc and DIC in Advanced Technology and Development from Imperial College London. She is a Fellow of the Institute of Chartered Accountants of Nigeria and has attended executive courses in various institutions including Harvard Business School and Columbia Business School, New York. She is married with children and is passionate about mentoring.

Abdullahi Ibrahim

Group Executive, Retail Banking North

Abdullahi Ibrahim, prior to his appointment as the Group Executive, Retail Banking North in 2016, was Group Executive, Technology & Services, overseeing the Bank's Information Technology and Services functions between March 2015 and January 2016. Following the reorganisation of the Bank, he was re-appointed Group Executive, Retail Banking North, a position he previously held between 2012 and 2015. His banking experience spans over 25 years and cuts across investment, wholesale and commercial banking as well as banking operations. His proven ingenuity in these areas is brought to bear on the Bank's retail banking services. Prior to joining FirstBank, Abdullahi was Area Manager and subsequently Group Head, Telecommunications, Information Technology and Transport Group in Corporate Banking at the then NAL Merchant Bank. He also worked at United Bank Africa as a Senior Manager in Corporate and Consumer Banking. He was the first Group Head, Manufacturing Group in the Institutional Banking Group. He also served as Business Development Manager in the Bank with responsibilities across the consumer, retail, commercial and wholesale banking segments, as well as being Group Head, Multinationals in the erstwhile Corporate Banking Directorate. Abdullahi is an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria and an alumnus of Lagos Business School's Advanced Management Programme. He is also a member of the Institute of Directors. He is married with children and loves reading, photography and horse-riding.

Bernadine Okeke

Group Executive, Private Banking

Bernadine Okeke was appointed Group Executive and Head of Private Banking in 2011. Before this appointment, she had been Business Development Manager, Lekki. Previously, she was Head, Human Capital Management and Development, where she led major service quality and change management initiatives, which helped improve the overall service standard of the Bank. Bernie has over 29 years of diverse management and operational experience in banking and manufacturing. Her varied banking experience includes domestic banking operations, corporate banking, treasury, credit and marketing, as well as branch development and roll-out. These integrated experiences support her function in facilitating the Bank's Private Banking business. She is married with children and loves reading, travelling to new places and meeting new people.

Bernadine Okeke retired from the Bank with effect from 31 December 2015.

Akinwumi Fanimokun

Group Executive, Technology & Services

Akin Fanimokun was appointed Group Executive, Technology & Services in 2013. He was Managing Director/Chief Executive, First Pension Custodian Nigeria and had previously served as Manager, Marina Branch and London Branch of the Bank, as well as Group Head, Public Sector and Business Development Manager. He has over 34 years' banking experience spanning branch operations, marketing, credit, human resources and customer relationship management, and was the project manager responsible for the pioneering deployment of the Finacle banking application and supporting systems infrastructure at the Bank. Akin oversees IT, banking services, products and marketing support, and the e-business support groups of FirstBank. His vast experience provides him with the necessary insight to coordinate these support functions. He is an Honorary Senior Associate Member of the Chartered Institute of Bankers of Nigeria and has attended executive courses at Harvard Business School, London Business School and the University of Chicago Graduate Business School. Akin is married with children and loves driving and travelling.

Akin Fanimokun retired from the Bank with effect from 2 May 2015.

BOARD RESPONSIBILITIES

The Board of Directors conducts the affairs of the Bank in a lawful and efficient manner so as to ensure that the Company constantly improves in value creation for the benefit of the stakeholders. The Board's functions can be summarised as follows:

- policy direction;
- strategic planning;
- succession planning;
- stakeholder management;
- ensuring the integrity of financial reports and controls; and
- maintaining ethical standards and compliance.

Role of the Chairman

The principal role of the Chairman of the Board is to manage and provide leadership to the Board of Directors of the Bank. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the CEO.

The Chairman acts as the communicator for Board decisions, where appropriate. He or she is also responsible for the effective and orderly conduct of Board meetings. The concept of separation of the role of the Chairman from that of the CEO implies that the Chairman should be independent from Management and free from any interest and any business or other relationship that could interfere with the Chairman's independent judgement. At FirstBank, the role of the Chairman is clearly separated from that of the Chief Executive Officer and the roles are held by two different people.

More specifically, the duties and responsibilities of the Chairman are as follows:

- to act as a liaison between the Management and the Board;
- to provide independent advice and counsel to the CEO;
- to generally keep abreast of the activities of the Company and its management;
- to ensure that the directors are properly informed and that sufficient information is provided to enable the directors to form appropriate judgements;
- together with the CEO, to develop and set the agenda for meetings of the Board;
- to act as Chairman at meetings of the Board;
- to review and sign minutes of Board meetings;
- to call special meetings of the Board where appropriate;
- together with the CEO, to determine the date, time and location of the annual meeting and to develop the agenda for the meeting;
- to assess and make recommendations to the Board annually regarding the effectiveness of the Board as a whole, the committees of the Board and individual directors;
- to ensure that regularly, upon completion of the ordinary business of a meeting of the Board, the directors hold discussions without members of Management present;
- reviewing, on a regular and continuing basis, the succession planning for the Board and senior management staff, and recommending changes where necessary; and
- reviewing and approving the appointment, promotion and termination of senior management staff (Assistant General Manager and above) on the recommendation of the relevant Board committee.

Role of the Managing Director/CEO

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

More specifically, the duties and responsibilities of the MD/CEO include the following:

- to lead, in conjunction with the Board, the development of the Bank's strategy and also oversee the implementation of the Bank's long- and short-term plans in accordance with its strategy;
- to ensure the Bank is appropriately organised and staffed, and to hire and terminate staff as necessary to enable it to achieve the approved strategy;
- to ensure that the Bank has appropriate systems in place to enable it to conduct its activities both lawfully and ethically;
- to ensure that the Bank maintains high standards of corporate citizenship and social responsibility wherever it does business;
- to ensure that the directors are properly informed and that sufficient information is provided to the Board to enable the directors to form appropriate judgements;
- together with the Chairman and Company Secretary, to determine the date, time and location of the annual meeting and to develop the agenda for the meeting;
- to abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Bank's standards and policies, including its environmental and health and safety policies;
- to manage the Bank within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- to ensure the Bank operates within approved budgets and within all regulatory requirements; and
- to develop and recommend to the Board the annual operating and capital budget, and upon approval of the service plan and annual budget and with fully delegated authority, to implement the plan in its entirety.

Role of independent directors

According to the CBN circular BSD/DIR/GEN/CIR/VOL.1/013, an independent director, is a member of the Board of Directors who has no direct material relationship with the Bank or any of its officers, major shareholders, subsidiaries and affiliates; a relationship that may impair the director's ability to make independent judgements or compromise the director's objectivity in line with corporate governance best practices.

The position of an independent director on the Board is to enforce good corporate governance practices through independence of judgement and opinion.

FirstBank has two independent directors on its Board, in compliance with the CBN Code of Corporate Governance. The two independent directors are Mahey Rasheed, OFR, and Dr Ijeoma Jidenma.

The roles of executive and non-executive directors

The executive and non-executive directors collectively make up the Board. The CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria stipulates the following responsibilities of the Board:

- The Board is accountable and responsible for the performance and affairs of the Bank. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990, directors owe the Bank the duty of care and loyalty and must act in the interest of the Bank's employees and other stakeholders.
- The Board shall define the Bank's strategic goals, approve its long- and short-term business strategies, and monitor their implementation by management.
- The Board shall determine the skills, knowledge and experience that members require and work effectively as a team to achieve the Bank's objectives.
- The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the Bank.
- The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the Bank, which must comply with the provisions of the CBN's Circular on Harmonisation of Job Roles in the Banking Industry.
- The Board shall ensure that a succession plan is in place for the CEO, other executive directors and top management staff.
- The Board shall set limits of authority, specifying the threshold for large transactions, which it must approve before they take place. There shall be no exception for such large transactions.
- Members of the Board are jointly liable for the activities of the Bank.
- The Board shall ensure strict adherence to the Code of Conduct for Bank Directors.

Role of the Company Secretary

The Company Secretary's duties are regulated by statute, regulations and the Articles of Association of the Bank.

The duties of a Company Secretary include the following:

- attendance at meetings and regulatory issues;
- maintaining statutory registers and other records of the Company;
- rendering proper and timely returns as required under CAMA;
- carrying out such administrative and other secretarial duties as directed by the directors or the Company;
- the Company Secretary may, where duly authorised by the Board of Directors, exercise any powers vested in the directors;

- provide the Board and directors, individually, with detailed guidance as to how their responsibilities should be discharged in the best interest of the Company;
- coordinate the orientation and training of new directors;
- assist the Chairman and MD/CEO to determine the annual Board plan and with the administration of other strategic issues at the Board level;
- compile Board papers and ensure that the Board's decisions and discussions are clearly and properly recorded and communicated to the relevant persons;
- notify the Board members of matters that warrant their attention; and
- provide a central source of guidance and advice to the Board and the Company, on matters of ethics, conflict of interest and good corporate governance.

BOARD CHANGES DURING THE YEAR

Khadijah Alao-Straub, non-executive director, resigned from the Board with effect from 29 October 2015. Prince Ajibola Afonja, Bisi Onasanya and Bello Maccido all retired from the Board effective 31 December 2015, and Mahey Rasheed, OFR, resigned from the Board effective 31 December 2015. Dr Adesola Adeduntan and Gbenga Shobo were appointed as Managing Director and Deputy Managing Director respectively. Both appointments were to take effect on 1 January 2016, subject to the approval of the CBN.

The Board has a formal charter that is reviewed at least once every three years, or earlier if required, to ensure that it remains consistent with the purpose and remit of the Board. The charter covers policies regarding board membership and composition, board procedures, conduct of directors, risk management, remuneration, board evaluation and directors' induction.

The key responsibilities of the Board are to:

- approve the Group strategy and financial objectives and monitor the implementation of those strategies and objectives;
- review and approve the Group's capital and liquidity positions, approve proposals for the allocation of capital and other resources within the Group;
- oversee the establishment, implementation and monitoring of a Group risk management framework to identify, assess and manage risks facing the Group. This includes credit, market, compliance, strategies, reputational and operational risks;
- decide and approve the expenditure, authorisation, investment and credit lending limits to be delegated to the Board committees, boards of subsidiaries, executive and management members;
- review on a regular and continuing basis the succession planning for the Board and senior management staff (especially the Managing Director and other executive members);
- approve all appointments of directors to the boards of the subsidiary and affiliate companies;
- review the recommendation of independent consultants on annual review/appraisal of the performance of the Board and approve actions to be enforced;
- maintain a sound system of internal controls to safeguard shareholders' investments and Group assets;
- review significant audit and compliance issues and approve action and remediation plans;
- establish and maintain appropriate accounting policies for the Group;
- approve any significant changes in the organisational structure of the Group;
- approve the Group's performance-based compensation policy; and
- approve the Group's secondment/mobility policy.

MAKING BOARD MEETINGS EFFECTIVE

The Board meets quarterly and extraordinary meetings are convened as may be required. The annual calendars of Board and committee meetings are approved in advance at the last quarterly meeting of the Board in each financial year. All directors are expected to attend each meeting. Material decisions may be taken between scheduled meetings through written resolutions as provided by the Bank's Articles of Association.

- Each Board committee meets quarterly and as may be required.
- The annual calendar of Board activities usually includes a Board strategy retreat at an offsite location, to consider strategic matters and review opportunities and challenges facing the Bank.
- Urgent and material decisions may be taken between meetings through written resolutions.
- All directors are provided with notices, agenda and meeting memoranda in advance of each meeting.
- The FirstBank Board met eight times in 2015, four of which were extraordinary Board meetings.
- Notices of meetings are usually sent at least 14 days before each scheduled meeting. The duration of meetings range from 30 minutes to six and a half hours.
- The Company Secretary is responsible for preparing the agenda of meetings in consultation with the Chairman and the Managing Director/CEO, based on memoranda submitted by the various directorates, business units and resource functions.

The number of issues tabled for deliberation and, above all, the complexity of the issues, play a major role in determining the duration of meetings. Board memoranda are dispatched electronically in advance to enable directors to have adequate time to review and prepare for meetings. The time that each director spends in preparing for a meeting will vary based on the needs of each director and his/her schedule at the material time. Where a director is unable to attend a meeting, he/she may discuss with the Chairman any matter they may wish to raise at the meeting.

In addition, to drive well-informed and high-quality decision-making, and to ensure that the Board is effective, we:

- provide high-quality Board documentation – typically, our Board memoranda describe the process that has been adopted to arrive at and challenge a proposal prior to its presentation to the Board, thereby allowing directors not involved in the project to assess the appropriateness of the process as a precursor to assessing the merits of the proposal itself;
- obtain expert opinions when necessary;
- allow time for debate and challenge, especially for complex, contentious or business-critical issues;
- achieve timely closure; and
- provide clarity on the actions required, and timescales and responsibilities.

The process for setting the agenda of topics to be covered at meetings is coordinated by the Company Secretary, based on memoranda submitted. The Company Secretary consults the Chairman and the Managing Director/CEO in this regard. A director may, upon notice, request that a matter be considered at a meeting. In addition, any director may bring up any urgent issue deemed deserving of discussion, for deliberation at a meeting, notwithstanding that prior notice was not given.

Access to independent professional advice

The Board has the power to obtain advice and assistance from, and to retain at the Bank's expense, subject to the prior approval of the Chairman, such independent or outside professional advisers and experts as it deems necessary or appropriate to aid the Board's effectiveness. Individual directors may also request professional advice from experts at the Bank's expense, subject to the prior approval of the Chairman.

BOARD FOCUS AREAS

The key deliberations held by the Board in 2015 focused on:

- **Succession to the offices of Chairman of the Board and MD/CEO, and approval of a Deputy Managing Director.** In view of the retirements of the Chairman and the GMD/CEO, Bisi Onasanya, on 31 December 2015, the Board considered and approved the recommendation of the Board Governance Committee for the appointment of Dr Adesola Adeduntan as Managing Director with effect from 1 January 2016.
- **Constitution of the Board Audit Committee and the Board Risk Management Committee**
  Following an earlier approval by the Board of Directors creating the Board Audit Committee and the Board Risk Management Committee from the erstwhile Board Audit & Risk Assessment Committee (BARAC), the Board approved the composition of membership of both committees.
- **Approval of changes to the Bank's organisational structure and key management positions**
  In order to advance the gains of the Bank's Workforce Productivity Enhancement project, which was launched to evolve a more efficient and nimble organisation and reduce the Bank's operating costs, the Board approved a revised organisational structure for the Bank. This approval also achieved a reduction in the span of control of the MD/CEO, for effectiveness of executive oversight.
- **Approval of revised charters of the Board and Board committees**
  Following the coming into effect of the Central Bank of Nigeria Code of Corporate Governance for Banks and Discount Houses in Nigeria and the new Whistleblowing Guidelines, and as part of its periodic review of corporate documents, the Board of Directors approved a revised Board Charter and charters of the respective committees of the Board.

  The revisions will not only ensure optimal regulatory compliance but also ensure that the Bank adopts and adheres to best-in-class corporate governance practices.
- **Approval of a revised training curriculum for non-executive directors**
  In order to ensure that directors' skills and competences are continually refreshed in alignment with the Bank's strategic focus and direction, and to ensure that directors are provided with the requisite knowledge and skills to steer the affairs of the Bank effectively, the Board approved a new training curriculum for non-executive directors that allowed for a sustainable mix of local and international training from reputable organisations.
- **Approval of a revised operating model for the Bank**
  Following the appointment of a Managing Director/Chief Executive Officer and a Deputy Managing Director (DMD), and the need to align the Bank's operating structure with those appointments, in particular the office of the DMD, which is a new role, the Board approved a revised operating model for the Bank.

  The new operating model will enhance the Bank's competence in the ever-evolving business environment and optimise resources and productivity, thereby guaranteeing the continuous delivery of sustainable returns for all key stakeholders.
- **Approval of the Anti-Money Laundering and Combating the Financing of Terrorism Framework**
  In order to enhance the Bank's capabilities for dealing with money laundering and the financing of terrorism risks associate with the business of banking, the Board approved a framework that will enable the Bank to respond proactively to those risks, within a structure that is in line with international best practices.

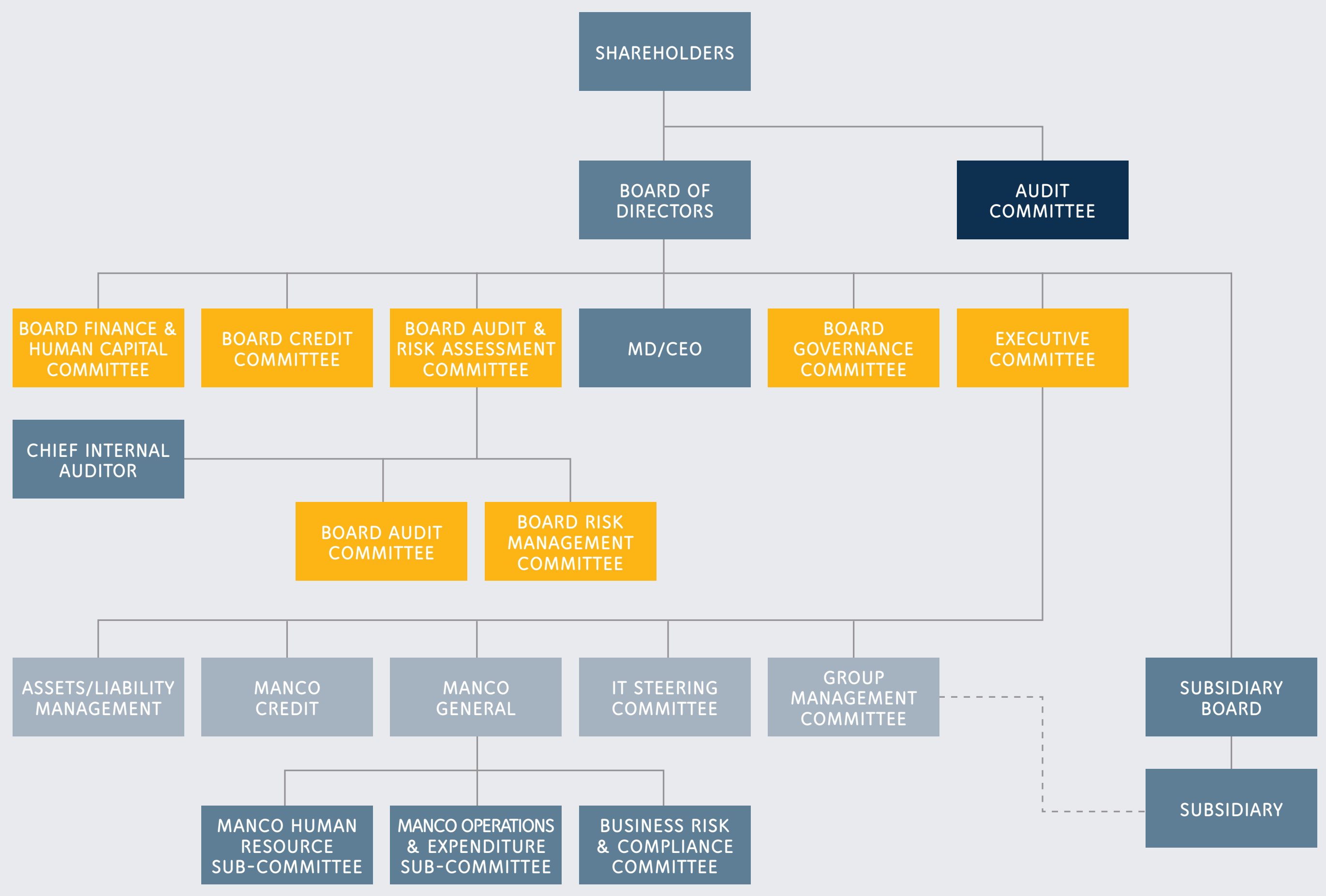
- **Approval of the Bank's Environmental, Social and Governance Management System (ESGMS) Policy and Charter on Corporate Responsibility and Sustainability**
  The Board approved an ESGMS Policy and Charter on Corporate Responsibility and Sustainability in furtherance of the strategy of entrenching sustainability practices in the Bank, and also encouraging the similar adoption of good sustainability practices by other stakeholders, including vendors and customers.
- **Procurement of 500 automated teller machines (ATMs) and connected infrastructure**
  The Board approved this procurement to bolster the Bank's support for a cashless economy and enhance reach to customers through improved and more efficient e-channels, thereby improving the customer experience.
- **Quarterly Board Committee reports**
  The Board received quarterly reports of meetings of the Board committees and approved matters recommended to it by each committee in line with the charters of the committees
- **Approval of credit requests**
  The Board considered and approved credit requests referred to it by the Board Credit Committee within the approving authority of the Board.
- **Receipt and review of the draft unaudited financial statements**
  The Board received and reviewed, on a quarterly basis, the unaudited financial statements for the Bank.
- **Consideration of the three-year strategic plan and annual validation of the three-year strategy**
  The Board conducted an annual review of the performance of the Bank vis-à-vis the three-year strategic plan and deliberated on the achievements and re-strategised for the future. This activity is usually carried out at the annual Board strategy retreat.
- **Corporate transformation**
  The Board received and considered management's quarterly update on implementation of key initiatives under the Bank's approved Corporate Strategy.
- **Strategic business units/strategic resource functions – quarterly reports**
  The Board received and reviewed the quarterly performance reports of the strategic business units and the strategic resource functions, in line with their set targets/objectives.
- **Consideration and approval of the Bank's operating and capital budgets**
  The Board considered and approved the Bank's operating and capital budgets for the year 2015.

Priorities for 2016

Our focus and priorities for 2016 shall be to:

a) transform our branches into best-in-class service and sales machines;
b) develop a relationship manager (RM) sales excellence programme;
c) launch an integrated cost-containment programme;
d) build a distinctive transaction banking capability;
e) be the commercial bank of choice;
f) drive aggressive non-performing loan (NPL) management;
g) aggressively pursue a service excellence programme;
h) drive down cost of risk through a complete overhaul of the Bank's credit system and culture – capabilities, people, process, technology, reporting, business and underwriting philosophy;
i) drive efficiency and superior performance by refining the Bank's business and operating model;
j) transform the Bank's culture and make the Bank's 'people' a competitive advantage; and
k) institute more proactive communication with the market and investors.

OUR CORPORATE GOVERNANCE FRAMEWORK



Board committees
Management committees
Statutory committee

HOW WE DELEGATE AUTHORITY

Ultimate responsibility for the performance of FirstBank rests with the Board. The Board retains effective control through a well-developed governance structure of Board committees. These committees provide in-depth scope of specific Board responsibilities. The Board delegates authority to the Managing Director/Chief Executive Officer (MD/CEO) as well as to the Executive Management Committee of which s/he is also the Chairman. The MD/CEO manages the business and affairs of the Group on a day-to-day basis within such limits as are defined by the Board from time to time.

The MD/CEO has the authority to sub-delegate such authority and powers to any member of the Executive Management team as s/he shall determine from time to time. The Management Committee (MANCO) comprises seven executive directors (including the CEO) and three group executives (who have equal responsibilities as the executive directors with the exception of Board functions). MANCO is responsible for the management of the day-to-day affairs of the FirstBank. Profiles of the Executives are provided on pages 69 to 75 of this report.

Board attendance in 2015

Name	Attendance	Length of service on the Board as at 31 December 2015
Chairman		
Prince Ajibola Afonja	**8 of 8**	10 years and 4 months
Executive Directors		
Bisi Onasanya	**8 of 8**	6 years and 6 months
Adetokunbo Abiru*	**6 of 8**	2 years and 4 months
Abiodun Odubola*	**7 of 8**	1 year and 11 months
UK Eke (MFR)	**8 of 8**	4 years and 9 months
Dauda Lawal**	**7 of 8**	3 years and 3 months
Gbenga Shobo**	**7 of 8**	3 years and 3 months
Dr Adesola Adeduntan*	**7 of 8**	1 year and 5 months
Non-Executive Directors		
Ibrahim Waziri	**8 of 8**	4 years and 11 months
Obafemi Otudeko	**8 of 8**	4 years and 11 months
Khadijah Alao Straub***	**7 of 8**	4 years and 9 months
Lawal Ibrahim	**8 of 8**	5 years and 2 months
Ibukun Awosika	**8 of 8**	5 years and 2 months
Mahey Rasheed, OFR	**8 of 8**	6 year and 5 months
Ambrose Feese	**8 of 8**	5 years and 2 months
Ebenezer Jolaoso	**8 of 8**	5 years and 2 months
Tunde Hassan-Odukale	**8 of 8**	4 years and 11 months
Bello Maccido*	**7 of 8**	3 years
Dr Ijeoma Jidenma	**8 of 8**	1 year and 9 months

Other attendees
Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.

*On official assignment **On vacation ***Resigned on 29 October 2015

Retirement by rotation

In accordance with Article 98 of the Bank's Articles of Association and Section 259 of the Companies and Allied Matters Act, 1990, the following directors retired by rotation at the 46th Annual General Meeting of the Bank, and being so eligible, were re-elected as directors: Prince Ajibola Afonja, Bello Maccido, Mahey Rasheed, OFR, Ibukun Awosika, Ebenezer Jolaoso and Bisi Onasanya.

Similarly, the following directors will retire by rotation at the 47th Annual General Meeting scheduled for Thursday, 13 April 2016: Ambrose Feese, Lawal Ibrahim, Tunde Hassan-Odukale and Obafemi Otudeko.

Being eligible for re-election and having offered themselves for re-election, the retiring directors are recommended by the Chairman for re-election, in view of their commendable performance as directors.

STATEMENT OF COMPLIANCE

The Bank is a private limited liability company and subject to CBN regulations, including the CBN Code of Corporate Governance for Banks and Discount houses in Nigeria. In the period under review, the following sanctions were imposed on the Bank by its regulatory authorities:

Details of regulatory penalties (CBN)	Amount involved (₦) 2015
Non-compliance with CBN directive on reporting line of CCO[1]	2,000,000.00
Delay in providing CBN examiners with CDD[2] information on eight PEPs[3] upon demand	2,000,000.00
Incomplete disclosure of unremitted FGN[4] MDA[5] deposit balances as at 15 Oct 2015	1,877,409,905.00
Penalty for non-compliance to CBN forex policy on front loading	2,000,000.00
Failure to meet deadline for the transfer of FGN funds to Treasury Single Account	2,000,000.00
Penalty for the failure to obtain approval from CBN on aquisition/modification of some properties aquired as business outlets	6,000,000.00
Total	**1,981,409,905.00**

[1]Chief Compliance Office [2]Customer Due Diligence [3]Politically Exposed Persons
[4]Federal Government of Nigeria [5]Ministries, Departments and Agencies

BOARD COMMITTEES

Board and committee governance structure

The Board carries out its oversight function through its five standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure, and reporting lines to the Board. The Board monitors these responsibilities to ensure effective coverage of, and control over, the Group's operations. In line with best practice, the Chairman of the Board does not sit on any of the committees. The directors confirm that the committees functioned in accordance with their terms of reference during the financial year under review. Listed on the following pages are the committee membership and attendances together with details of attendees who are invited to the respective committees.

The following Board committees operated within FirstBank in 2015:

Board Finance & Human Capital Committee (BF&HCC)

Ibukun Awosika (Chairman)

As at December 2015, the composition of the Board Finance & Human Capital Committee was as follows:

- Ibukun Awosika (Chairman)
- Lawal Ibrahim
- Dr Adesola Adeduntan
- Dr Ijeoma Jidenma
- Obafemi Otudeko
- Ibrahim Waziri
- Bisi Onasanya (resigned 31 December 2015)
- Abiodun Odubola
- Gbenga Shobo*

*Gbenga Shobo replaced Adetokunbo Abiru (who ceased to be a member of the Committee with effect from 16 April 2015)

ROLE AND FOCUS

- Considering and approving the Bank's capital expenditure plan and specific capital projects above the approval limit of the Management Committee (MANCO General or MGC) and making recommendations for the consideration of the Board.
- Advising the Board on its oversight responsibilities in relation to recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of the Bank on Principal Manager grade and above.

KEY RESPONSIBILITIES

The Committee is responsible for:

- approval of capital expenditure within the monetary amounts specified by the Board;
- regularly reviewing and recommending to the Board limits of capital expenditure for the various levels of management, subsidiaries and the Executive Committee;
- recommending capital expenditure beyond the approval limits granted to the Committee, to the Board;
- recommending approval of the Bank's procurement policy to the Board;
- ensuring that the Bank complies with all laws and regulations in respect of director-related transactions;
- reviewing and recommending the Group's organisational structure, remuneration policy, and policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues, for approval by the Board;
- reviewing and recommending the Bank's human resource strategies for approval by the Board; and
- reviewing and recommending the Group's secondment and mobility policy, and any proposed amendments, for approval by the Board.

Focus of BF&HCC discussions for 2015

Some of the deliberations held by the BF&HCC for the year under review focused on:

DISCUSSION	RATIONALE	OBJECTIVE
Adoption of annual plan	To validate the role and functions of the BF&HCC as a key Board committee, and provide a framework for the operations of the Committee for the financial year.	To ensure the effective operation of the Group IT Steering Committee.
Deployment of staff into key roles at the Head Office and subsidiaries	To ensure that sensitive roles in the Group are filled by high-performing staff.	To increase productivity.
Approval of the acquisition of infrastructure for the CPC Optimisation Project	To implement a Business Process Management suite for automating and improving processes.	To ensure excellent service delivery.
Approval for the acquisition of properties identified for branch location/relocation of branches	To strengthen the Bank's branch network and improve access by customers to the Bank's branches.	Improve the Bank's customer experience.
Approval of Head Office space optimisation project	To ensure a conducive work environment for staff and to optimise the use of the Head Office building.	To promote workplace health and safety, and optimal staff performance.
Vendor selection for the Information Security Operations Centre (ISOC)	To minimise e-banking frauds, and protect customers and brand equity.	To strengthen the security of the Bank's information security assets.
End-of-year 2015 employee performance appraisal fall-out	To identify the current and estimated potential of staff by systematically evaluating their performance and progress.	To manage the talent pool and cater for succession arrangements and staff mobility.
Approval of the relocation/ deployment of branches	To foster greater inclusive banking and provide improved and convenient access to customers.	To optimise customer experience.
Review of IT systems operations and efficiency	To ensure optimal service delivery across the network.	To ensure that the Bank's IT infrastructure is relevant to and can provide the required support for the attainment of the Bank's business objectives.
Review/approval of recommendations in respect of employee compensation, deployment, benefits and discipline	To provide an optimal work environment and to ensure that the Bank's human capital is properly harnessed to provide projected value.	To ensure a fit-for-purpose employee structure.

BF&HCC attendance in 2015

Name	Attendance	Length of service on the Committee as at 31 December 2015
Committee Chairman		
Ibukun Awosika	**4 of 4**	4 years and 9 months
Executive Directors		
Bisi Onasanya	**3 of 4**	4 years and 9 months
Adetokunbo Abiru*	**1 of 4**	2 years and 2 months
Abiodun Odubola	**4 of 4**	1 year and 11 months
Dr Adesola Adeduntan	**4 of 4**	1 year and 2 months
Gbenga Shobo	**3 of 4**	8 months

Name	Attendance	Length of service on the Committee as at 31 December 2015
Non-Executive Directors		
Ibrahim Waziri	**3 of 4**	4 years and 9 months
Obafemi Otudeko	**4 of 4**	4 years and 9 months
Khadijah Alao Straub**	**4 of 4**	4 years and 9 months
Lawal Ibrahim	**4 of 4**	4 years and 9 months
Dr Ijeoma Jidenma	**4 of 4**	1 year and 5 months

Other attendees

Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.

*Replaced by Gbenga Shobo, the Chairman, MANCO HR sub-committee
**Resigned from the Board on 29 October 2015

Board Audit Committee (BAC)

Mahey Rasheed, OFR (Chairman)

As at December 2015, the composition of the Board Audit Committee was as follows:

- Mahey Rasheed, OFR (Chairman)
- Lawal Ibrahim
- Tunde Hassan-Odukale

ROLE AND FOCUS

The overall purpose of the BAC is to protect the interests of FirstBank's shareholders and other stakeholders by overseeing, on behalf of the Board, the:

- integrity of financial reporting;
- adequacy of the control environment; and
- internal and external audit function;

Focus of BAC discussions for 2015

Some of the deliberations held by the BAC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Quarterly Internal Audit Activity Report	To give an overview of the activities of the Internal Audit function.	To obtain reasonable assurance on adherence to laid-down rules and regulations.
Draft audited financial statements for the Commercial Banking group	To ascertain that financial statements give a true and fair view of financial performance.	To ensure the integrity of financial statements.
Annual internal audit plan	To approve the plan for internal audit activities for the year.	To ensure that appropriate attention is devoted to important areas in the Bank's business and operations, and that risk areas are properly identified for audit purposes and the audit properly coordinated.
Review of whistleblowing reports	To encourage active whistleblowing and adequate protection for whistleblowers.	To keep the Board apprised of the workings and implementation of the Bank's whistleblowing policy and investigation of reports.
Compliance status of external auditors' examination of FirstBank and Subsidiaries	To ensure that external auditors' recommendations are complied with and audit issues resolved.	To obtain reasonable assurance on the remediation of identified issues.
Consideration of routine updates on IFRS implementation and compliance	To monitor and track the IFRS implementation by the Bank.	To ensure the integrity of the financial reporting system at the Bank.
Consideration and recommendation of fees for external auditors	To remunerate external auditors and ensure that remuneration is commensurate with the scope of audit work.	To ensure that external auditors' remuneration is commensurate with the scope of work done on the audit.

BAC attendance in 2015

Name	Attendance	Length of service on the Committee as at 31 December 2015
Committee Chairman		
Mahey Rasheed, OFR	**3 of 3**	11 months
Non-Executive Directors		
Lawal Kankia Ibrahim	**3 of 3**	11 months
Tunde Hassan-Odukale	**2 of 3**	11 months
Other attendees		
Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.		

Board Risk Management Committee (BRMC)

Ibrahim Waziri (Chairman)

As at December, 2015, the composition of the Board Risk Management Committee was as follows:

- Ibrahim Waziri (Chairman)
- Dr Ijeoma Jidenma
- Bisi Onasanya
- Abiodun Odubola

ROLE AND FOCUS

The primary purpose of the Board Risk Management Committee is to advise the Board on the establishment of policy standards and guidelines for risk assessment and management, and compliance with legal and regulatory requirements, including the completeness of disclosures.

KEY RESPONSIBILITIES

The Committee is responsible for:

- overseeing the establishment of a formal written policy on the overall risk management framework, including ensuring that adequate policies are in place in the Bank to manage and mitigate adverse effects of both business and control risks;
- overseeing the management of all risks in the Bank, except credit and human capital risks, which are overseen by the Board Credit Committee (BCC) and the Board Finance & Human Capital Committee (BF&HCC) respectively;
- evaluating, with Management, the adequacy of the Bank's management systems and control environment;
- reviewing the Bank's activities as they relate to its Code of Conduct and Ethics;
- reviewing the adequacy and effectiveness of the compliance framework for managing compliance risks within the Bank;
- reviewing, with the Company Secretary and the Head, Legal Services, legal and regulatory matters, contingent liabilities and other sensitive information that may have a material effect on the Group's financial statements, systems of internal control or regulatory compliance; and
- reviewing the Bank's efforts on sustainability and the implementation of the Bank's Environmental, Social and Governance Management System (ESGMS).

Focus of BRMC discussions for 2015

Some of the deliberations held by the BRMC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Update on regulatory compliance activities	To ascertain that the Bank is in full compliance with prevailing regulations.	To ensure regulatory compliance.
Amendments to the Bank's whistleblowing policy	To align the policy with CBN regulation.	To align the policy with CBN regulation.
Consideration of market risk reports	To ascertain and ensure that market risks are adequately identified and addressed.	To ensure excellent service delivery.
Highlights of key legal cases	To obtain assurance that appropriate strategies are being adopted in addressing the Bank's legal risks.	To ensure that legal risks are appropriately dimensioned, addressed and mitigated.
Information Security Policy Statement – annual review	To ensure that information policies are in alignment with best practice requirements.	To safeguard the Bank's information security assets.
Compliance activities quarterly report	To give a summary of the activities of the compliance function.	To determine the scope of regulatory compliance and avoid infractions/penalties.
Information security management quarterly report	To protect and secure the vital information assets of the Bank through reliance on the latest technology and strategies.	To eliminate or minimise security-related threats and vulnerabilities, while ensuring that the Bank is in compliance with legal and regulatory requirements.
Compliance Plan and Compliance Risk Management Framework	To adopt a consolidated and harmonised set of compliance processes in accordance with established regulations and legislations.	Compliance Plan and Compliance Risk Management Framework.
Market and liquidity risk management report	To ensure that the Bank adequately manages market and liquidity risks.	To report on management of the risks that may arise from market and liquidity risks.
Quarterly operational risk appetite report	To report on management of the set tolerance limits for operational losses by the Bank.	To ensure that management operates within set limits for operational losses.

BRMC attendance in 2015

Name	Attendance	Length of service on the Committee as at 31 December 2015
Committee Chairman		
Ibrahim Waziri	**3 of 3**	8 months
Non-Executive Directors		
Dr Ijeoma Jidenma	**3 of 3**	8 months
Bisi Onasanya	**3 of 3**	8 months
Abiodun Odubola	**3 of 3**	8 months

Other attendees

Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.

Board Governance Committee (BGC)

Ebenezer Jolaoso (Chairman)

As at December 2015, the composition of the Board Governance Committee was as follows:

- Ebenezer Jolaoso (Chairman)
- Ambrose Feese
- Mahey Rasheed, OFR

ROLE AND FOCUS

The primary purpose of the Board Governance Committee is to advise the Board on its oversight responsibilities and Board remuneration, to advise on the composition of the Board and Board committees, and to design and execute a process for the appointment of new Board members and the removal of non-performing Board members.

KEY RESPONSIBILITIES

The Committee is responsible for:

- developing and maintaining an appropriate corporate governance framework for the Group;
- developing and maintaining an appropriate policy on the remuneration of directors, both executive and non-executive;
- evaluating the role of the Board committees and boards of subsidiary companies, and ratify the performance appraisals of the executive directors as presented by the Group MD/CEO;
- ensuring proper succession planning for the Group; and
- ensuring compliance with the CBN Code of Corporate Governance.

Focus of BGC discussions for 2015

Some of the deliberations held by the BGC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Revision of approved training curriculum for non-executive directors	To further align the training curriculum for non-executive directors with the skills requirements and the needs of the Bank in the context of the operating environment.	To ensure that non-executive directors possess the skills to function effectively in their required roles.
Consideration of the Executive Performance Monitoring Framework	To align executive performance and remuneration with the strategic objectives of the Bank.	To properly motivate executives to achieve the strategic objectives of the Bank.
Code of Conduct and Ethics for directors	To afford the directors a ready behavioural guide for acceptable conduct.	To attune directors to the culture of the Bank with respect to acceptable conduct.
Reconstitution of Board committees and revision of charters of the Board and Board committees	To fine-tune terms of reference of the Board and committees, and memberships of committees of the Board, for better performance and alignment with regulations.	To ensure that the Board and Board committees perform optimally within the ambits of regulation.
Nominations to the Boards of Sub-Saharan Africa subsidiaries	To ensure that the Boards of Sub-Saharan Africa subsidiaries have a complement of qualified directors who are capable of achieving the strategic goals of the subsidiaries.	To empower the Boards of Sub-Saharan Africa subsidiaries to function optimally, and deliver on set goals.
Project for succession to the office of MD/CEO	To identify and recommend to the Board of Directors a suitable candidate for appointment as successor to the incumbent MD/CEO, and assist a seamless transition.	To ensure a seamless succession to the office of MD/CEO, given the imminent retirement of the incumbent.

BGC attendance in 2015

Name	Attendance	Length of service on the Committee as at 31 December 2015
Committee Chairman		
Ebenezer Jolaoso	**4 of 4**	4 years and 11 months
Non-Executive Directors		
Mahey Rasheed, OFR	**4 of 4**	4 years and 11 months
Ambrose Feese	**4 of 4**	4 years and 11 months

Board Credit Committee (BCC)

Ambrose Feese (Chairman)

As at December 2015, the composition of the Board Credit Committee was as follows:

- Ambrose Feese (Chairman)
- Ebenezer Jolaoso
- Obafemi Otudeko
- Tunde Hassan-Odukale
- Ibrahim Waziri
- Khadijah Alao-Straub
- Bisi Onasanya
- Abiodun Odubola

Other executive directors and the Group executives are required to be in attendance at meetings of the Committee.

ROLE AND FOCUS

The Board Credit Committee is responsible for the approval of credit product programmes and individual/business credits, in line with the Bank's credit approval authority limits.

The purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Bank and subsidiary companies' credit exposure, management and lending practices, and to provide strategic guidance for the development and achievement of the credit and lending objectives of the Bank and subsidiary companies. In performing this oversight role, the Committee works with management.

KEY RESPONSIBILITIES

The Committee is responsible for:

- approving risk management policies and standard proposals on the recommendation of the Management Credit Committee;
- approving definition of risk and return preferences and target risk portfolio;
- approving assignment of credit approval authority on the recommendation of the Management Credit Committee;
- approving changes to credit policy guidelines on the recommendation of the Management Credit Committee; and
- approving credit facility requests and proposals within limits defined by FirstBank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities; and recommend to the Board credit facility requests above the limit of the Committee.

Focus of BCC discussions for 2015

Some of the deliberations held by the BCC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Project status reports	To consider reports presented by the relationship team on key projects being financed by the Bank.	Monitoring of adherence to terms of credit approval.
Credit portfolio report	To conduct an analysis of sectorial distribution of risk assets.	Maintain balance in the Bank's exposure to different sectors.
Non-performing assets report	Identify criticised risk assets for remedial action.	To minimise potential loss on the credit portfolio.
Write-off of facilities	Consideration of credit write-offs and proposals for concessions on classified accounts.	To achieve work-out on criticised risk assets.
Consideration of product programmes	To confer approval for the offer of standard credit products.	To standardise credit offerings for ease of access by customers.
Amendments to the Bank's credit policy	To review credit policies in tune with changing economic industry dynamics.	To ensure that the credit policy is fit for purpose at all times.
Credit Portfolio Plan	To consider the portfolio plan and management methodology, risk management group strategy and structure, industry risk review and rating for the year, the risk appetite proposal (portfolio, industry and other concentration limits) and credit budget allocation for the year.	To allocate resources to sectors in line with the Bank's risk assets allocation strategy.
Approval of credit facilities	To approve credit requests in line with risk acceptance criteria.	To implement the Bank's risk assets creation strategy and policies.
Report on insider-related credits	Review of insider-related credits.	To comply with the credit policy and CBN regulation.
Credit recovery matters	To consider proposals on remedial actions on criticised risk assets.	To minimise potential loss on the credit portfolio.

BCC attendance in 2015

Name	Attendance	Length of service on the Committee as at 31 December 2015
Committee Chairman		
Ambrose Feese	**8 of 8**	1 year
Executive Directors		
Bisi Onasanya*	**5 of 8**	7 years
Abiodun Odubola (CRO)	**8 of 8**	2 years
Non-Executive Directors		
Ebenezer Jolaoso	**8 of 8**	5 years and 2 months
Khadijah Alao Straub	**7 of 8**	4 years and 7 months
Tunde Hassan-Odukale	**7 of 8**	5 years
Obafemi Otudeko	**8 of 8**	5 years
Ibrahim Waziri	**8 of 8**	5 years
Dr Ijeoma Jidenma**	**4 of 8**	1 year and 9 months

*On official assignments.

**Appointed to the Committee in May 2015.

Executive Committee (EXCO)

ROLE AND FOCUS

The Executive Committee is the highest Executive Management body within the Bank. The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank. Its primary responsibilities are to:

- ensure the implementation of the Bank's strategic and business plan as approved by the Board;
- ensure efficient deployment and management of the Bank's resources; and
- provide leadership to the management team.

KEY RESPONSIBILITIES

The Committee is responsible for:

- recommending proposals to the Board on the issue of shares, bonds, debentures and any other securities, and the strategies to achieve the Bank's objectives regarding issuance of debt and equity securities, stock repurchases and private equity investment activities;
- making proposals to the Board and Board committees on policies and decisions pertaining to the recruitment, remuneration, promotion and discipline of senior management staff of Assistant General Manager (AGM) grade and above, including those pertaining to the functional role of Group Executive;
- considering Internal Audit reports on insider credits, corporate governance, and any other matter pertaining to the Board of Directors;
- making recommendations to the Board on dividends to be paid out to shareholders at financial year end or otherwise, in line with the Bank's dividend policy as may be in force from time to time;
- considering all other matters that pertain exclusively to the Board and/or a director, and which Management is required to deliberate; and
- any other matter as may be delegated to it by the Board of Directors.

Focus of EXCO discussions for 2015

Some of the deliberations held by the EXCO for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Approval of a revised operating model for the Bank	Following the appointment of a Managing Director/Chief Executive Officer (MD/CEO) and a Deputy Managing Director (DMD), there arose the need to align the Bank's operating structure with those appointments, in particular the role of the DMD, which is a new post. In response, the Board approved a revised operating model for the Bank.	To enhance the Bank's competence in the ever-evolving business environment and to optimise resources and productivity.
End-of-year 2015 notional promotions for executives	To reward/encourage the relevant executives for their contributions to the Bank by promoting them, albeit notionally, from Deputy General Manager grade, to General Manager grade.	To recognise the performance of executives.
Consideration of the end-of-year 2014 Performance Appraisal Report for senior management	To evaluate the Bank's performance vis-à-vis the individual contributions of its senior managers.	To recognise the contributions of good performers and to act on suboptimal performance in the best interests of the Bank.
Consideration of the Internal Audit Report on Related Party Credit	To consider if there are any gaps in the Bank's practices and industry requirements and to take remediation action, if required and as appropriate.	To ensure that the Bank's practices with respect to Insider credits remains in consonance with industry standards.
Consideration of the Internal Audit Report on Corporate Governance	To consider if there are any gaps in the Bank's corporate governance practices and Industry requirements and to take remediation action, if required, and as appropriate.	To ensure that the Bank's corporate governance practices are in alignment with industry standards.
Review of the Bank's corporate documents and other requirements vis-à-vis the introduction of the Deputy Managing Director role	To ensure that all existing and future corporate documents recognise and enhance the role and its functions.	To ensure that the Bank obtains the full benefit of the introduction of the DMD role.

Management committees

FirstBank has the following management committees that play vital roles in the governance of the Bank:

Management Committee – General (MANCO General or MCG)

The Committee discharges the responsibilities of the Executive Committee as detailed above, but is not responsible for any matter relating to making recommendations to the Board on the elevation of staff to the grade of Assistant General Manager and above, which is reserved for the Executive Committee.

KEY RESPONSIBILITIES

The Committee is responsible for:

- developing and reviewing, on an ongoing basis, the Bank's business focus and strategy, subject to the approval of the Board;
- confirming alignment of the Bank's plan with the overall strategy of the Bank;
- recommending proposals to the Board on the issue of shares, bonds, debentures and any other securities, and the strategies to achieve the Bank's objectives regarding issuance of debt and equity securities, stock repurchases and private equity investment activities;
- tracking and managing strategic and business performance against approved plans and the Bank's budget;
- making recommendations to the Board on dividends to be paid out to shareholders at financial year end or otherwise, in line with the Bank's dividend policy as may be in force from time to time;
- making proposals to the Board and Board committees on major policies and decisions relating to staff compensation, major capital spending, organisational structure, etc.;
- taking decisions on any matters pertaining to the promotion or discipline of staff up to Principal Manager grade;
- tracking and monitoring progress and accomplishments on major Bank initiatives and projects;
- recommending the opening of new branches and closing of existing branches to the Board;
- articulating appropriate responses to environmental factors, regulation, government policies, competition, etc. affecting the Bank;
- developing high-level policies to assist in the successful achievement of the Bank's overall business objectives; and
- considering proposals from strategic business units (SUBs) and departments with regard to matters within the authority of Executive Management and referring matters outside its authority to relevant Board committees and the Board of Directors as appropriate.

Focus of MANCO discussions for 2015

Some of the deliberations held by the MANCO for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Approval of the FirstBank Compliance Charter	To highlight compliance requirements and strengthen the Bank's mechanism for adherence to the ever-changing compliance environment.	To embed a virile compliance culture.
Approval of project cost for Finacle 10 implementation in Subsidiaries	Adoption of uniform systems and processes to drive performance across the Group.	To ensure business integration across the Group.
Participation in Visa National Net Settlement Service (NNSS)	To enable the Bank to settle and clear domestic Visa transactions via RTGS accounts with the CBN.	To ease Visa transaction settlements and promote customer satisfaction.
Approval of the Voluntary Early Retirement (With Incentive) Scheme	To provide long-serving staff with a graceful exit from the Bank.	To reward past service and encourage continued and enhanced productivity.
The Bank's Environmental, Social and Governance Management System (ESGMs)	To institutionalise sustainable socially responsible investments across the Bank's value chain.	To adopt and encourage sustainable socially responsible investments among stakeholders.
Consideration of the Monthly/Quarterly Management Unaudited Accounts	To compare attainment on the Bank's performance with plan and to ensure the continued deployment of strategies to achieve the projected performance.	To ensure that the Bank continues to provide value for key stakeholders.
Approval of the FirstBank Code of Ethics and Professional Conduct	To entrench acceptable standards of professional conduct across the Bank's network.	To guide staff on acceptable standards of conduct.
Ratification of the payment of 2015 statutory levy to the Nigeria Deposit Insurance Corporation (NDIC)	To ensure that customers' deposits are adequately covered by the NDIC.	To protect depositors' funds and ensure regulatory compliance.
Approval of the implementation of both the National Fraud System for Naira MasterCard and eight card fraud rules on Intellinx Fraud Solution	To ensure greater protection for depositors' funds and transactions; to stem and control the risk of online frauds.	To protect the integrity of depositors' transactions, and upgrade the Bank's safeguards in relation to the prevention of online fraud.

Management Committee – Credit (MANCO Credit or MCC)

ROLE AND FOCUS

The Management Credit Committee is the highest management credit approval body in FirstBank and performs the dual role of credit policy articulation and credit approval.

The Committee reviews and recommends to the Board of Directors for approval credit policy direction, including articulation of risk and return preferences, both at the corporate level and for individual asset-creating business units in the Bank. The Committee also, on an ongoing basis, ensures compliance by the credit environment in the Bank with approved policies and frameworks.

KEY RESPONSIBILITIES

The Management Credit Committee's principal responsibilities are to:

- establish and maintain an effective risk management environment in the Bank;
- review proposals in respect of credit policies and standards and endorse to the Board of Directors for approval;
- define the Bank's risk and return preferences and target risk portfolio;
- monitor, on an ongoing basis, the Bank's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance;
- define credit approval framework and assign credit approval limits in line with Bank policy;
- review defined credit product programmes on the recommendation of the Head, Credit Analysis & Processing and endorse to the Board of Directors for approval;
- review credit policy changes initiated by management and endorse to the Board of Directors for approval; and
- ensure compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/ supervisory authorities.

Group Management Committee (GMC)

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the FirstBank Group.

KEY RESPONSIBILITIES

The Group Management Committee's key responsibilities are to:

- develop and review, on an ongoing basis, the Group's business focus and strategy subject to the approval of the Board;
- ensure efficient deployment and management of the Group's resources;
- confirm alignment of each subsidiary company's plan with overall Group strategy;
- recommend proposals on the issue of shares, bonds, debentures and any other securities to the Board for approval;
- track and manage strategic and business performance against the Group's approved plans and budget;
- track and monitor progress and accomplishments on major Group initiatives and projects at subsidiary level;
- articulate appropriate responses to environmental factors, regulations, government policies, competition, etc. across the Group; and
- recommend high-level policies to assist in the successful achievement of the Group's overall business objectives.

Focus of GMC discussions for 2015

Some of the deliberations held by the GMC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Group performance highlights/ review	Benchmarking actual quarterly performance against targets.	To ensure that the Bank and its subsidiaries meet and surpass performance.
Marketing communications in international markets	To maximise group synergies and achieve branding standardisation.	To align branding across the Group.
Review of salaries and implementation of Performance Management Framework for Sub-Saharan Africa subsidiaries	To motivate staff to be more committed and propagate the FirstBank culture of performance.	To drive expected behaviour with respect to individual and business performance at the Sub-Saharan Africa subsidiaries.
2015 Subsidiaries and Representative Offices Scorecards Results	To monitor the deployment and implementation of performance scorecards, as well as monitor the actual performance of MDs of subsidiaries against key performance indicators (KPIs).	To ensure a Group-wide application of the performance management system for the attainment of FirstBank's strategic objectives.

Assets & Liabilities Management Committee (ALCO)

ROLE AND FOCUS

ALCO is the highest technical organ of the Management Committee saddled with market risk management. The Committee is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to foreign currency rates, interest rates and equity prices risks;
- reviewing market risk strategy and recommending the same for Board approval;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risks inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks; and
- reviewing and recommending for approval market risk-related limits, i.e., position, concentration, currency, dealing gap, total portfolio and counterparty limits, and approving the appointment of dealers.

Focus of ALCO discussions for 2015

Some of the deliberations held by the ALCO for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Stress test report	To assess the Bank's ability to survive low-tail events associated with market and liquidity risks, and determine the Bank's vulnerability to extreme but plausible market conditions.	To determine and implement changes or amendments to the Bank's contingency funding plan, based on the stress test results.
Capital adequacy	Assess the Bank's capital adequacy position on a regular basis.	To comply with the regulatory and Board-approved capital adequacy requirements and to identify any combination of strategic and/or tactical actions necessary to correct any inadequacy.
Liquidity management	To confirm that liquidity risk management efforts support the Bank's strategy, and to ensure that internal and regulatory liquidity limits are complied with.	To determine and deploy appropriate management intervention or action, or any change in strategy, that may be required for medium/long-term liquidity management.
Funding concentration risk	To review concentration risk in both local and foreign currency funding sources and to ensure that sufficient liquid asset cover is in place for any identified concentration risk.	To ensure that dependency on certain significant sources of funding remains within approved thresholds.
Deposit mobilisation	To consider the deposit growth achievements of the SBUs and the Bank; to review business units' strategies for bridging any identified gap; and to consider deposit growth initiatives and track their progress.	To ensure that deposit levels support the liquidity and asset creation targets of the Bank.
Fixed income securities portfolio	To review fixed income securities positions and value at risk (VaR) in the positions; to review mark-to-market results; and to consider and approve actions or strategies proposed by Treasury and Market and Liquidity Risk Management departments for portfolio rebalancing.	To ensure that the fixed income securities portfolio remains within approved levels and that trading and investment positions do not pose a significant risk of loss to shareholders' value.

Focus of ALCO discussions for 2015 (continued)

DISCUSSION	RATIONALE	OBJECTIVE
Foreign exchange risk	To consider foreign exchange positions and VaR in the positions; to review mark-to-market results; to consider and approve proposed actions and strategies for ensuring minimal losses on positions; to consider reports on adherence to regulatory limits; and to consider and approve proposed actions and strategies for complying with regulatory directives on foreign exchange positions and transactions.	To ensure that foreign exchange positions are within approved levels and that foreign exchange positions do not pose significant risk of loss to shareholders' value.
Approval of policies	To review and approve new and/or proposed amendments to market and liquidity risk management policies.	To ensure that the overall approach to managing the Bank's market and liquidity risks is responsive to changes in the environment and the Bank's strategies.
Pricing of deposits and loans and advances	To consider the effect of changes in regulatory benchmark rate (MPR) on the Bank's pricing of assets and liabilities, and to consider and approve proposed reviews of deposit rates, and pricing of loans and advances.	To ensure that the pricing of deposit liabilities, and loans and advances responds to changes in regulatory pronouncements and the direction of market indices.
Transfer pricing	To consider the effect of changes in benchmarked market rates on the transfer pricing model, and to approve proposed changes to transfer pricing rates on recommendation of the Finance & Operations Committee, or Market and Liquidity Risk Management department.	To ensure that the Transfer Pricing rates reflect market realities, and to ensure that the rates drive the intended deposit mobilisation and asset creation behaviour that supports the Bank's strategy.
Economic review	To consider new developments in the domestic and foreign money and capital markets, and review the implications on the Bank's business strategy.	To ensure that pricing, product offerings and overall business strategies reflect market trend and development.

GROUP IT STEERING COMMITTEE (GITSC)

ROLE AND FOCUS

The purpose of the Committee is to assist the Board to oversee IT-related activities. The GITSC's primary responsibilities are to:

- review and recommend an IT strategy and architecture for the Bank;
- review and recommend the Bank's IT policy, procedures and standards;
- determine prioritisation of IT investment programmes in line with the Bank's business strategy and priorities;
- review and recommend appropriate IT budget to the Board of Directors;
- monitor, on an ongoing basis, the achievement of the IT strategy, including application of and leverage on technology in the Bank;
- establish a framework to measure and monitor IT performance;
- review, on an ongoing basis, the Group's IT focus and strategy subject to the approval of the Board;
- coordinate priorities between the IT department and user departments;
- monitor the service levels of the IT department and service improvement initiatives;
- promote effective relationships between the business groups and IT by encouraging communication of business requirements to IT management, addressing IT capacity requirements, and demanding routine discussions on IT service delivery and continuous service improvement;
- review the adequacy and allocation of IT resources in terms of funding, personnel, equipment and service levels;
- review, ratify and monitor the implementation of training programmes for end-users and IT personnel;
- confirm alignment of the IT plan with overall Group strategy;
- provide oversight on activities of the Group IT Operations Committee (GITOC);
- make recommendations to the Management Committee General for approval of specific IT spending/expense;
- encourage innovation and idea generation to support new product development;
- ensure that FirstBank derives optimal value from its investments in IT;
- ensure that the Board is regularly informed of the status of major IT projects or initiatives; and
- ensure that the Board has adequate information to make informed decisions about IT investments and operations.

Focus of GITSC discussions for 2015

Some of the deliberations held by the GITSC for the year under review focused on the following issues:

DISCUSSION	RATIONALE	OBJECTIVE
Approval of the GITSC Charter	To validate the role and functions of the GITSC as a key Management-level committee with oversight over IT-related issues; and to set up the governance structure for the GITSC and provide a framework for the operations of the Committee.	Ensure the effective operation of the GITSC.
Business continuity plan update	To ensure adequacy of operational business continuity plan for banking services in the event of a disruption to IT services; and to review the results of routine tests to ensure efficacy of the business continuity process.	Ensure that the Bank's IT infrastructure remains at the cutting edge of technology and can adequately support the Bank's business.
Application rationalisation	To ensure that applications that are no longer relevant to the Bank's operations and activities are no longer used in the Bank.	Optimise the use of versatile applications, deepen recourse to such applications and save on costs associated with the retention of out-of-use applications.
Recruitment into key IT vacancies	To ensure the adequate staffing of the Bank's IT function with the skills set required to enable it to achieve its mandate.	To help the IT department have the right capacity to support business demands, to close out identified IT manning gaps, and ensure that the Bank's IT skills complement is up to date.
Updates on key strategic products/ IT performance updates	To ensure that approved IT projects are appropriately implemented and track IT service performance against set KPIs.	To assure alignment of IT spend, projects and performance with the strategic aspirations of the Bank and provide an understanding of availability metrics for measuring IT services provided to customers.
Strategy alignment with FBN Holdings Plc	To implement Group-wide policies and standards, and manage software licences and contracts at Group level, with a view to reducing operating expenses and application duplications.	To identify and tap into opportunities for sharing services among all Group businesses and provide necessary Group synergy to boost operational efficiency and achieve cost savings.
Review of IT service performance reports	To review the performance of the following critical applications: Finacle Core, messaging/ email, FinnOne, online banking, front-end processing, ATM services and Fundamo.	To ensure that technology applications are performing optimally and meet the projected business objectives.

EFFECTIVENESS

ENSURING BOARD EFFECTIVENESS

With an understanding that the combined quality and effectiveness of a board is a summation of the quality of its individual members, the Bank seeks to enrich the Board's collective quality by appointing to the Board individuals who have displayed excellent and proven business knowledge and board experience. The 'shareholder spring', which saw institutional shareholders find their voice, most notably about executive pay and board elections, highlights the close alignment that should exist between the effectiveness and performance of the Board, and the creation of shareholder value.

New directors are given a detailed welcome pack, which provides them with a wide range of information about the Bank and the Board. This induction pack includes:

- The Charters of the following organs:
  - Board of Directors
  - Board Credit Committee
  - Board Finance & Human Capital Committee
  - Board Governance Committee
  - Board Audit Committee
  - Board Risk Management Committee;
- Corporate profile of the Bank
- The Bank's Annual Report and Accounts
- The Bank's corporate strategy document
- Approved meeting dates for the relevant financial year
- The current Memorandum and Articles of Association of the Bank
- The CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria
- The SEC Code of Corporate Governance for Public Companies in Nigeria
- The CBN Guidelines for the Appointment of Independent Directors
- The Roles and Responsibilities and Guiding Principles for the Board of Directors
- The Succession Planning Framework for Principal Officers of the Board
- The Board Tenure Policy
- The Directors' Remuneration Policy
- The Code of Conduct and Ethics for the Board of First Bank of Nigeria Limited
- The First Bank of Nigeria Limited Conflict of Interest and Related Party Transactions Policy and Procedures
- The Disclosure Form for Directors' Related Parties
- The Particulars of the Board of Directors
- The Schedule of Membership of the Board and Board Committees.

Induction training programmes are also organised regularly for new directors, and the Bank has a training curriculum for non-executive directors that caters for the general skills and training required by all directors, and specific training aligned to the Board committee functions of directors.

Performance management is taken very seriously, at both Board and Executive Management levels, and this is cascaded through the rank and file of the institution. Each executive director, as well as other members of the Executive Management team, including each group executive, has an individual scorecard, which aggregates all the relevant key performance indicators (KPIs). These KPIs are set and agreed on at the beginning of the year and form the basis upon which performance is monitored quarterly, as well as the basis on which year-end bonuses are paid.

PERFORMANCE MONITORING

As part of its oversight role, the Board continuously contributes new ideas to help the Bank achieve strategic success, through its engagement in corporate strategy from the planning phase to execution and continuous monitoring. The Board holds an annual strategy retreat, to review the implementation of the corporate strategy in the preceding period and to rigorously debate and agree with Management the strategy for the year ahead. During this process, the Board is continuously updated on significant risks or challenges encountered in the course of implementation, and the steps being taken to mitigate those risks. On a quarterly basis, Management reviews financial and performance indicators with the Board, and the Board weighs in on progress and confirms alignment or otherwise with the strategic goals and objectives on a continuous basis. Actual performance is presented relative to planned/budgeted performance, to provide the Board with ongoing insight into the level of achievement. In addition, peer benchmarking forms a continuous part of our Board meetings in order to put in perspective our performance against competitors.

CORPORATE GOVERNANCE AND OUR BUSINESS STRATEGY

The Board's primary purpose is to build long-term shareholder value and ensure effective management oversight. Ultimate responsibility for governance rests with the Board, which ensures that appropriate controls, systems and practices are entrenched to safeguard FirstBank's assets. Each executive director and Group executive has a defined scorecard, which dovetails into the corporate strategy. The Board considers and approves the Group's strategy and financial objectives. FirstBank runs a three-year strategic planning cycle that is validated annually by the Board at its Board strategy retreat, The Bank is presently running a 2014-2016 strategic planning cycle, the main objectives of which are to transform the branches into best-in-class service and sales machines, develop a relationship manager (RM) sales excellence programme, launch an integrated cost-containment programme, build a distinctive transaction banking capability, be the commercial bank of choice, drive aggressive non-performing loans (NPL) management, and aggressively pursue a service excellence programme.

Key members of senior management and all Board members attend each annual strategy session. Once the financial and strategic objectives for the following year have been agreed, the Board, on a quarterly basis, monitors performance against financial objectives and detailed budgets.

The Board has the responsibility to ensure that Management effectively discharges its duties and responsibilities, creating value for shareholders. The Board is also charged with the responsibility for succession planning. Though the Board is satisfied with its current pool of management talent, it continually takes initiatives to enlarge and deepen this pool so as to sustain both short- and long-term performance.

The depth of banking knowledge and experience in the Group cuts across executive directors, non-executive directors, group executives and executive management. Non-executive directors have access to the Group's management and corporate information to enable them to discharge their responsibilities effectively.

The conduct of an annual appraisal of the Board provides a powerful and valuable feedback mechanism for improving the Board's effectiveness, maximising strengths and highlighting areas for further development. This is useful in assessing the role of the Board and its committees in formulating and directing the Bank's strategy. Having been independently appraising the Board over the past eight years, we have made steady progress with respect to strengthening the fabric of our overall governance framework by:

- defining, articulating and reviewing the Bank's vision, mission and core values;
- providing leadership and direction in developing a strategic plan;
- challenging Management to determine that significant risks have been considered in the development of the plan;
- assessing and improving the planning process;
- confirming that KPIs and financial objectives are developed; and
- monitoring performance against set goals, indicators and objectives.

BOARD APPRAISAL

In compliance with the CBN Code of Corporate Governance (the Code) and due to our commitment to strengthening the Bank's corporate governance practices and enhancing the capacity of the Board in the effective discharge of its responsibilities, the Board engaged the services of an independent consultant, KPMG Professional Services, to conduct an appraisal of the Board of Directors and individual director peer appraisal for the year ended 31 December 2015. The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities. The scope of work performed covered the following activities:

- Review of Board operations and existing governance documentation.
- Observation of a meeting of the Board of Directors.
- Facilitation of a director peer.
- Feedback session with the entire Board.

The evaluation criteria focused on the following five key areas of Board responsibility:

- Operations (the Board's ability to manage its own activities).
- Corporate culture (the Board's role in setting and communicating standards of ethical organisational behaviour).
- Monitoring and evaluation (the Board's role in monitoring Management and evaluating its performance against defined goals).
- Stewardship towards shareholders and other stakeholders (the Board's responsibility towards shareholders and other stakeholders and responsibility for their interests).

Work approach

KPMG's work approach incorporated the following corporate governance model:

- The CBN Code of Corporate Governance for Banks and Discount Houses 2014 – CBN Code.

WHAT DO WE EXPECT TO LEARN FROM THIS PROCESS?

The appraisal process provides a mechanism for measuring directors' performance. The appraisal report and recommendations on areas of improvement are presented to the Board for deliberation. The outcome of the Board's evaluation is fed back, as appropriate, in reviews of the Board's composition, the design of induction and development programmes and other relevant areas of the Board's operations.

In addition to the general Board evaluation, individual directors are also evaluated and the assessments communicated to the Chairman. The cumulative results of the performance of the Board and individual directors will be considered by the Board as a guide to deciding eligibility for re-election and other matters.

In 2015, KPMG's appraisal of the Board revealed the Bank's corporate governance practices were largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving our governance practices were also articulated and included in a detailed report to the Board. This related to Board composition, risk management, the structure of directors' remuneration, and directors' induction and training.

We have taken these recommendations on board and improved on our corporate governance practices. There has been an improvement in our Board appointment process, whistleblowing activities, Board approval process and related party transactions. Specifically, the strength, gaps and corrective measures taken from the 2015 Board Appraisal Report are as follows:

Strength	Status
The size of the Board is consistent with the provisions of the CBN Code.	Sustained
The Board composition includes two Independent Non-Executive Directors.	Sustained
The Board and Committees are governed by formal documented charters and the Board held meetings at least quarterly and each Director attended at least two-thirds of all Board meetings.	Sustained

Identified gaps	Status
Board appointment process.	Identified lapses have been corrected.
Improvement in the Board's oversight of the whistleblowing activities.	A summary of reported cases and status of any investigation are now provided to the Board.
The Board's oversight functions over sustainability issues have been formally defined.	Increased Board involvement.
Conflict of interest and related party transaction.	There has been strict adherence to regulations with regards abstinence from voting on the approval of the related party transaction, by any member of the committee with interest in a transaction under consideration.

REMUNERATION REPORT

This section provides stakeholders with an understanding of the remuneration philosophy and policy applied at FirstBank for non-executive directors, executive directors and employees.

Remuneration philosophy

FirstBank's compensation and reward philosophy represents the values and beliefs that drive compensation decision-making in the organisation. Compensation philosophy is in line with FirstBank's quest to attract and retain highly skilled personnel who will keep the Bank ahead of competition. In reviewing our compensation, some of the triggers include organisational policy, market positioning, financial performance of the Bank, government policies and regulations, industry trends, inflation and the cost-of-living index.

Remuneration strategy

FirstBank's compensation and reward strategy is aimed at attracting, rewarding and retaining a motivated talent pool to drive the Bank's core ideology and strategic aspirations. FirstBank's compensation strategy supports its corporate strategy and is reviewed as required to reflect changes in internal and external environmental conditions. The compensation and reward strategy seeks to position the Bank as an employer of choice within its pay market by offering a well-packaged, attractive and sustainable compensation package. Compensation is equitable and rewards officers based on relative worth of jobs (within the system), competencies and performance. Compensation is also differentiating and is used as a tool for retaining high-potential talent and driving desired culture/values.

Remuneration policy

FirstBank's compensation policy includes remuneration, perquisites and benefits. The remuneration includes base pay, allowances, performance-based bonuses and incentives as follows:

Base pay	Includes the salary component for the defined job grade and is mainly cash-based. It is guaranteed and payable monthly in arrears as per the employment contract. It is the basis for the computation of some allowances and most benefits.
Allowances	Other pay items outside base pay. These are structured to support a standard of living for respective grades. The allowances include housing, furniture, lunch, clothing, etc. They are payable in cash and are paid monthly, quarterly or yearly for tax planning, liquidity planning and staff convenience. Allowances are segregated into two: those that form part of staff salary and those categorised purely as allowances.
Bonuses/ incentives	These are related to achievement of certain targets and may be cash or non-cash, such as stock options or paid holidays. They include payments made for organisational achievements, such as profit sharing/end-of-year bonuses.
Perquisites/ benefits	Perquisites and benefit – for example, status cars – are usually lifestyle-induced and designed to ensure comfort, motivation, commitment and retention of staff, particularly senior and/or high-potential staff. They are acquired by the Bank for the employee's use, or reimbursements are given to any employee who acquires them on his or her own.

Benefits are entitlements usually attainable subject to organisational conditions. They include leave, medical allowance, subscriptions and deferred benefits such as pensions and gratuity. Benefits may be present (in service) or deferred payments (outside service).

To guarantee staff convenience and also ensure adherence to the Bank's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that while ensuring adequate cash flow for staff, the Bank does not run contrary to tax laws and other statutory regulations.

Payments to non-executive directors

In line with the CBN Code of Corporate Governance, non-executive directors receive fixed annual fees, directors' sitting fees for meetings attended and reimbursable travel expenses. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Board's Governance Committee regularly reviews and makes recommendations to the Board on the remuneration of the Chairman and other non-executive directors.

Payments to executive directors

Remuneration for executive directors is performance driven and restricted to base salaries, allowances and performance bonuses. Executive directors are not entitled to sitting allowances for meetings attended. The Governance Committee reviews and makes recommendations to the Board on all retirement and termination payment plans for executive directors.

The amounts specified below represent the total remuneration paid to executive and non-executive directors for the period under review:

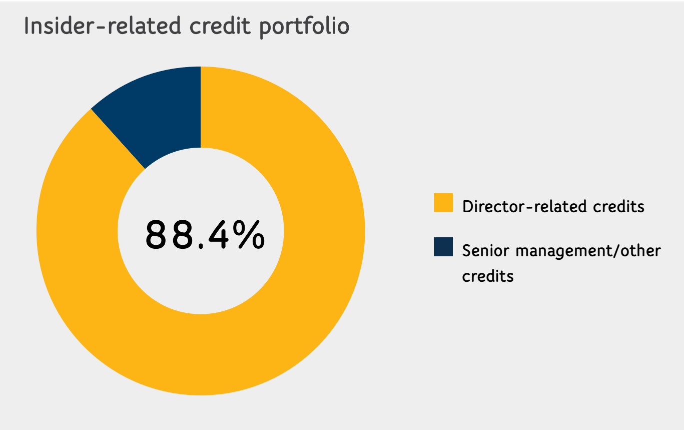
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees and sitting allowances	**252**	118
Executive compensation	**469**	432
Total	**721**	550

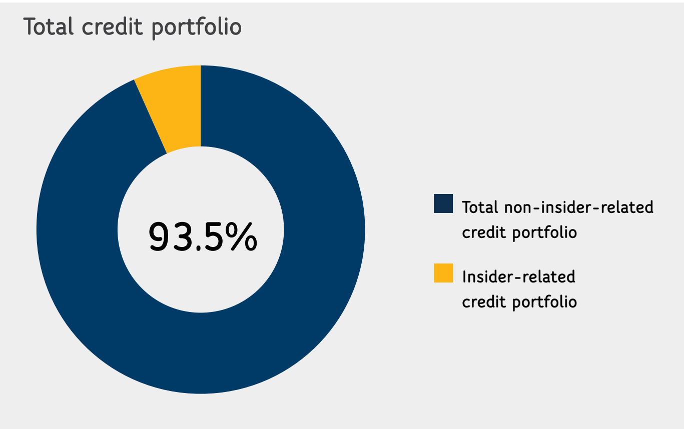
The Group will continue to ensure that its remuneration policies and practices remain competitive, incentivise performance and are in line with its core values.

Insider-related credits

The Bank's total credit portfolio is ₦1.59 trillion, while the insider-related credit portfolio is ₦103.8 billion, representing 6.5% of the total credit portfolio. Director-related credits were ₦9.6 billion, or 88.4% of the total insider-related credit portfolio, while senior management/other credits were ₦12 billion, or 11.6% of the total insider-related credit portfolio.

The charts below represent the percentage of the insider-related portfolio relative to the total credit portfolio for the period.





REPORT OF THE INDEPENDENT CONSULTANT ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF FIRST BANK OF NIGERIA LTD

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ('the CBN Code'), First Bank of Nigeria Ltd ('FirstBank' or 'the Bank') engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ('the Board') for the year ended 31 December 2015. The Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

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

Our approach to the appraisal of the Board involved a review of the Bank's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also assessed the level of compliance of the Board with the CBN Code.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following areas: Directors' remuneration framework and related-party transactions.

Olumide Olayinka

Partner, KPMG Advisory Services
FRC/2013/1CAN/00000000427

6 April 2016

THE BOARD REVIEW

An appraisal of the Board and individual director peer appraisals were conducted for the year ended 31 December 2015 by KPMG, an independent consulting firm. The Board appraisal was carried out in compliance with the CBN Code and driven by our commitment to strengthen the Bank's corporate governance practices and enhance the capacity of the Board of Directors in the effective discharge of its responsibilities. The appraisal covered the Board's structure and composition, processes and relationships, competencies, roles and responsibilities. The evaluation criteria were all carefully crafted and fed very strongly into the Bank's overall strategy. The appraisal focused on the following five key areas of Board responsibility:

Board focus area	Description
Board operations	The Board's ability to manage its own activities.
Strategy	The Board's role in the strategy process.
Corporate culture	The Board's role in setting and communicating standards of ethical organisational behaviour.
Monitoring and evaluation	The Board's role in monitoring Management and evaluating its performance against defined goals.
Stewardship	The Board's responsibility to shareholders and other stakeholders and accountability for their interests.

The scope of work performed in carrying out the appraisal covered the following activities:

- a review loop to consider how effective the Board evaluation process had been, referencing the level of implementation of the prior year recommendations;
- a review of Board operations and existing governance documentation;
- observation of a Board meeting;
- facilitation of a peer appraisal of directors through one-on-one interview sessions with each director; and
- a feedback session with the entire Board.

The consultant's approach incorporated the following corporate governance models:

- the CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria;
- the Securities and Exchange Commission's (SEC) Code of Corporate Governance (Nigeria);
- King III Report on Corporate Governance (South Africa); and
- the UK Corporate Governance Code.

At the end of the exercise, specific recommendations for further improving the Bank's governance practices were articulated and included in detailed reports to the Board.

OUR APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

Our appointment philosophy ensures strategic alignment of all relevant regulations, especially the provisions of the Companies and Allied Matters Act, Banks and Other Financial Institutions Act, the Bank's Memorandum and Articles of Association, and CBN guidelines.

Board appointments are conducted in a formal and transparent manner, in accordance with the Board's appointment policy, taking account of the skills, knowledge and experience of the candidate as well as other attributes necessary for the prospective role. Consideration for appointment as a director also takes cognisance of existing appointments to other boards for potential conflicts of interest and to ensure that directors will be able to dedicate time and attention to the Bank.

The Bank has a Board Governance Committee (BGC) which is responsible for identifying and nominating suitable candidates for appointment to the Board. The BGC comprises only non-executive directors.

Board appointments are preceded by a careful analysis of the existing Board's strengths, weaknesses, skills and experience gaps, appropriate demographic representation and diversity, to ensure that the Board composition aligns with best practice and FirstBank's strategic objectives, while also ensuring that new members contribute new ideas and fresh perspectives.

The factors considered by the BGC in identifying and nominating a candidate to the Board are possession of the requisite qualifications and experience, prior demonstration of business/professional acumen, and successful management record.

Directors' tenure

Non-executive directors are appointed for an initial term of three years and can be re-appointed for a maximum of three subsequent terms of three years each, subject to satisfactory performance. Hence, the maximum tenure of non-executive directors is 12 years. In line with our Memorandum and Articles of Association, one-third of directors retire every year and may be re-elected by members.

An independent non-executive director is appointed for an initial term of four years and can be re-appointed for another term of four years, subject to satisfactory performance, in line with the CBN circular on Guidelines for the Appointment of Independent Directors. Hence, the maximum tenure of an independent non-executive director is eight years.

The Managing Director/Chief Executive Officer (MD/CEO) is appointed for an initial term of three years and can be re-appointed for a maximum of two subsequent terms of three years each, subject to satisfactory performance. Hence, the maximum tenure of a MD/CEO is nine years.

Executive directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to satisfactory annual performance. The MD/CEO and all executive directors are also subject to the provision on retirement of directors by rotation, subject to re-election by members. Hence, the maximum tenure of an executive director is six years. Executive directors are discouraged from holding other directorships outside FirstBank, unless as representatives of the Bank.

TRAINING

A schedule of training programmes for all directors is drawn up annually. The training schedule is prepared following the training needs assessment of each director. Directors are expected to fully participate in all identified training programmes and provide feedback to the Board on lessons learnt in a structured manner.

With an understanding that the collective effectiveness of a board is the summation of the quality of its individual parts – namely, each director – FirstBank places emphasis on the training of its directors and has in place a robust induction and training programme for them. The Board of FirstBank established an induction programme for new directors to familiarise themselves with the Bank's operations, business environment, fiduciary duties, responsibilities, etc., in line with the relevant laws, the CBN Code and leading corporate governance practices.

The objective of this induction programme is to enable new directors to make maximum and effective contributions to the Board as quickly as possible after their appointment. The scope of the induction programme covers the following areas:

Training focus area	Description
Overview of the Bank and the banking industry	This module covers the banking industry in Nigeria, the history of the Bank, an overview of applicable laws, rules and regulations, and an overview of the Bank's operations, strategy and key policies.
Overview of FirstBank governance framework	This module covers director's legal obligations, liabilities, the roles and responsibilities of the Board, the role and responsibilities of key officers of the Board, and highlights of the Bank's governance framework.
Performance expectations for directors	This module entails briefing new directors on the Bank's expectations of them.
Introduction to senior management and site tours	This section entails the introduction of the new directors to key senior management staff and conducting new directors around the Bank's key facilities.

There is also a continuous training programme for directors that focuses on the key competencies for the continued performance of their roles.

In 2012, the CBN issued its Banking Industry Competency Framework. In response to this, a comprehensive competency-based learning curriculum for FirstBank's directors was developed and implemented. Its aim is to deploy appropriate learning interventions to deliver the key competencies required by directors, through attendance at local and international training programmes.

In addition, management also undertakes regular presentations to update the Board on the progress, challenges, opportunities and risks facing the respective areas of business, services and operations. This is achieved by way of regular management reporting and quarterly Board meetings.

DIRECTORS ATTENDED THE FOLLOWING TRAINING IN 2015:

1) 5 February – Corporate governance and strategy development for Board chairmen and directors (Society for Corporate Governance, Lagos)
2) 15-17 June – Effective risk management oversight for Board members and executives (delivered by Euromoney in New York).
3) 15 July – Managing AML/CFT compliance risk under the new regulatory environment (Ernst & Young, Lagos).
4) 1 December – Corporate governance and AML/CFT workshop for directors of banks in Nigeria (Central Bank of Nigeria, Lagos).

Independence of the internal auditor

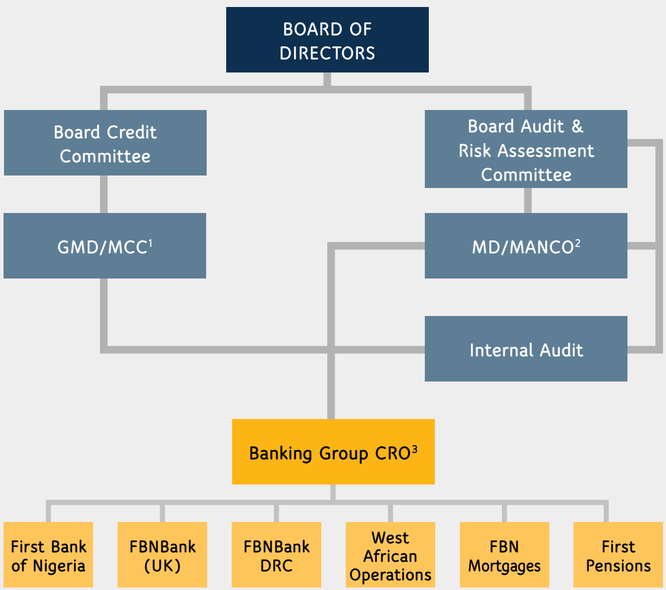
The internal audit function serves as the third line of defence in the Bank's risk management, control and governance framework. It provides independent and objective assurance services that enable the Bank to meet its business objectives, through the deployment of a risk-based, technology-enabled methodology, in line with best practice.

The Chief Audit Executive reports to the Board Audit Committee.

ACCOUNTABILITY

RISK MANAGEMENT GOVERNANCE FRAMEWORK

The Banking Group risk management governance framework is outlined in the diagram below.



1 Group Managing Director/Management Credit Committee.
2 Group Managing Director/Management Committee.
3 Chief Risk Officer.

ROLES AND RESPONSIBILITIES

Board Of Directors

a) Approve and periodically review risk strategy and policies.

b) Approve the Banking Group's risk appetite annually and monitor the risk profile against this appetite.

c) Ensure Executive Management takes steps necessary to monitor and control risks.

d) Ensure that Management maintains an appropriate system of internal control and reviews its effectiveness.

e) Ensure risk strategy reflects the Banking Group's tolerance for risk.

f) Review and approve changes/amendments to the risk management framework.

g) Review and approve risk management procedures and control for new products and activities.

h) Periodically receive risk reports from Management highlighting key risk areas, control failures and remedial action steps taken by Management.

Board committees

The above responsibilities of the Board of Directors shall be discharged primarily by two committees of the Board, namely:

a) Board Audit & Risk Assessment Committee; and

b) Board Credit Committee.

Without prejudice to the roles of these committees, the Board shall retain ultimate responsibility for risk management.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE

The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to risk management, control and audit. The Committee is made up of the Managing Director, three executive and two non-executive directors, with a non-executive director as Chairman. The Chief Risk Officer (CRO) reports to this Committee and is a non-voting member.

Specific roles of the Committee are:

a) Evaluating internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
   - important judgements and accounting estimates;
   - business risk in the areas of credit risk, market risk, operational risk, information security risk and legal risk;
   - specific risks relating to outsourcing; and
   - consideration of environmental, community and social risks.

b) Evaluating:
   - the adequacy of the Banking Group's risk management systems and the adequacy of the Banking Group's control environment with management, and the internal and external auditors; and
   - the Banking Group's risk profile, the action plans in place to manage risks, and progress against plans to achieve these actions.

c) Reviewing the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.

d) Approving the provision of risk management services by external providers.

BOARD CREDIT COMMITTEE

Roles and responsibilities include:

a) ensure the effective management of credit risk in the Banking Group;

b) approve credit risk management policies and standard proposals on the recommendation of the Management Credit Committee (MCC);

c) approve definition of risk and return preferences and target risk portfolio;

d) approve credit risk appetite and portfolio strategy;

e) approve lending decisions and limit setting;

f) approve credit products and new processes;

g) approve assignment of credit approval authority on the recommendation of the MCC;

h) approve changes to credit policy guidelines on the recommendation of the Executive Committee (Credit);

i) approve credit facility requests and proposals within limits defined by FirstBank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities;

j) recommend credit facility requests above the stipulated limit to the Board;

k) review credit risk reports on a periodic basis;

l) approve credit exceptions in line with Board approval; and

m) make recommendations to the Board on policy and strategy where appropriate.

The Committee is made up of the Banking Group Managing Director/ Chief Executive, all the executive directors and five non-executive directors. The Chairman is a non-executive director.

Senior Management committees

Roles and responsibilities include:

a) implement risk strategy approved by the Board of Directors;

b) develop policies and procedures for identifying, measuring and controlling risk;

c) provide appropriate resources to evaluate and control risk;

d) review risk reports on a regular and timely basis;

e) review periodic risk reports for operational and other risks separate from credit and market risks; and

f) provide all reports required by the Board and its committees for the effective performance of risk management oversight functions.

The following Management committees are directly responsible for risk management oversight:

- Management Committee
- Management Credit Committee
- Assets & Liabilities Management Committee

MANAGEMENT COMMITTEE (MANCO)

Roles and responsibilities include:

a) formulate risk policies;

b) monitor implementation of risk policies;

c) review risk reports for presentation to the Board/Board committees; and

d) implement Board decisions across the Group.

MANAGEMENT CREDIT COMMITTEE (MCC)

Roles and responsibilities include:

a) review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval;

b) approve credit facility requests within limits defined by FirstBank's credit policy, and within the statutory requirements set by the regulatory/supervisory authorities;

c) agree on portfolio plan/strategy for the Bank;

d) monitor, on an ongoing basis, the Banking Group's risk quality and performance;

e) review periodic credit portfolio reports and assess portfolio performance;

f) establish and maintain effective risk management environment in the Banking Group;

g) review credit policy changes initiated by the management of the Banking Group and endorse to the Board of Directors for approval;

h) define the Banking Group's risk and return preferences and target risk portfolio;

i) define credit approval framework and assign credit approval limits in line with the Banking Group policy;

j) review defined credit product programmes on recommendation of the relevant risk management units and endorse to the Board of Directors for approval;

k) ensure compliance with the Banking Group credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;

l) request rapid portfolio reviews or sector/industry reviews from risk management units, wherever deemed appropriate;

m) review and recommend to the Board Credit Committee, credits beyond Management approval limits;

n) approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limit; and

o) review and approve the relevant risk management unit's response to material events that may have an impact on the credit portfolio.

ASSETS & LIABILITIES MANAGEMENT COMMITTEE (ALCO)

Roles and responsibilities are focused on market risk and liquidity risk.

Market risk

a) Approval of ALM (asset and liability management) and market risk management policies.

b) Policy oversight for liquidity, interest rate, foreign currency and equity risks.

c) Approval of risk strategy in the money, foreign exchange and capital markets.

d) Monitoring liquidity, asset and liability mismatch, pricing and interest rate.

e) Development of policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks.

f) Evaluating market risk inherent in new products.

g) Ensure compliance with statutory and regulatory requirements.

h) Limits setting for position, concentration, currency, dealing, gap, total portfolio and counterparty.

i) Appointment of dealers.

j) Balance sheet management.

Liquidity risk

a) Responsibility for the implementation of sound policies and procedures for managing liquidity risk in line with the strategic direction and risk appetite specified by the Board.

b) Reviewing and articulating funding policy.

c) Development and implementation of procedures and practices that translate the Board's goals, objectives and risk tolerances into operating standards that are well understood by Bank personnel and consistent with the Board's intent.

d) Ensure adherence to the lines of authority and responsibility that the Board has established for managing liquidity risk.

e) Overseeing the implementation and maintenance of Management information and other systems that identify, measure, monitor and control the Bank's liquidity risk.

f) Establishment of effective internal controls and limits over the liquidity risk management process.

WHISTLEBLOWING PROCEDURES

Whistleblowing is a process of raising concerns about a wrongdoing, an illegal act or unlawful conduct, e.g., fraud, corruption, bribery or theft. The Board of Directors attaches priority to high ethical standards and probity, and expects all its employees and officers to observe these standards in all their dealings in the Bank. Thus, in compliance with the statutory requirement from the CBN in its circular on Guidelines for Whistleblowing for Banks and Other Financial Institutions in Nigeria, FirstBank's whistleblowing framework, which had been established in 2010, was revised.

The Bank's whistleblowing policy spans both internal whistleblowers (staff, management or directors) and external whistleblowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders). Irregularities or malpractices can be raised without fear of harassment and/or victimisation. Concerns are taken seriously and investigated and the outcome communicated to all concerned parties.

We guarantee the confidentiality of any information received and the identity of the whistleblower.

An internal whistleblower may report misconduct, irregularities or malpractices by any of the following media, either by declaration or anonymously:

- Letter to the Managing Director and/or the Chief Audit Executive (MD/CEO).
- Call or sms text to 0812 716 6777.
- Communicator chat.
- Mail to whistleblowing@firstbanknigeria.com.
- Logging onto www.firstbanknigeria.com and clicking on the whistleblowing portal to report the misconduct.

Where a member of staff who is neither the Chief Audit Executive (CAE) nor the MD/CEO receives a whistleblowing report, he/she shall forward the report to the CAE and copy the MD/CEO.

Employees who wish to make a report shall do so through a memo stating the following information clearly:

1. the background of the issue (giving relevant dates); and
2. the reason the employee is concerned about the issue.

It is a punishable offence for any employee who receives a whistleblowing report not to escalate it appropriately.

During the 2015 financial year, a total of 41 cases were recorded. A number of these cases have been treated in line with the Bank's policy, while in some cases investigations are ongoing. The Bank renders a report on all whistleblowing incidents and actions taken thereon on a monthly basis to the CBN, and the CAE renders a quarterly whistleblowing report to the Board Audit Committee.

ENGAGEMENT

OUR SHAREHOLDERS

With the adoption of the holding company structure in the latter part of 2012, First Bank of Nigeria Limited, previously known as First Bank of Nigeria Plc, became a subsidiary of FBN Holdings Plc, and the shareholders are FBN Holdings Plc and FBN Capital.

ANNUAL GENERAL MEETINGS (AGM)

Shareholders' meetings are convened and held in line with the Bank's Articles of Association and the Companies and Allied Matters Act (CAMA) in an open manner. Representatives of the Bank's regulators, the CBN, the Nigerian Deposit Insurance Corporation (NDIC) and the Corporate Affairs Commission are in attendance at shareholders' meetings at the Bank's invitation. A separate resolution is proposed on each item on the agenda for AGMs and voting is by a show of hands unless a poll is, in line with the Articles of Association, demanded before or on the declaration of the result of a show of hands.

The Bank's general meetings afford shareholders the opportunity to appraise the performance of the Bank and give their approval on certain decisions. This forum gives them an opportunity to assess the performance of the Bank and, by implication, the performance of the directors who take responsibility for effective management of stakeholders' interest.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

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.

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

The Bank prepares consolidated financial statements.

Operating results

Gross earnings of the Group increased by 2.3%, while profit before tax declined by 89.2 % over the previous year's.

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

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross earnings	**465,590**	455,477
Profit before tax	**10,181**	94,451
Taxation	**(7,235)**	(9,526)
Profit after tax from continuing operations	**2,946**	84,925
Loss after tax from discontinued operations	**–**	(84)
Non-controlling interest	**394**	15
Appropriations		
Transfer to statutory reserves	**729**	12,536
Transfer (from)/to statutory credit reserves	**(44,589)**	41,043
Transfer to retained earnings	**2,552**	84,827

Directors' rotation

In accordance with the Company's Articles of Association, Ambrose Feese, Lawal Ibrahim, Tunde Hassan-Odukale and Obafemi Otudeko would retire by rotation and, being eligible, offer themselves for re-election.

Resignation/retirement

During the year under review, Khadijah Alao-Straub, a Non-Executive Director, resigned from the Board with effect from 29 October 2015, while Prince Ajibola Afonja, Chairman/Non-Executive Director, Bello Maccido, a Non-Executive Director, and Bisi Onasanya, the erstwhile Group Managing Director/CEO, all retired from the Board with effect from 31 December 2015.

UK Eke, MFR, resigned as an Executive Director of the Bank with effect from 31 December 2015.

Appointment of Directors

No Directors were appointed in the 201 5 financial year.

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.

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.

Shareholding analysis

The Bank is 99.9% owned by FBN Holdings Plc.

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 2015, 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.

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).

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.

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 31 December 2015, the Bank had 26.5% females in top management positions. The table below shows the gender distribution of top management staff by grade:

TOP MANAGEMENT COMPLEMENT BY GENDER AS AT 31 DECEMBER 2015

	Female	Male	Grand total
Managing Director/ Chief Executive Officer	–	1	**1**
Executive Director	–	6	**6**
General Manager	4	3	**7**
Deputy General Manager	11	14	**25**
Assistant General Manager	7	37	**44**
Total	**22**	**61**	**83**
% distribution	**26.50**	**26.50**	

Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to ₦436.18 million (December 2014: ₦1,194.51 million) during the year, as shown in the table below:

SN	Actlvlty/Beneficial	Amount (₦)
1	Contribution to Security Trust Funds	150,520,000
2	Nigerian Society for Information Arts	50,000,000
3	Sustainability Centre Annual Subvention	45,000,000
4	Harvard Business Sponsorship 2014-2015	35,000,000
5	Calabar Carnival	25,000,000
6	2Ist Nigeria Economic Summit	20,000,000
7	Women Development and Child Protection Centre (WODAC) Project	20,000,000
8	Sponsorship of Young Inventors on NTA	15,000,000
9	Bankers Committee Retreat	8,509,370
10	Lagos Water Regatta	7,500,000
11	BVN Financial Literacy - Bankers Committee	6,000,000
12	Social Media Week	5,000,000
13	Amenities for FGC Sokoto	5,000,000
14	Federal University of Technology (FUTA)	4,404,750
15	Annual Corporate Governance Conference	3,500.000
16	Risk Managers Association of Nigeria (RIMAN) 15th Annual National Conference	2,500,000
17	Children of God Great Talent (City Of David)	3,000,00
18	ECCI Project - Financial Market Dealers Association (FMDA)	2,697,917
19	Junior Achievement Nigeria	2,500,000
20	Nigerian Entertainment Conference	2,500.000
21	Oxbridge Debate 20a 5	1,500,000
22	Bank's Support For Health Campaign	1,,500,00
23	Kogi State University Convocation	1,000,000
24	Corporate Golf Challen	1,000,000
25	20J5 NSE Corporate Challenge	1,000,000
26	3rd Digital Africa Conference & Exhibition	1,000,000
27	Small & Middle Capitalization Companies Association (SMCAA) Dinner & Awards	1,000,000
28	lkoi Club - Chairman's Week	1,000,000
29	Genevieve Workshop & Gathering	1,000,000
30	Inspire For Women 2015 FICC	1,000,000
31	Branding Of Costain Roundabout (Shodex)	1,000,000
32	Apra Yaounde 2015 Annual Conference	995.000
33	Others	9.548.448
	Total	**436.175,485**

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 authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Olayiwola Yahaya
Company Secretary
Lagos, Nigeria
March 2016

INTERNAL CONTROL

The Group's framework is predicated on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) standards, which provide guidelines aimed at achieving internal control objectives of the following:

- ensuring essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance with general accounting principles;
- compliance with applicable laws and regulations, including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

The Group is committed to creating and maintaining a world-class internal control environment that is capable of mitigating risks and losses inherent in the business.

GROUP INTERNAL CONTROL FRAMEWORK

The Group's framework is predicated on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) standards, which provide guidelines aimed at achieving internal control objectives of:

- reliability of financial statements;
- effectiveness and efficiency of operations; and
- compliance with applicable laws and regulations.

It also aligns the control responsibilities of the Board of Directors, MDs, management and staff within the Group. Our basic conceptual structure is based on the COSO 2013 Integrated Internal Control Framework. This is the most widely acceptable international framework used to evaluate the existence and functionality of control principles covering the following five components:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring.

The framework was created to identify critical activities within the Group, assess the risk exposures, determine appropriate preventive and detective control measures, and monitor such measures to ensure compliance, thereby minimising the risks and losses.

Adoption of COSO 2013 updated Internal Control Framework

In 2008, FirstBank adopted the COSO framework as a basis for assessing and evaluating the effectiveness of internal control. This framework was updated by the COSO committee in 2013.

Consequently, in 2014 FirstBank initiated and commenced the transition and upgrade of its internal control processes with a view to aligning them with the updated 2013 COSO framework. This project was championed by Internal Control and Enhancement Group ICEG in collaboration with a reputable external consultant. The project was successfully concluded in April 2015, with FirstBank effectively pioneering this feat in the Nigerian financial services sector. The adoption of the COSO 2013 framework has been of immense benefit, as it has resulted in better entity level controls, improved control consciousness and a stronger control environment within the Group.

Establishment of a 24/7 monitoring centre and fraud desk

In line with the CBN's regulatory requirements on the operation of instant payments and other electronic payment options, FirstBank established a 24/7 Behavioural Monitoring Centre during the year. The centre represents a state-of-the-art operations unit designed to detect and prevent suspicious internet banking activities as well as other doubtful transactions. The successful implementation of the centre has harnessed the resources of already existing applications, such as the Internal Control Anti-Fraud Solution and the FraudWatch application in FirstBank. The centre has further extended its activities to card transactions monitoring, which we believe will also lead to a further reduction in fraud. Additionally, as required by the CBN, FirstBank has set up a 24/7 fraud desk. The fraud desk's activities include:

- verifying suspicious transactions from other banks;
- acting as a liaison between FirstBank and other banks on fraud-related issues; and
- communicating fraud trends in the industry to the central unit with the control team to escalate as required.

Major achievements in 2015

The key milestones achieved by internal control in the course of the year include the following:

- Introduction of the 24/7 behavioural monitoring centre for internet banking activities, with a notable decrease in online banking fraud. This was extended to cards and ATM transactions and the introduction of a 24/7 fraud desk to address fraud issues across banks as mandated by the CBN.
- Successful strengthening of control consciousness of frontline staff in risk management through regular control awareness.
- Monitoring subsidiaries' activities to ensure strict adherence to policies and procedures.

- Expanding the scope of revenue assurance to additional income lines, thereby eliminating income leakages.
- Strengthening IT control to safeguard all the software used by the Group.

PRIORITIES FOR 2016

- Increased use of automated tools to monitor controls and improve turnaround time, continuous process improvements, and post-implementation of the COSO 2013 framework.
- Expanding the scope of control monitoring and review to ensure compliance with policies and procedures.
- Continuous training of branch staff through a control awareness campaign with a view to enhancing service delivery.
- Implementing measurable processes to enhance and maintain high-quality documentation and reduce turnaround time of the internal audit function in performance of its duties.
- Creating knowledge hubs to guide staff on control activities and ensure adequate communication and clarification of control policies and procedures to all staff.
- Improving synergies across fraud desks in all other banks in Nigeria to reduce the fraud rate in the banking industry.

RISK FACTORS

The FirstBank Group recognises a strong risk management practice as being central to the success of its business strategy.

RISK FACTORS SUMMARY

This risk management disclosure aims to provide stakeholders with information on the enterprise risks to which the FirstBank Group is exposed, alongside policies and procedures put in place to mitigate and manage these risks. In line with the Group's risk philosophy, sound risk management is considered the foundation of a long-lasting financial institution. The risk management function is governed by well-defined policies that are clearly communicated across the Company. The delegation of risk management responsibilities is structured to ensure that decisions are enacted at the most appropriate level in line with business objectives, and are subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite, with the executive and risk committees closely monitoring risk profiles against this appetite.

During 2015, the regulatory body further tightened its monetary and fiscal measures to address the issue of declining external reserves resulting from the continued fall in oil prices and strong demand for foreign exchange. The introduction of these policies is envisaged to have an attendant impact on the availability of funding, liquidity and credit. The following section of this report provides further insight into principal risk factors that affected the Group during the year.

RISK FACTORS

Credit risk

A review of the performance in the 2015 financial year indicated an 11% decrease in the total loan portfolio. Significant factors responsible for the recorded drop were scheduled repayments on the portfolio, conversion of state government loans into bonds, and a deliberate strategy to moderate loan growth given the challenging operating environment. During the year, the Group was selective in the deployment of resources as maturing loan obligations were replaced with short-tenored, self-liquidating transactions with a reduced emphasis on term assets.

On asset quality, the Group closed with a non-performing loan ratio of 9.0%, largely driven by a major account in oil upstream that involved the financing of entry fee and working capital requirements under a Strategic Alliance Agreement with the Bank. The account faced challenges following a call for suspension by the Federal Government of crude oil lifting licence of the customer. Discussions to get the transaction back on course are at an advanced stage, with the prospect of an upgrade to performing status in the near future. Other sectors driving non-performing loans are transport, and construction.

In line with International Financial Reporting Standards (IFRS) provisioning requirements, the Group ensured that an appropriate impairment charge was taken on the loan portfolio. Impairment charges on credit losses increased by 124% to ₦96 billion, with the cost of risk moving up to 4.0% from 1.3% at December 2014. The incremental charge was driven largely by under-collaterised accounts, while the major classified account during the period remained adequately covered by the underlying value of the asset, and did not require significant charge.

On regulatory requirements, deposit money banks were directed to publish lists of delinquent debtors in daily newspapers on a quarterly basis to discourage the accumulation of bad loans in the banking system. Meanwhile, general provisions on performing loans rose from 1% to 2% to increase the level of loan loss reserves taken by banks. The increase in general provisions is expected to have an impact on banks' capital adequacy requirements and dividend payouts, as qualifying capital will reduce.

The Group will remain focused by promoting sound risk management practices. Key priorities include intensive remediation of delinquent accounts and diligent pursuit of various initiatives to revamp the credit process and improve the Group's performance.

Market and liquidity risk

The Group maintained a strong liquidity profile for most of 2015, although market liquidity came under immense pressure in the first three quarters of the year on the back of aggressive monetary policy tightening. The Central Bank of Nigeria (CBN), however, adopted a more accommodative monetary policy stance during the last quarter of the year, reducing the cash reserve requirement (CRR) on all deposits from 25% to 20%. Sterilised funds with the CBN, in the form of non-earning CRR in both the public and private sectors, averaged ₦574 billion during the year. However, the Group continues to maintain a portfolio of high-quality liquid assets, providing sufficient cover for funding due obligations, and maintaining a liquidity ratio well above the regulatory minimum.

FirstBank Group's governance structure ensures that exposures to market risks are identified, measured, monitored and reported. Our risk appetite reflects a cautious, responsive and responsible attitude towards risk taking. We have built a business that focuses on supporting our customers' needs, with less emphasis on tracking profits from speculative activities driven by price fluctuations. Our deep-rooted stress-testing framework also ensures that our portfolio is not disproportionately exposed to extreme market events.

Operational risk

The Group operational risk management model is in line with global standards, which ensures effective implementation of its operational risk governance framework. The Bank continues to define its operational risk appetite while strengthening monitoring and oversight functions to significantly reduce operational losses and prevent surprises.

Top priorities in 2015 were self-assessment (risk and control self-assessment) and key risk indicators as key tools, as well as the deployment of adequate resources in embedding operational risk management as a culture.

The Board and top management are committed to delivering sustained, consistent and exceptional services to our customers and meeting the expectations of all stakeholders, even in the event of any disruptions. In this regard, emphasis was on building a resilient institution through a robust Business Continuity Management System in line with international best practice.

The Bank successfully maintained its ISO 22301 (Societal Security: Business Continuity Management Standard) certification, having passed the rigorous audit conducted in 2015 by the British Standards Institution (BSI).

Information security risk

In line with information security best practices in ensuring the safety of its customers and staff information and records, the Group has continued to align its processes with International standards such as ISO 27001 and the Payment Card Industry Data Security Standard (PCI DSS). These standards and certifications clearly demonstrate and create an assurance of the confidentiality, integrity and availability of all the Group's information assets, using a risk-based methodology adopted by most Fortune 500 companies.

The Group has continued to maintain its reputation as an institution that has implemented strategy governance models in ensuring the security of its customers, their funds and sensitive information even as cybercrime and threats are on the increase. To ensure that it continually updates its processes and standards in line with the universal trend of threat mitigation, in 2015 the Bank successfully upgraded its ISO 27001 and PCI DSS to the latest standards, implementing value-driven controls that went through the rigorous process of audit and certification.

The Group will continue to focus on emerging risk areas on the internet and ensure that mitigations are duly tested and in place to ensure customers and its infrastructure are safe from all information-related threats.

Environmental and social risks

The Group ensures compliance with the Nigerian Sustainability Banking Principles, particularly in reporting environmental and social performance in operations and in business activities. It does so by ensuring that all transactions funded include adequate provision for actions and costs necessary to prevent, control and mitigate negative impacts on the environment and communities, and to improve environmental quality. New projects being financed by the Bank are, from the onset, structured to meet the requirements of this policy.

CONCLUSION

The Group will proactively assess and manage the risks associated with its different business lines and areas of operations to meet its objectives. Furthermore, business initiatives will be subjected to risk considerations and only implemented when the risks associated with such initiatives are considered fair and acceptable within defined thresholds. Unguarded and uncalculated risk on capital will be avoided, based on our commitment to upholding sound corporate governance, transparency and best-in-class risk management practices.

For more details please refer to the FBN Holdings Plc 2015 Annual Report.

FINANCIAL STATEMENTS

Our financial statements for the year ending 31 December 2015 are prepared according to International Financial Reporting Standards (IFRS).

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DIRECTORS AND ADVISERS

DIRECTORS

Prince Ajibola Afonja	(Chairman) – Retired, 31 December 2015
Ibukun Awosika	(Chairman) – Appointed Chairman, 1 January 2016
Bisi Onasanya	(Group Managing Director/CEO) – Retired, 31 December 2015
Dr Adesola Adeduntan	(Managing Director/CEO) – Appointed MD/CEO, 1 January 2016
Abiodun Odubola	
Adetokunbo Abiru	
Ambrose Feese	
Bello Maccido	Retired, 31 December 2015
Dauda Lawal	
Ebenezer Jolaoso	
Gbenga Shobo	
Ibrahim Waziri	
Dr Ijeoma Jidenma	
Khadijah Alao Straub	Resigned, 29 October 2015
Lawal Ibrahim	
Mahey Rasheed, OFR	Retired, 31 December 2015
Obafemi Otudeko	
Tunde Hassan-Odukale	
UK Eke, MFR	Resigned, 31 December 2015

COMPANY SECRETARY	Olayiwola Yahaya
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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

		Group		Bank	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CONTINUING OPERATIONS					
Interest income	7	**378,790**	349,277	**337,771**	309,936
Interest expense	8	**(119,980)**	(109,722)	**(109,896)**	(94,487)
Net interest income		**258,810**	239,555	**227,875**	215,449
Impairment charge for credit losses	9	**(125,943)**	(25,730)	**(120,046)**	(20,924)
Net interest income after impairment charge for credit losses		**132,867**	213,825	**107,829**	194,525
Fee and commission income	10 (a)	**56,185**	58,499	**45,481**	49,416
Fee and commission expense	10 (b)	**(9,403)**	(6,940)	**(9,441)**	(8,574)
Net gains on foreign exchange income	11	**20,395**	43,284	**17,399**	41,283
Net gains on investment securities	12	**6,072**	837	**13,243**	147
Net gains/(losses) from financial assets classified as held for trading	13	**(556)**	541	**(561)**	541
Dividend income		**1,354**	1,202	**7,340**	3,716
Other operating income	14	**3,350**	1,837	**383**	1,433
Personnel expenses	15 (b)	**(72,888)**	(72,726)	**(63,672)**	(63,011)
Amortisation of Intangible assets	27	**(2,047)**	(1,268)	**(1,330)**	(647)
Depreciation of property, plant and equipment	26	**(10,577)**	(10,531)	**(9,563)**	(9,741)
Other operating expenses	15 (a)	**(114,571)**	(134,108)	**(104,292)**	(127,727)
Profit before tax		**10,181**	94,452	**2,816**	81,361
Income tax expense	16	**(7,235)**	(9,526)	**(2,779)**	(6,186)
Profit for the year from continuing operations		**2,946**	84,926	**37**	75,175
Discontinued operations					
(Loss)/profit for the year from discontinued operations	25	**-**	(84)	**-**	4,176
Profit for the year		**2,946**	84,842	**37**	79,351
Profit attributable to:					
- Owners of the parent		**2,552**	84,827	**37**	79,351
- Non-controlling interests		**394**	15	**-**	-
		2,946	84,842	**37**	79,351
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share:	46				
- From continuing operations		**-**	2.60	**-**	2.30
- From discontinued operations		**-**	-	**-**	0.13
		-	2.60	**-**	2.43

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Group		Bank	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit for the year		2,946	84,842	37	79,351
Other comprehensive income (OCI)					
Items that may be subsequently reclassified to profit or loss					
Net gains/(loss) on available-for-sale financial assets:					
- Unrealised net gains arising during the year, before tax		41,376	1,557	39,547	5,124
- Net reclassification adjustments for realised net gains /(losses), before tax		(1,583)	(2,466)	(1,583)	(2,061)
Exchange difference on translation of foreign operations		630	5,296	-	-
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefits scheme	33	(1,382)	(373)	(1,301)	(408)
Income tax relating to components of other comprehensive income		(374)	804	-	122
Other comprehensive income for the year, net of tax		38,667	4,818	36,663	2,777
Total comprehensive income for the year		41,613	89,660	36,700	82,128
Total comprehensive income attributable to:					
- Owners of the parent		41,219	89,645	36,700	82,128
- Non-controlling interests		394	15	-	-
		41,613	89,660	36,700	82,128
Total comprehensive income attributable to owners of the parent arises from:					
- Continuing operations		41,219	89,729	36,700	82,128
- Discontinued operations	25	-	(84)	-	-
		41,219	89,645	36,700	82,128

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		Group		Bank	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
ASSETS					
Cash and balances with central banks	17	**715,092**	697,601	**679,054**	670,045
Loans and advances to banks	19	**374,511**	430,053	**137,548**	242,842
Loans and advances to customers	20	**1,816,045**	2,193,563	**1,457,285**	1,794,037
Financial assets held for trading	21	**5,049**	10,708	**5,049**	9,258
Investment securities:					
- Available-for-sale investments	22	**724,549**	442,551	**689,577**	404,508
- Held to maturity investments	22	**106,037**	156,353	**92,325**	140,467
Asset pledged as collateral	23	**102,217**	64,527	**100,086**	63,158
Other assets	29	**34,479**	39,457	**18,840**	29,173
Investment in subsidiaries	24	**-**	-	**74,415**	58,986
Property, plant and equipment	26	**82,351**	83,404	**72,810**	74,782
Intangible assets	27	**9,275**	8,103	**4,043**	2,272
Deferred tax	28	**2,923**	2,384	**1,343**	1,343
		3,972,528	4,128,704	**3,332,375**	3,490,871
Asset held for sale	25	**570**	2,931	**-**	-
Total assets		**3,973,098**	4,131,635	**3,332,375**	3,490,871
LIABILITIES					
Deposits from banks	30	**139,052**	163,710	**50,566**	19,246
Deposits from customers	31	**2,905,070**	2,989,735	**2,399,822**	2,551,022
Financial liabilities held for trading	21	**12,121**	9,913	**2,657**	7,946
Current income tax liability	16	**5,790**	8,530	**2,897**	6,558
Other liabilities	34	**152,877**	131,704	**123,020**	103,556
Borrowings	32	**249,892**	362,976	**290,620**	377,950
Retirement benefit obligations	33	**3,709**	2,012	**3,046**	1,546
Deferred tax	28	**63**	38	**-**	-
Total liabilities		**3,468,574**	3,668,618	**2,872,628**	3,067,824

STATEMENT OF FINANCIAL POSITION

	Note	Group 31 Dec 2015 ₦ million	Group 31 Dec 2014 ₦ million	Bank 31 Dec 2015 ₦ million	Bank 31 Dec 2014 ₦ million
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	**163,651**	118,620	**130,787**	87,200
Other reserves	36	**133,387**	137,199	**123,403**	130,290
		502,595	461,376	**459,747**	423,047
Non-controlling interest		**1,929**	1,641	**-**	-
Total equity		**504,524**	463,017	**459,747**	423,047
Total equity and liabilities		**3,973,098**	4,131,635	**3,332,375**	3,490,871

The accompanying notes are an integral part of these consolidated and separate financial statements. The financial statements on pages 120 to 246 were approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on its behalf by:

Ibukun Awosika (Mrs)
Chairman
FRC/2013/IODN/00000003479

Dr Adesola Adeduntan
Executive Director/CFO
FRC/2014/ICAN/00000010466

Ramon Olayiwola
Acting CFO
FRC/2014/ICAN/00000010471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	Attributable to equity holders of the parent										
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million	AFS fair value reserve ₦ million	Statutory credit reserve ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
Balance at 1 January 2014	16,316	189,241	93,584	51,988	6,076	14,228	7,987	2,102	381,522	1,626	383,148
Profit for the year	-	-	84,827	-	-	-	-	-	84,827	15	84,842
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	5,296	5,296	-	5,296
Tax effects on revaluation of financial assets	-	-	122	-	-	682	-	-	804	-	804
Fair value movements on financial assets	-	-	-	-	-	(909)	-	-	(909)	-	(909)
Remeasurements on defined benefits scheme	-	-	(373)	-	-	-	-	-	(373)	-	(373)
Total comprehensive income	-	-	84,576	-	-	(227)	-	5,296	89,645	15	89,660
Transactions with equity holders, recorded directly in equity											
Dividends	-	-	(9,790)	-	-	-	-	-	(9,790)	-	(9,790)
Transfer between reserves	-	-	(49,749)	12,536	-	-	37,213	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(59,539)	12,536	-	-	37,213	-	(9,790)	-	(9,790)
At 31 December 2014	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	**-**	**-**	**2,552**	**-**	**-**	**-**	**-**	**-**	**2,552**	**394**	**2,946**
Other comprehensive income											
Foreign currency translation differences, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**630**	**630**	**-**	**630**
Fair value movements on financial assets						**39,793**			**39,793**	**-**	**39,793**
Remeasurements on defined benefits scheme	**-**	**-**	**(1,382)**	**-**	**-**	**-**	**-**	**-**	**(1,382)**	**-**	**(1,382)**
Income tax relating to components of other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(374)**	**-**	**-**	**(374)**	**-**	**(374)**
Total comprehensive income	**-**	**-**	**1,170**	**-**	**-**	**39,419**	**-**	**630**	**41,219**	**394**	**41,613**
Transactions with equity holders, recorded directly in equity											
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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**	**163,651**	**65,253**	**6,076**	**53,420**	**611**	**8,028**	**502,596**	**1,929**	**504,525**

BANK STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million	AFS fair value reserve ₦ million	Statutory credit reserve ₦ million	Total ₦ million
Balance at 1 January 2014	16,316	189,241	67,166	51,329	6,076	13,063	7,518	350,709
Profit for the year	-	-	79,351	-	-	-	-	79,351
Other comprehensive income								
Fair value movements on financial assets						3,063		3,063
Remeasurements on defined benefits scheme	-	-	(286)	-	-	-	-	(286)
Total comprehensive income	-	-	79,065	-	-	3,063	-	82,128
Transactions with equity holders, recorded directly in equity								
Dividends	-	-	(9,790)	-	-	-	-	(9,790)
Transfer between reserves			(49,241)	11,902	-	-	37,339	-
Total contributions by or distributions to equity holders	-	-	(59,031)	11,902	-	-	37,339	(9,790)
At 31 December 2014	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)
Income tax relating to components of other comprehensive income			-					-
Total comprehensive income	-	-	(1,264)	-	-	37,964	-	36,700
Transactions with equity holders, recorded directly in equity								
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

STATEMENT OF CASH FLOWS

	Note	Group		Company	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash flow generated from/(used in) operations	37	**222,747**	(676,144)	**91,349**	(691,755)
Income taxes paid		**(11,157)**	(30,276)	**(6,440)**	(27,028)
Interest received		**369,734**	342,481	**327,485**	300,537
Interest paid		**(123,363)**	(96,306)	**(106,442)**	(88,418)
Net cash flow generated from/(used in) operating activities		**457,961**	(460,245)	**305,952**	(506,664)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities		**(900,232)**	(405,833)	**(863,807)**	(383,723)
Proceeds from the sale of investment securities		**722,050**	406,794	**687,247**	388,733
Cash and cash equivalent acquired from subsidiary		**-**	191	**-**	0
Additional investment in subsidiaries		**-**	-	**(2,171)**	(4,850)
Dividends received		**1,348**	1,202	**7,340**	3,716
Purchase of property, plant and equipment		**(9,661)**	(15,212)	**(8,059)**	(13,154)
Purchase of intangible assets		**(4,168)**	(2,086)	**(3,101)**	(1,896)
Proceeds on disposal of property, plant and equipment		**258**	654	**255**	591
Net cash used in investing activities		**(190,405)**	(14,290)	**(182,296)**	(10,583)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		**(9,789)**	(39,159)	**(9,790)**	(39,159)
Dividend paid to non-controlling interests		**(106)**	-	**-**	-
Proceeds from new borrowings		**75,846**	309,298	**116,665**	288,179
Repayment of borrowings		**(179,705)**	(71,308)	**(218,435)**	(65,545)
Net cash (used in)/generated from financing activities		**(113,754)**	198,831	**(111,560)**	183,475
Increase/(decrease) in cash and cash equivalents		**153,802**	(275,704)	**12,096**	(333,772)
Cash and cash equivalents at start of year	18	**486,279**	762,421	**373,734**	707,290
Effect of exchange rate fluctuations on cash held		**4,894**	(438)	**638**	216
Cash and cash equivalents at end of year	18	**644,975**	486,279	**386,468**	373,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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 35 Marina, Samuel Asabia House, Lagos, Nigeria.

The principal activities of the Bank are 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 2015 were approved for issue by the Board of Directors on 30 March 2016.

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 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (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

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2015:

Annual improvements to IFRS 2010–2012 cycle and 2011–2013 cycle.

The adoption of the improvements made in the 2010–2013 cycles has resulted in additional disclosure in our segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and are not likely to affect future periods.

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 the 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 2015.

i. IFRS 9 – Financial Instruments (effective 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 yet to assess the full effect of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

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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.

There are no other IFRS 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.

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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement 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 remeasured, and its subsequent settlement are 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 are 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 remeasured 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.

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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 is 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 judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

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

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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 that 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

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

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

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

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

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

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

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

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

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2.8 Inventories

The 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 that 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'.

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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 comprehensive 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 as 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.

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2.9.4 Embedded derivatives

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

2.9.5 Determination of fair value

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, the Nigerian Stock Exchange) 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, London Interbank Offered Rate (LIBOR) yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

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

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

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.7

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

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

The estimated fair value of loans and advances represents an estimation of the value of the loans using average benchmarked lending rates that 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 when the market information becomes available.

2.9.6 Derecognition of financial instruments

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

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2.10 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 current 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.

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 indicates 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.

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2.12 Impairment of financial assets (continued)

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 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 the 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 assets held for sale is measured at fair value gain or loss arising from a change in the fair value of investment property is recognised in the income statement for the period in which it arises.

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2.16 Leases

Leases are divided into finance leases and operating leases.

a The Group is the lessee

(i) Operating lease

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

(ii) Finance lease

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

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.

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 and buildings	2%
Motor vehicles	25%
Office equipment	20%
Computer equipment	33.3%
Plant and machinery	20%
Furniture, fittings and 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.

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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 and improvements cost 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 derecognition 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 that 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 (CGU) that is expected to derive benefit from the synergies of the combination. CGUs 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 CGU 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 programs are recognised as an expense 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.

(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 three 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 the straight-line method over three years, five years and two 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.

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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.

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/or 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.

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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.

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 the 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 to 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).

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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 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 makes 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.
- 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 regularly to the Chief Risk Officer (CRO).

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

a Obligor risk rating (ORR system)

The obligor risk rating grid has a minimum of 10 risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. 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 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	
High likelihood of default	C	9	16.66%-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; and
- 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, which are rated 1-8 from best to worst in order of liquidity, controllability and realisable value.

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Collateral risk rating	Collateral type
1	Cash
2	Treasury bills/Government securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture trust deed/fixed debenture and mortgage debenture
4	Legal mortgage on residential business real estate in prime locations A and B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and 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 Executive Director/Chief Risk Officer.

a Portfolio limits

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

The Group's Portfolio limit includes:

- Maintain aggregate large exposure of not more than 400% of 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; and
  - no more than 10% of the Group's portfolio in any single industry rated ‘B’ or worse.

b Geographical limits

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

c Single obligor limits

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

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3.2.2 Risk limit control and mitigation policies (continued)

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 ₦'000	Non-investment grade ₦'000
1	Board of Directors	>58,000,000	>58,000,000
2	Board Credit Committee	58,000,000	58,000,000
3	Management Credit Committee	30,000,000	15,000,000
4	Group Managing Director + Chief Risk Officer + Business Senior Credit Officer 1/SCO2	10,000,000	3,000,000
5	Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	8,000,000	2,500,000
6	Business Senior Credit Officer 1 + Risk Senior Credit Officer 2	5,000,000	1,000,000
7	Risk Senior Credit Officer 3 + Business Senior Credit Officer 2	500,000	250,000
8	Risk Senior Credit Officer 4 + Business Development Manager/Group Head	100,000	100,000
9	Business Manager + Group Head + Credit Officer	25,000	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.

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 reassessed 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.

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

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

3.2.4 Exposure management

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

3.2.5 Delinquency management/loan workout

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

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 the appointment of a receiver manager, external recovery agent and/or the sale of pledged assets.

3.2.7 Management of concentration risk

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

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

3.2.8 Impairment and provisioning policies

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

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3.2.9 Measurement basis of financial assets and liabilities

Group

31 December 2015	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
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

Group

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	697,601	697,601
Loans and advances to banks	-	-	430,053	430,053
Loans and advances to customers:				
- Overdrafts	-	-	314,112	314,112
- Term loans	-	-	1,792,119	1,792,119
- Staff loans	-	-	7,013	7,013
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Investment securities:				
- Available-for-sale investments	-	442,551	-	442,551
- Held to maturity investments	-	-	156,353	156,353
Asset pledged as collateral	-	19,203	45,324	64,527
Financial assets held for trading	10,708	-	-	10,708
Other assets	-	-	26,728	26,728
Total financial assets	10,708	461,754	3,549,623	4,022,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.9 Measurement basis of financial assets and liabilities (continued)

Group

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,989,735	2,989,735
Deposits from banks	-	-	163,710	163,710
Financial liabilities held for trading	9,913	-	-	9,913
Borrowings	-	-	362,976	362,976
Other liabilities	-	-	129,484	129,484
Total Financial Liabilities	9,913	-	3,645,905	3,655,818

Bank

31 December 2015	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.9 Measurement basis of financial assets and liabilities (continued)

Bank

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	670,045	670,045
Loans and advances to banks	-	-	242,842	242,842
Loans and advances to customers:				
- Overdrafts	-	-	295,257	295,257
- Term loans	-	-	1,473,342	1,473,342
- Staff loans	-	-	6,152	6,152
- Project finance	-	-	16,525	16,525
- Advances under finance lease	-	-	2,761	2,761
Financial assets held for trading	9,258	-	-	9,258
Investment securities:				-
- Available-for-sale investments	-	404,508	-	404,508
- Held to maturity investments	-	-	140,467	140,468
Asset pledged as collateral	-	19,203	43,955	63,158
Other assets	-	-	17,323	17,323
Total financial assets	9,258	423,711	2,908,669	3,341,639
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,551,022	2,551,022
Deposits from banks	-	-	19,246	19,246
Financial liabilities held for trading	7,946	-	-	7,946
Borrowings	-	-	377,950	377,950
Other liabilities	-	-	101,652	101,652
Total financial liabilities	7,946	-	3,049,870	3,057,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

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

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Balances with central banks	638,784	634,295	628,984	625,707
Loans and advances to banks	374,511	430,053	137,548	242,842
Loans and advances to customers:				
– Overdrafts	316,571	314,112	291,349	295,257
– Term loans	1,401,524	1,792,119	1,137,605	1,473,342
– Staff loans	7,703	7,013	6,134	6,153
– Project finance	88,280	77,558	20,230	16,525
– Advances under finance lease	1,967	2,761	1,967	2,761
Financial assets held for trading	5,049	10,708	5,049	9,258
Investment securities - debt:				
– Available-for-sale investments	675,068	400,205	640,257	362,383
– Held to maturity investments	106,037	156,353	92,325	140,467
Asset pledged as collateral	102,217	64,527	100,086	63,158
Other assets	13,206	26,728	7,289	17,323
	3,730,917	3,916,433	3,068,823	3,255,176
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	33,342	90,379	19,015	77,188
Letter of credit and other credit related obligations	421,696	701,997	421,157	642,751
	455,039	792,375	440,173	719,939
Total maximum exposure	4,185,956	4,708,808	3,508,996	3,975,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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 2015 and 31 December 2014. 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 ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
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	-	13,206
31 December 2015	**2,774,649**	**262,177**	**92,348**	**229,398**	**224,053**	**148,293**	**3,730,917**

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

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
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**

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
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 2014	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:

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
Loan commitments	63,409	7,172	10,327	2,239	7,232	-	90,379
Letters of credit and other credit-related obligations	458,546	66,959	46,960	18,602	110,929		701,996
31 December 2014	521,955	74,131	57,287	20,841	118,161	-	792,374

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
Balances with central bank	**628,984**	**-**	**-**	**-**	**-**	**-**	**628,984**
Loans and advances to banks	**43,507**	**-**	**3,350**	**868**	**58,990**	**30,833**	**137,548**
Loans and advances to customers:							
- Overdrafts	**228,300**	**51,958**	**11,091**	**-**	**-**	**-**	**291,349**
- Term loans	**879,226**	**196,230**	**62,149**	**-**	**-**	**-**	**1,137,605**
- Staff loans	**6,134**	**-**	**-**	**-**	**-**	**-**	**6,134**
- Project finance	**6,370**	**2,246**	**11,614**	**-**	**-**	**-**	**20,230**
- 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	**632,256**	**5,384**	**2,617**	**-**	**-**	**-**	**640,257**
– Held-to-maturity investments	**87,276**	**4,919**	**130**	**-**	**-**	**-**	**92,325**
Asset pledged as collateral	**100,086**	**-**	**-**	**-**	**-**	**-**	**100,086**
Other assets	**6,281**	**559**	**450**				**7,289**
31 December 2015	**2,622,278**	**261,857**	**91,433**	**1,171**	**61,252**	**30,833**	**3,068,823**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

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

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
Loan commitments	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**

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
Balances with central bank	625,706	-	-	-	-	-	625,706
Loans and advances to banks	28,650	-	2,717	3,168	185,287	23,020	242,842
Loans and advances to customers:							
- Overdrafts	219,883	58,629	16,745	-	-	-	295,257
- Term loans	1,037,772	332,387	102,839	-	344	-	1,473,342
- Staff loans	6,152	-	-	-	-	-	6,152
- Project finance	6,159	803	9,563	-	-	-	16,525
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets held for trading	904	-	-	-	7,224	1,130	9,258
Investment securities:							
- Available-for-sale investments	358,348	3,235	799	-	-	-	362,382
- Held-to-maturity investments	132,630	7,334	504	-	-	-	140,467
Asset pledged as collateral	63,158	-	-	-	-	-	63,158
Other assets	8,130	8,584	609	-	-	-	17,324
31 December 2014	2,489,530	411,655	133,815	3,168	192,855	24,150	3,255,175

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

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	USA ₦ million	Total ₦ million
Loan commitments	59,689	7,172	10,327	-	-	-	77,188
Letters of credit and other credit-related obligations	427,361	66,959	47,150	1,572	99,709	-	642,751
31 December 2014	487,050	74,132	57,477	1,572	99,709	-	719,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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 ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
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	106,038	102,217	13,206

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	2,687	55,664	-	-	-	58,350
Oil and gas	123,098	419,273	21	34,747	197	577,336
Consumer credit	5,220	134,776	5,567	-	-	145,563
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	88,279	1,967	1,816,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	634,295	430,053	9,804	38,079	5,170	-	21,766
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	904	362,126	150,176	64,527	554
Total at 31 December 2014	634,295	430,053	10,708	400,205	156,353	64,527	26,728

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	679,423	-	33,805	284	843,767
Consumer credit	5,137	163,494	5,592	-	29	174,252
Manufacturing	54,165	294,080	-	18,043	405	366,693
Real estate	20,297	164,114	1,421	-	-	185,832
Construction	32,709	43,257	-	14,322	-	90,288
Finance and insurance	853	15,971	-	1,744	14	18,582
Transportation	3,710	4,316	-	3,851	28	11,905
Communication	2,432	59,384	-	-	-	61,816
General commerce	23,987	69,615	-	209	9	93,820
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,409	1,974	110,014
Public sector	6,199	113,197	-	1,174	18	120,588
Total at 31 December 2014	314,113	1,792,119	7,013	77,557	2,761	2,193,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

Bank

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
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

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	2,446	17,286	-	-	-	19,732
Oil and gas	122,173	402,010	-	2,246	197	526,627
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	1,457,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

Bank

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	625,706	242,842	8,354	6,427	5,170	-	12,361
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	904	355,955	134,290	63,158	554
Total at 31 December 2014	**625,706**	**242,842**	**9,258**	**362,382**	**140,467**	**63,158**	**17,323**

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,412	18,848	-	-	-	20,260
Oil and gas	127,954	644,237	-	2,204	284	774,678
Consumer credit	4,847	161,732	4,731	-	29	171,339
Manufacturing	51,247	158,350	-	-	405	210,001
Real estate	19,628	94,423	1,421	-	-	115,473
Construction	32,288	42,864	-	14,322	-	89,474
Finance and insurance	259	12,778	-	-	14	13,051
Transportation	2,310	1,173	-	-	28	3,510
Communication	1,815	58,523	-	-	-	60,338
General commerce	17,918	52,408	-	-	9	70,335
Utilities	6,797	51,142	-	-	-	57,939
Retail services	22,885	66,092	-	-	1,974	90,951
Public sector	5,895	110,772	-	-	18	116,686
Total at 31 December 2013	295,257	1,473,342	6,152	16,525	2,761	1,794,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

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

Group

	Loan commitments 31 Dec 2015 ₦ million	Letter of credit and other related obligations 31 Dec 2015 ₦ million	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million
Agriculture	-	4,056	138	6,896
Oil and gas	10,026	46,212	19,145	116,243
Consumer credit	-	10	432	24
Manufacturing	6,290	77,589	39,004	171,184
Real estate	891	1,079	1,436	663
Construction	13	63,956	10,923	85,179
Finance and insurance	-	120,593	9	189,320
Transportation	564	1,068	1,686	9,748
Communication	74	1,862	8,218	2,024
General commerce	8,249	37,183	3,341	39,642
Utilities	6,619	45,592	3,911	48,350
Retail services	577	21,419	2,097	29,183
Public sector	39	1,077	39	3,541
Total	33,342	421,696	90,379	701,997

Bank

	Loan commitments 31 Dec 2015 ₦ million	Letter of credit and other related obligations 31 Dec 2015 ₦ million	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million
Agriculture	-	5,317	138	4,340
Oil and gas	5,189	43,106	11,352	114,391
Consumer credit	-	10	432	24
Manufacturing	6,265	96,581	38,988	190,583
Real estate	387	1,043	974	663
Construction	-	64,308	10,923	85,428
Finance and insurance	-	104,227	9	115,449
Transportation	-	955	324	8,987
Communication	-	1,829	7,989	2,024
General commerce	18	35,508	19	39,818
Utilities	6,619	45,592	3,911	48,350
Retail services	497	21,419	2,091	29,153
Public sector	39	1,263	39	3,541
Total	19,015	421,157	77,188	642,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers

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

Group

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

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	300,766	1,691,269	7,081	77,424	1,698	2,078,239
Past due but not impaired	11,087	81,046	-	284	1,058	93,475
Individually impaired	14,571	37,798	-	-	241	52,610
Collectively impaired	3,151	8,977	-	-	46	12,174
Gross	329,576	1,819,090	7,081	77,709	3,043	2,236,498
Less: allowance for impairment (Note 20)	(15,464)	(26,971)	(68)	(151)	(282)	(42,935)
Net	314,112	1,792,119	7,013	77,558	2,761	2,193,563
Specific impairment (see Note 20)	11,845	15,640	-	-	241	27,726
Portfolio allowance (see Note 20)	3,619	11,331	68	151	41	15,210
Total	15,464	26,971	68	151	282	42,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
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	-	86,617
Individually impaired	114,305	211,460	-	-	332	326,097
Collectively impaired	1,209	11,380	-	-	11	12,601
Gross	331,461	1,234,584	6,203	20,367	2,321	1,594,936
Less: allowance for impairment (Note 20)	(40,113)	(96,978)	(69)	(137)	(354)	(137,651)
Net	291,348	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

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	283,576	1,373,529	6,220	16,676	1,698	1,681,700
Past due but not impaired	9,998	79,074	-	-	1,058	90,130
Individually impaired	13,795	36,678	-	-	241	50,714
Collectively impaired	1,354	8,164	-	-	46	9,563
Gross	308,724	1,497,445	6,220	16,676	3,043	1,832,107
Less: allowance for impairment (Note 20)	(13,467)	(24,102)	(68)	(151)	(282)	(38,070)
Net	295,257	1,473,343	6,152	16,525	2,760	1,794,037
Specific impairment (see Note 20)	11,299	14,616	-	-	241	26,155
Portfolio allowance (see Note 20)	2,168	9,486	68	151	41	11,915
Total	13,467	24,102	68	151	282	38,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

Group – 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).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
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
Total	210,781	1,218,842	7,708	76,319	1,977	1,515,626

b Loans and advances past due but not impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
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 by 60-90 days	2,762	8,808	61	373	-	12,003
Gross amount	27,702	59,554	64	12,098	-	99,418

c Collectively impaired loans

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

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	2,941	12,430	1	-	11	15,384

d Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	117,034	216,192	-	-	332	333,558
Specific impairment	39,089	75,109	-	-	322	114,520
Net amount	77,945	141,083	-	-	10	219,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

Group – December 2014

a Loans and advances to customers – neither past due nor impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	4,598	1	-	-	4,740
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	130,344	-	1,404	-	197,753
BB	163,467	870,472	6,323	14,464	1,066	1,055,793
B	69,614	329,111	685	1,973	632	402,014
CCC	-	5,974	-	-	-	5,974
C	1,149	288,852	40	59,583		349,624
Total	300,766	1,691,268	7,081	77,424	1,698	2,078,237

b Loans and advances past due but not impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	10,046	57,356	-	-	996	68,398
Past due by 30-60 days	178	3,035	-	-	-	3,213
Past due by 60-90 days	863	20,655	-	284	62	21,864
Gross amount	11,087	81,046	-	284	1,058	93,474

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

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,151	8,977	-	-	46	12,174

d Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,571	37,798	-	-	241	52,610
Specific impairment	11,845	15,640	-	-	241	27,725
Net amount	2,726	22,158	-	-	-	24,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

Bank – 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).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
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
Total	190,248	962,531	6,204	8,662	1,977	1,169,621

b Loans and advances past due but not impaired

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

d Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	114,305	211,460	-	-	332	326,097
Specific impairment	38,479	72,577	-	-	323	111,379
Net amount	75,825	138,883	-	-	9	214,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

Bank – December 2014

a Loans and advances to customers – neither past due nor impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	1	-	-	-	142
AA	-	8,707	-	-	-	8,707
A	390	44,251	-	-	-	44,641
BBB	66,005	124,363	-	1,404	-	191,772
BB	161,655	864,141	6,197	14,464	1,066	1,047,524
B	55,385	326,093	24	808	632	382,942
CCC	-	5,973	-	-	-	5,973
Total	283,576	1,373,530	6,220	16,676	1,699	1,681,700

b Loans and advances past due but not impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	9,600	57,214	-	-	996	67,809
Past due by 30-60 days	6	2,588	-	-		2,594
Past due by 60-90 days	392	19,272	-	-	62	19,726
Gross amount	9,998	79,074	-	-	1,058	90,129

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

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	1,354	8,164	-	-	46	9,563

d Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	13,795	36,677	-	-	241	50,713
Specific impairment	11,299	14,616	-	-	241	26,155
Net amount	2,497	22,062	-	-	-	24,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.12 Loans and advances to customers (continued)

e Sensitivity analysis on impairment

The loan portfolio of First Bank of 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 PD model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short-term horizon (usually 12 months). A low PD indicates a borrower with good credit quality, while a high PD indicates a borrower with low credit quality and a high likelihood of default.

Loss given default (LGD): The LGD estimates the expected loss on a default account after all recoveries have been 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 were applied.

Approach to sensitivity analysis

In performing the sensitivity analysis, the following two scenarios were considered:

Scenario 1: The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2: The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realising collaterals pledged.

The 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 ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
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
31 DECEMBER 2014			
Overdrafts	10,253	10,638	10,675
Term loans	13,956	15,579	15,813
Staff loans	(102)	(88)	(88)
Project finance	(580)	(550)	(550)
Advances under finance lease	(456)	(433)	(432)
Total	23,071	25,146	25,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2015 and 31 December 2014.

	Group	Bank
	Loans to banks ₦ million	Loans to banks ₦ million
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**
31 DECEMBER 2014		
A+ to A-	254,781	180,615
B+ to B-	108,576	57,587
Unrated	66,697	4,641
	430,054	242,843

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

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

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2015 and 31 December 2014.

Group					
	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
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**
31 DECEMBER 2014					
A+ to A-	-	19,001	-	22,359	937
B+ to B-	308,984	91,423	8,970	165,999	8,316
Unrated	-	-	4,350	-	17,475
	308,984	110,424	13,320	188,357	26,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

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

Bank

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
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
31 DECEMBER 2014					
A+ to A-	-	8,418	-	22,358	975
B+ to B-	302,814	70,353	-	162,064	8,316
Unrated	-	-	-	-	8,032
	302,814	78,771	-	184,422	17,323

3.2.15 Collateralised assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ('over-collateralised assets') and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ('under-collateralised assets'). The effect of collateral at 31 December 2015 and 31 December 2014 are shown below.

(i) Group

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2015				
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
31 DECEMBER 2014				
Financial assets				
Loans and advances to banks	-	-	430,053	19,837
Financial assets held for trading	-	-	10,708	5,983
Total financial assets	-	-	440,761	25,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.2.15 Collateralised assets (continued)

(ii) Bank

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2015				
Financial assets				
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
31 DECEMBER 2014				
Financial assets				
Loans and advances to banks	-	-	242,842	19,837
Financial assets held for trading	-	-	9,258	5,983
Total Financial Assets	-	-	252,100	25,820

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 collateralised:

- Cash and balances with central banks.
- Investment securities:
  - available-for-sale investments; and
  - 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 19 March 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 CBN were compared and shown below:

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Total IFRS impairment losses	(138,442)	(38,866)
Prudential provisions	138,029	83,724
Balance in statutory credit reserve	(413)	44,858
Analysis of the IFRS impairment losses		
Loans: specific impairment (Note 20)	111,378	26,156
Loans: collective impairment (Note 20)	26,273	11,913
Other assets (Note 29)	791	797
Total IFRS impairment losses	138,442	38,866

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3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- active monitoring of the timing of cash flows 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 on page 171.

Table A – Liquidity analysis on a contractual basis

Group	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
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	2,912,997
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	3,513,293
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	76,681	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

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3.3.1 Management of liquidity risk (continued)

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	118,294	42,793	2,623	-	-	-	163,710
Deposits from customers	2,287,945	404,931	69,393	91,319	134,030	9,658	2,997,277
Borrowings	59,211	130,550	7,489	11,624	62,302	164,086	435,262
Other liabilities	70,516	30,464	566	25,966	1,971	-	129,483
Total financial liabilities	2,535,966	608,739	80,071	128,909	198,302	173,744	3,725,731
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	240,924	271,270	210,521	31,470	300,519	114,123	1,168,827

Bank

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
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

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3.3.1 Management of liquidity risk (continued)

Bank

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	19,246	-	-	-	-	-	19,246
Deposits from customers	2,197,510	286,199	52,547	22,307	-	-	2,558,563
Borrowings	61,536	142,515	8,266	11,586	62,302	164,086	450,291
Other liabilities	42,685	30,464	566	25,966	1,971	-	101,652
Total financial liabilities	2,320,977	459,178	61,379	59,859	64,273	164,086	3,129,752
Loan commitments	48	198	433	3,714	16,630	56,166	77,189
Letters of credit and other credit-related obligations	250,700	63,232	20,309	51,171	50,578	206,760	642,750
Total commitments	250,748	63,430	20,742	54,885	67,208	262,926	719,939
Assets held for managing liquidity risk	406,913	73,600	194,554	13,192	158,331	72,228	918,818

Table B – Liquidity analysis on a behavioural basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
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-related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	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
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	78,002	42,793	42,915	-	-	-	163,710
Deposits from customers	465,588	488,305	227,152	281,624	324,473	1,210,135	2,997,277
Borrowings	59,211	130,542	7,489	11,624	62,302	164,086	435,254
Other liabilities	70,516	30,464	566	25,966	1,971		129,483
Total financial liabilities	673,317	692,104	278,122	319,214	388,746	1,374,221	3,725,724
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,375
Assets held for managing liquidity risk	240,924	271,270	210,521	31,470	300,519	114,123	1,168,827

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3.3.1 Management of liquidity risk (continued)

Bank

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
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	19,016
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
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	19,246	-	-	-	-	-	19,246
Deposits from customers	412,437	369,507	172,948	212,750	190,443	1,200,477	2,558,563
Borrowings	61,465	142,515	8,267	11,586	62,302	164,086	450,221
Other liabilities	42,685	30,464	566	25,966	1,971	-	101,652
Total financial liabilities	535,833	542,486	181,781	250,303	254,716	1,364,563	3,129,682
Loan commitments	48	198	433	3,714	16,630	56,166	77,188
Letters of credit and other credit-related obligations	250,700	63,232	20,309	51,171	50,578	206,760	642,750
Total commitments	250,748	63,430	20,742	54,885	67,208	262,926	719,938
Assets held for managing liquidity risk	406,913	73,600	194,554	13,192	158,331	72,228	918,818

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 treasury 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; and
- 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 among Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, while 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 has also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid, shorter dated treasury bills over longer-term bonds, to allow more flexibility in managing liquidity. While on the foreign currency side, the Group has built up placement balances with our offshore correspondents.

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3.3.2 Derivative liabilities

Derivatives settled on a net basis

The put options and the accumulator foreign exchange (FX) contract will be settled on a net basis.

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

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Derivative liabilities							
Accumulator-forward FX contract							-
Put options	(522)	(222)	-	-	(2,691)	-	(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
AT 31 DECEMBER 2014							
Derivative liabilities							
Accumulator-forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,528	-	21,960
	919	2,664	2,881	6,066	9,528	-	22,058
Derivative assets							
Put options	938	2,728	2,842	6,257	9,848	-	22,613
Forward contract	1,011	439	-	-	-	-	1,450
	1,949	3,167	2,842	6,257	9,848	-	24,063
	2,868	5,831	5,723	12,323	19,376	-	46,121

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Derivative liabilities							
Accumulator-forward FX contract	-	-	-	-	-	-	-
Put options	(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

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3.3.2 Derivative liabilities (continued)

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
AT 31 DECEMBER 2014							
Derivative liabilities							
Accumulator-forward FX contract	-		98				98
Put options	919	2,664	2,783	6,066	9,528	-	21,960
	919	2,664	2,881	6,066	9,528	-	22,058
Derivative assets							
Put options	938	2,728	2,842	6,257	9,848	-	22,613
	938	2,728	2,842	6,257	9,848	-	22,613
	1,857	5,392	5,723	12,323	19,376	-	44,671

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 cash flows on all derivatives, including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Total ₦ million
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)**
	147	**(4,842)**	**(218,648)**	**(98,944)**	**-**	**(322,286)**
AT 31 DECEMBER 2014						
Liabilities held for trading						
FX swap – payable	14,777	-	-	-	-	14,777
FX swap – receivable	(14,884)	-	-	-	-	(14,884)
Forward contract – payment	1,169	1,022	162	-	-	2,353
Forward contract – receipt	(376)	-	-	-	-	(376)
	686	1,022	162	-	-	1,870

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3.3.2 Derivative liabilities (continued)

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Total ₦ million
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)	-	-	(336)
AT 31 DECEMBER 2014						
Liabilities held for trading						
FX swap – payable	14,777	-	-	-	-	14,777
FX swap – receivable	(14,884)	-	-	-	-	(14,884)
Forward contract – payment	1,169	-	-	-	-	1,169
Forward contract – receipt	(376)	-	-	-	-	(376)
	686	-	-	-	-	686

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 (CBN), 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 (NSE).

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 (VaR) methodology, stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

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3.4.2 Market risk measurement techniques

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

a Value at risk (VaR)

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

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

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

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

The table below shows the trading VaR of the Bank. The major contributors to the trading VaR are treasury bills and foreign exchange due to volatility in those instruments impacting positions held by the Bank during the period.

The assets included in the VaR analysis are the held-for-trading assets.

The treasury bill trading VaR is ₦250 million as at 31 December 2015 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 ₦731 million as at 31 December 2015, reflecting the new regulatory trading open position of 0.5% of the shareholders' fund stipulated by the CBN.

Bank

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2015			
Foreign exchange risk	**7**	**25**	**-**
Interest rate risk	**354**	**1,155**	**82**
Total VaR	**360**	**1,180**	**82**
12 MONTHS TO 31 DECEMBER 2014			
Foreign exchange risk	12	34	-
Interest rate risk	415	1,286	22
Total VaR	428	1,319	22

b Stress tests

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

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3.4.2 Market risk measurement techniques (continued)

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 rates change.

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 2015 and 31 December 2014. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 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 to customers:						
- 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
	2,311,560	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

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3.4.3 Foreign exchange risk (continued)

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,466	14,526	2,599	4,203	11,807	697,601
Loans and advances to banks	22,453	232,292	147,746	22,959	4,603	430,053
Loans and advances:						
- Overdrafts	186,565	109,295	117	99	18,036	314,112
- Term loans	755,911	884,209	60,655	80,648	10,696	1,792,119
- Staff loans	6,152	-	42	-	819	7,013
- Project finance	15,766	60,048	-	1,743	-	77,558
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities:						
- Available-for-sale investments	373,078	64,330	-	1	5,142	442,551
- Held-to-maturity investments	145,519	-	-	-	10,834	156,353
Asset pledged as collateral	63,159	-	-	-	1,368	64,527
Financial assets held for trading	904	8,354	-	1,450	-	10,708
Other assets	16,754	5,215	238	1	4,520	26,728
	2,253,489	1,378,270	211,397	111,105	67,825	4,022,085
Financial liabilities						
Customer deposits	2,037,521	529,284	340,812	8,115	74,003	2,989,735
Deposits from banks	13,086	126,205	18,416	5,897	105	163,710
Financial liabilities held for trading	58	9,722	-	133	-	9,913
Borrowings	30,414	327,488	105	958	4,011	362,976
Other liabilities	78,273	20,240	21,724	3,433	5,814	129,484
	2,159,353	1,012,939	381,057	18,536	83,933	3,655,818

Bank

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2015						
Financial assets						
Cash and balances with central banks	**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 to customers:						
- 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**

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3.4.3 Foreign exchange risk (continued)

Bank

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
Other assets	3,654	3,274	8	18	336	7,289
	2,342,756	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
	2,140,893	706,401	10,150	6,671	442	2,864,558
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,452	4,238	827	525	3	670,045
Loans and advances to banks	22,081	174,600	33,210	11,688	1,263	242,842
Loans and advances:						
- Overdrafts	186,895	108,305	7	51	-	295,257
- Term loans	755,267	717,731	-	344	-	1,473,342
- Staff loans	6,152	-	-	-	-	6,152
- Project finance	15,766	759	-	-	-	16,525
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities:						
- Available-for-sale investments	371,831	32,677	-	-	-	404,508
- Held-to-maturity investments	140,467	-	-	-	-	140,467
Asset pledged as collateral	63,158	-	-	-	-	63,158
Financial assets held for trading	904	8,354	-	-	-	9,258
Other assets	12,096	5,215	11	1	0	17,323
	2,241,829	1,051,879	34,055	12,609	1,266	3,341,638
Financial liabilities						
Customer deposits	2,030,463	505,144	9,827	5,588	0	2,551,022
Deposits from banks	13,087	6,131	-	24	3	19,246
Financial liabilities held for trading	58	7,755	-	133	-	7,946
Borrowings	30,416	346,227	256	1,029	22	377,950
Other liabilities	76,731	20,240	553	3,433	695	101,652
	2,150,754	885,497	10,636	10,207	721	3,057,815

The Group is primarily exposed to the US dollar and the British pound (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 believes that a 5% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses include outstanding US dollar and GBP denominated financial assets and liabilities. A positive number indicates an increase in profit where the naira weakens by 5% against the US dollar and GBP. For a 5% strengthening of the naira against the US dollar and GBP, there would be an equal and opposite impact on profit.

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	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Naira strengthens by 5% against the US dollar profit/(loss)	(18,863)	(18,267)	(4,620)	(8,319)
Naira weakens by 5% against the US dollar profit/(loss)	18,863	18,267	4,620	8,319
Naira strengthens by 5% against the GBP profit/(loss)	11,844	(4,628)	(290)	(120)
Naira weakens by 5% against the GBP profit/(loss)	(11,844)	4,628	290	120

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 re-pricing and value at risk (VaR) that may be undertaken, which is monitored daily by the ALCO.

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

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
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
	3,856,707	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

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3.4.4 Interest rate risk (continued)

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	697,601	8,238	7,500	681,863
Loans and advances to banks	430,053	207,842	43,777	178,434
Loans and advances:				
- Overdrafts	314,112	314,112	-	-
- Term loans	1,792,119	1,792,119	-	-
- Staff loans	7,013	-	7,013	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
– Available-for-sale investments	442,551	-	400,206	42,345
– Held-to-maturity investments	156,353	-	156,353	-
Assets pledged as collateral	64,527	-	64,527	-
Financial assets at fair value through profit or loss	10,708	-	2,354	8,354
Other assets	26,728	-	-	26,728
	4,022,085	2,402,630	681,730	937,724
Financial liabilities				
Customer deposits	2,989,735	1,360,118	1,084,852	544,765
Deposits from banks	163,710	144,599	9,100	10,011
Financial liabilities held for trading	9,913	-	-	9,913
Borrowings	362,976	185,000	177,976	-
Other liabilities	129,484	-	-	129,484
	3,655,818	1,689,717	1,271,928	694,173
Interest rate mismatch		712,913	(590,198)	243,551

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3.4.4 Interest rate risk (continued)

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

Bank

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2015				
Financial assets				
Cash and balances with central banks	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
	2,864,559	1,362,444	913,357	588,757
Interest rate mismatch		88,707	(7,232)	222,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4.4 Interest rate risk (continued)

Bank

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	670,045	-	7,500	662,545
Loans and advances to banks	242,842	36,105	28,332	178,405
Loans and advances:				
- Overdrafts	295,257	295,257	-	-
- Term loans	1,473,342	1,473,342	-	-
- Staff loans	6,152	-	6,152	-
- Project finance	16,525	16,525	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
- Available-for-sale investments	404,508	-	362,383	42,125
- Held-to-maturity investments	140,467	-	140,467	-
Assets pledged as collateral	63,158	-	63,158	-
Financial assets held for trading	9,258	-	904	8,354
Other assets	17,323	-	-	17,323
	3,341,638	1,823,990	608,897	908,752
Financial liabilities				
Customer deposits	2,551,022	1,344,143	713,611	493,268
Deposits from banks	19,246	136	9,100	10,010
Financial liabilities held for trading	7,946	-	-	7,946
Borrowings	377,950	205,716	172,234	-
Other liabilities	101,652	-	-	101,652
	3,057,815	1,549,995	894,945	612,876
Interest rate mismatch		273,995	(286,049)	295,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4.4 Interest rate risk (continued)

Interest rate sensitivity gap analysis

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

	<=30 days ₦ billion	31-90 days ₦ billion	91-180 days ₦ billion	181-365 days ₦ billion	1-2 years ₦ billion	Over 2 years ₦ billion	Rate sensitive ₦ billion
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 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.

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

Reasonable possible movement

	Bank	
	31 Dec 2015	31 Dec 2014
NIBOR increases by 7% profit/(loss)	35,530	(10,810)
NIBOR decreases by 7% profit/(loss)	(32,649)	19,086
USD LIBOR increases by 3% profit/(loss)	13,140	16,435
USD LIBOR decreases by 3% profit/(loss)	(18,831)	(17,938)
EURIBOR increases by 3% profit/(loss)	1,981	(22)
EURIBOR decreases by 3% profit/(loss)	2,253	(5)

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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 are 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 2015, the market value of quoted securities held by the Group is ₦1 billion (2014: ₦1.47 billion). If the All-Share Index of the NSE moves by 1,851 basis points from the 28,642 position at 31 December 2015, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦190 million.

The Group holds a number of investments in unquoted securities with a market value of ₦48.72 billion (2014: ₦40.65 billion), of which investments in African Finance Corporation (AFC) (54%) and Airtel Nigeria Ltd (42%) are the significant holdings. These investments were valued at ₦26.47 billion (cost ₦12.7 billion) and ₦20.24billion (cost ₦2.9 billion) respectively as at 31 December 2015. AFC is a private sector-led investment bank and development finance institution which has the CBN 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 services 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 the fair value at the reporting date. There was no transfer between levels during the year.

Recurring fair value measurement

Group	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
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

Group	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets held for trading				
Debt securities	604	300	-	904
Derivatives	-	9,804	-	9,804
Available-for-sale financial assets				
Investment securities – debt	349,546	50,659	-	400,205
Investment securities – unlisted equity	-	-	40,722	40,722
Investment securities – listed equity	1,623	-	-	1,623
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities held for trading				
Derivatives	-	9,913	-	9,913

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3.6 Fair value of financial assets and liabilities (continued)

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
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

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Financial assets held for trading				
Listed debt securities	604	300	-	904
Derivatives	-	8,354	-	8,354
Available-for-sale financial assets				
Investment securities – debt	317,985	44,397	-	362,382
Investment securities – unlisted equity	-	-	40,655	40,655
Investment securities – listed equity	1,470	-	-	1,470
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities held for trading				
Derivatives	-	7,946	-	7,946

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; and

c other techniques, such as discounted cash flow analysis and sales prices of comparable proprties in close proximity, are used to determine fair value for the remaining financial instruments.

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3.6 Fair value of financial assets and liabilities (continued)

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 2014	31,659
Transfer out of Level 3 due to availability of market data	67
Total losses recognised through other comprehensive income (OCI)	8,996
At 31 December 2014	40,722
Sales	**(21)**
Realised gain on sale	**(3,709)**
Total gains/(losses) recognised through OCI	**11,508**
Transfer out of Level 3 due to change in observability of market data	**(100)**
At 31 December 2015	**48,400**

During the year ended 31 December 2015, 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.

	Bank
At 1 January 2014	31,659
Transfer out of Level 3 due to availability of market data	-
Total losses recognised through OCI	8,996
At 31 December 2014	40,655
Sales	(21)
Realised gain on sale	(3,709)
Total gains/(losses) recognised through OCI	**11,508**
At 31 December 2015	**48,433**

Total gains or losses for the period included in profit or loss are presented in net gains/(losses) on investment securities.

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	25% 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/E multiples	10% 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.7 Financial instruments not measured at fair value

a. The table below shows the carrying value of financial assets not measured at fair value.

Fair value hierachy

Group	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
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
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	-	697,601	-	697,601
Loans and advances to banks	-	430,053	-	430,053
Loans and advances to customers:				
- Overdrafts	-		314,112	314,112
- Term loans			1,792,119	1,792,119
- Staff loans	-	-	7,013	7,013
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	110,139	46,214	-	156,353
Asset pledged as collateral	43,962	1,362	-	45,324
Other assets	-	26,728	-	26,728
Deposit from customers	-	2,989,735	-	2,989,735
Deposit from bank	-	163,710	-	163,710
Borrowing	141,819	221,157	-	362,976
Other liabilities	-	129,484	-	129,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

3.7 Financial instruments not measured at fair value (continued)

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
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
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	-	670,045	-	670,045
Loans and advances to banks	-	242,842	-	242,842
Loans and advances to customers:				
- Overdrafts	-		295,257	295,257
- Term loans			1,473,342	1,473,342
- Staff loans	-	-	6,152	6,152
- Project finance	-	-	16,525	16,525
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	105,087	35,380	-	140,467
Asset pledged as collateral	43,955	-	-	43,955
Other assets	-	17,323	-	17,323
Deposit from customers	-	2,551,022	-	2,551,022
Deposit from bank	-	19,246	-	19,246
Borrowing	141,819	236,131	-	377,950
Other liabilities	-	101,652	-	101,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.7 Financial instruments not measured at fair value (continued)

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

Group

	At 31 December 2015		At 31 December 2014	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers:	7,682	5,543	7,013	4,989
- Fixed-rate loans	1,808,363	1,808,363	2,186,550	2,186,550
- Variable-rate loans	106,037	103,463	156,353	124,566
Investment securities (held to maturity)	82,019	51,899	45,324	30,649
Asset pledged as collateral	33,342	33,342	90,379	90,379
Financial liability				
Borrowings	249,892	228,678	362,976	350,437

Bank

	At 31 December 2015		At 31 December 2014	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers:				
- Fixed-rate loans	6,134	4,387	6,152	4,377
- Variable-rate loans	1,451,151	1,451,151	1,787,885	1,787,885
Investment securities (held to maturity)	92,325	89,752	140,467	108,580
Asset pledged as collateral	79,888	49,767	43,955	29,281
Financial liability				
Borrowings	290,620	269,373	377,950	365,343

Investment securities have been fair valued using market prices and are within Level 1 of the fair value hierarchy.

Loans and advances have been fair valued using average benchmarked lending rates that were adjusted to specific entity risks based on history of losses.

Borrowings listed on the 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 the Group approximate their fair values:

- Cash and balances with central banks.
- Loans and advances to banks.
- Other assets (excluding pre-payments).
- Deposits from banks.
- Deposits from customers.
- Other liabilities (excluding provisions and accruals).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

4. CAPITAL MANAGEMENT

The Group’s objectives in managing capital are (i) to comply with the capital requirements set by the CBN, (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 that proactively evaluates capital needs vis-à-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; the 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 1 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 underprovisions 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 331/3% of tier 1 capital.

The CBN prescribed a minimum limit of 15% of total qualifying capital/total risk-weighted assets as a measure of the capital adequacy of banks with an 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 ALCO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

4. Capital management (continued)

The table below summarises the Basel II capital adequacy ratio for 2015 and 2014. 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		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
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	65,253	64,524	63,237	63,231
Non-controlling interest	1,929	1,641	-	-
SMEEIS reserves	6,076	6,076	6,076	6,076
Retained earnings	163,651	118,620	130,787	87,200
Less: goodwill/deferred tax	(12,198)	(6,736)	(5,386)	(1,343)
Less: excess over single obligor limit	(29,181)	-	(29,181)	-
Less: loan to subsidiary	-	-	-	(14,541)
Less: investment in unconsolidated subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 1 capital	401,087	389,682	333,883	316,687
Tier 2 capital				
Fair value reserve	53,420	14,001	54,090	16,126
Other borrowings	152,434	141,819	152,434	141,819
Total tier 2 capital	205,854	155,820	206,524	157,945
Tier 2 capital restriction	143,423	132,139	133,424	120,688
Less: investment in unconsolidated subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 2 capital	143,423	132,139	96,216	91,195
Total regulatory capital	544,510	521,821	430,099	407,882
RISK-WEIGHTED ASSETS				
Credit risk	2,290,972	2,641,045	1,843,587	2,131,421
Operational risk	596,956	485,259	538,277	453,746
Market risk	136,422	46	136,422	46
Total risk-weighted assets	3,024,349	3,126,350	2,518,285	2,585,214
Risk-weighted capital adequacy ratio (CAR)	18.00%	16.69%	17.08%	15.78%
TIER I CAR	13.26%	12.46%	13.26%	12.25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

a Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, as experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that have been deemed to be impaired, Management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collaterised.

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

The use of historical loss experience is supplemented with significant Management judgement 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 is 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. Since models use only observable data, 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 ₦2.5 billion 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

5 Significant accounting judgements, estimates and assumptions (continued)

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 35, '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 (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 27 for detailed information on impairment assessment performed on the CGU.

Impairment charges of ₦630 million and ₦242 million arose in FBNBank The Gambia and FBNBank Senegal respectively during the course of the year 2015. Both entities form part of the unreportable segment shown as Others. The impairment was attributable to the general economic downturn in both economies.

6 SEGMENT INFORMATION

Operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (MANCO) – the chief operating decision-maker – which is responsible for allocating resources to the operating segments and assessing their 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.

Institutional Banking

The Institutional Banking segment is the top end of the business banking value chain and consists of the largest organisations across our target industries, i.e., oil and gas, conglomerates and services, manufacturing, telecommunications, transport, financial institutions/ multilaterals, construction and infrastructure.

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; and
- 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 MANCO. This segment also includes the corporate office (excluding Treasury Services) and the Public Sector, which is no longer a reportable segment.

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 MANCO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

6 Segment information (continued)

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 MANCO for the reportable segments for the year ended 31 December 2015 is as follows:

	Institutional Banking ₦ million	Corporate Banking ₦ million	Retail Banking ₦ million	Public Sector ₦ million	Treasury Services ₦ million	Others ₦ million	Total ₦ million
AT 31 DECEMBER 2015							
Total segment revenue	85,361	116,652	138,887	110,389	451,289	14,300	465,590
Inter-segment revenue	(26,146)	(30,104)	129,552	(70,863)	2,438	(2,438)	-
Revenue from external customers	59,215	86,547	268,438	39,526	453,726	11,863	465,590
Profit/(loss) before tax	44,606	44,157	156,874	34,172	279,808	(269,624)	10,184
Income tax expense	(44,023)	(41,103)	(154,825)	(32,355)	(272,307)	265,073	(7,234)
Profit for the year	582	3,054	2,048	1,816	7,501	(4,552)	2,950
Impairment charge on credit losses	(18,452)	(29,201)	(44,878)	-	(92,531)	(32,894)	(125,425)
Impairment charge on doubtful receivables	-	-	-	-	-	(517)	(517)
Impairment charge on goodwill	-	-	-	-	-	(872)	(872)
Depreciation	-	-	-	-	-	(10,577)	(10,577)

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.

	Institutional Banking ₦ million	Corporate Banking ₦ million	Retail Banking ₦ million	Public Sector ₦ million	Treasury Services ₦ million	Others ₦ million	Total ₦ million
AT 31 DECEMBER 2015							
Total assets	625,012	863,542	295,832	815,747	2,600,132	1,372,966	3,973,098
Other measures of assets:							
Loans and advances to customers	625,012	863,542	295,832	-	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	830,587
Total liabilities	495,858	809,867	1,936,582	2,658	3,244,964	223,611	3,468,575
AT 31 DECEMBER 2014							
Total segment revenue	61,201	84,790	255,313	26,816	428,120	27,356	455,477
Inter-segment revenue	21,356	21,247	(99,113)	61,459	4,948	(4,948)	-
Revenue from external customers	82,557	106,037	156,200	88,275	433,068	22,408	455,477
Profit/(loss) before tax	37,009	46,785	160,317	24,024	268,136	(173,684)	94,454
Income tax expense	-	(1,867)	-	(156)	(2,023)	(7,503)	(9,526)
Profit for the year	37,009	44,918	160,317	23,868	266,113	(181,186)	84,928
Impairment charge on credit losses	(561)	(13,797)	(8,563)	-	(22,921)	(4,927)	(27,848)
Impairment charge on doubtful receivables	-	-	-	-	-	(17)	(17)
Depreciation	-	-	-	-	-	(10,531)	(10,531)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

6 Segment information (continued)

	Institutional Banking ₦ million	Corporate Banking ₦ million	Retail Banking ₦ million	Public Sector ₦ million	Treasury Services ₦ million	Others ₦ million	Total ₦ million
AT 31 DECEMBER 2014							
Total assets	677,724	1,009,334	455,924	391,447	2,534,429	1,597,206	4,131,635
Other measures of assets:							
Loans and advances to customers	677,724	1,009,334	455,924	-	2,142,982	50,581	2,193,563
Expenditure on non-current assets	-	-	-	-	-	83,403	83,403
Investment securities	-	-	-	391,447	391,447	207,456	598,903
Total liabilities	310,118	669,969	1,984,847	-	2,964,934	703,684	3,668,618

Geographical information

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
REVENUES		
Nigeria	**413,731**	414,314
Outside Nigeria	**51,859**	41,162
Total	**465,590**	455,477
NON-CURRENT ASSET		
Nigeria	**74,819**	76,590
Outside Nigeria	**7,534**	6,814
Total	**82,353**	83,403

7 INTEREST INCOME

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Investment securities	**87,426**	79,627	**83,708**	69,516
Loans and advances to banks	**18,571**	14,071	**11,222**	8,044
Loans and advances to customers	**272,793**	255,579	**242,841**	232,376
	378,790	349,277	**337,771**	309,936

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 ₦25.97 billion (2014: ₦0.598 billion) and Bank ₦25.34 billion (2014: ₦0.499 billion).

8 INTEREST EXPENSE

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Customer deposits	**101,549**	89,085	**91,091**	81,788
Deposits from banks	**3,365**	2,713	**2,732**	2,248
Borrowings	**15,066**	17,924	**16,073**	10,451
	119,980	109,722	**109,896**	94,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Loans and advances to customers (see Note 20)				
Increase in collective impairment	**23,932**	2,960	**19,974**	2,343
Increase in specific impairment	**103,574**	24,888	**101,441**	20,727
	127,506	27,848	**121,415**	23,070
Net recoveries on loans previously written off	**(2,080)**	(2,135)	**(1,887)**	(2,089)
Other assets (see Note 29.1)				
Increase/(decrease) in impairment	**517**	17	**518**	(57)
	125,943	25,730	**120,046**	20,924

The Group Impairment charge in the financial year ended December 2015 stood at ₦125.94 billion from ₦25.73 billion recorded in December 2014. 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 based on the sharp decline in global oil prices and the volatile macro environment coupled with fiscal and monetary headwinds which have resulted in a 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.

10a FEE AND COMMISSION INCOME

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Credit-related fees	**5,698**	2,435	**4,775**	1,374
Commission on turnover	**12,655**	15,284	**10,279**	15,270
Letters of credit commissions and fees	**3,826**	6,636	**2,724**	5,327
Electronic banking fees	**15,371**	11,465	**15,371**	11,465
Money transfer commission	**3,154**	2,195	**3,085**	2,177
Commission on bonds and guarantees	**1,488**	1,146	**1,475**	1,131
Funds transfer and Intermediation fees	**4,530**	5,086	**2,934**	3,171
Account maintenance	**3,333**	8,344	**3,333**	7,749
Brokerage and intermediations	**882**	1,120	**834**	1,076
Custodian fees	**4,182**	3,511	**-**	-
Other fees and commissions	**1,066**	1,277	**671**	676
	56,185	58,499	**45,481**	49,416

10b FEE AND COMMISSION EXPENSE

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
	9,403	6,940	**9,441**	8,574

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.

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11 NET GAINS/(LOSSES) ON FOREIGN EXCHANGE INCOME

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Revaluation gain on foreign currency balances	9,079	29,174	7,879	28,607
Foreign exchange trading income	11,316	14,110	9,520	12,676
	20,395	43,284	17,399	41,283

The revaluation gain in 2015 is due to exchange rate movements on the Bank's long foreign currency balance sheet position as at 31 December 2015.

12 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Equity securities	4,932	769	4,929	91
Debt securities	8,291	68	8,314	56
Impairment of available-for-sale financial assets	(7,151)	-	-	-
	6,072	837	13,243	147

The Group's ₦7.2 billion impairment on available-for-sale financial assets was on corporate bonds issued by an oil and gas issuer that 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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fair value gain on derivatives	776	569	776	569
Trading income on debt securities	4	-	-	-
Fair value loss on debt securities	(1,336)	(28)	(1,337)	(28)
	(556)	541	(561)	541

14 OTHER OPERATING INCOME

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
(Loss)/profit on sale of property, plant and equipment	(179)	382	(171)	401
Other income	3,529	1,455	554	1,032
	3,350	1,837	383	1,433

Other operating income largely comprises income made by the Group from private banking services.

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15a OPERATING EXPENSES

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Auditors' remuneration	528	315	360	250
Directors' emoluments	4,679	5,340	3,415	4,311
Regulatory cost	30,073	30,159	29,518	29,809
Maintenance	18,745	19,079	17,616	18,668
Insurance premium	1,349	1,729	1,349	1,333
Rent and rates	3,623	4,025	2,801	3,670
Advert and corporate promotions	7,345	11,783	7,073	11,629
Legal and professional fees	3,570	2,109	2,645	1,531
Donations and subscriptions	1,242	1,792	671	1,458
Stationary and printing	2,273	2,195	1,974	1,973
Consultancy fees	942	1,966	789	1,676
Communications, lights and power	6,745	6,106	6,137	5,986
Cash handling charges	3,522	3,042	3,405	3,016
Operational and other losses	2,194	18,488	1,264	16,950
Passages and travel	5,224	5,058	4,692	5,054
Outsourced costs	15,548	12,248	14,896	12,248
Impairment of investment in subsidiaries	-	-	1,927	2,121
Other operating expenses	6,969	8,674	3,760	6,044
	114,571	134,108	104,292	127,727

15b PERSONNEL EXPENSES

Wages and salaries	64,489	67,625	55,738	58,298
Pension costs:				
- Defined Contribution plans	2,389	2,711	2,327	2,463
- Defined Benefit plans (Note 33)	254	166	199	26
- Other employee benefits	5,756	2,224	5,408	2,224
	72,888	72,726	63,672	63,011

16 TAXATION

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Corporate tax	6,418	6,161	2,758	2,937
Education tax	75	-	-	-
Technology tax	26	814	21	814
Under provision in prior years	1,229	-	-	-
Current income tax – current period	7,748	6,975	2,779	3,752
Origination and reversal of temporary deferred tax differences	(513)	2,551	-	2,434
Income tax expense	7,235	9,526	2,779	6,186

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16 Taxation (continued)

Bank

	2015		2014	
	₦ million	%	₦ million	%
Profit before income tax	**10,181**		94,368	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%; 2014: 30%)	**3,055**	30	28,310	30
Effect of tax rates in foreign jurisdictions	**370**	4	(129)	0
Non-deductible expenses	**36,364**	357	17,090	18
Effect of education tax levy	**75**	1	-	0
Effect of Information technology	**26**	0	814	1
Effect of capital gains tax	**-**	0	-	0
Effect of minimum tax	**2,779**	27	21	0
Effect of national fiscal levy	**82**	1	22	0
Effect of excess dividend tax	**-**	0	403	0
Tax exempt income	**(36,280)**	(356)	(36,797)	(39)
Effect of disposal of items of PPE	**-**	0	-	0
Effect of change in PBT due to IFRS adjustments	**-**	0	-	0
Tax incentives	**(206)**	(2)	(230)	0
Tax loss effect	**-**	0	-	0
(Over)/under provided in prior years	**1,208**	12	-	0
Effect of prior period adjustment on deferred tax	**(238)**	(2)	22	0
Total income tax expense in income statement	**7,235**	71	9,525	10
Income tax expense	**7,235**	71	9,525	10

Bank

	2015		2014	
	₦ million	%	₦ million	%
Profit before income tax	**2,816**		85,537	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%; 2014: 30%)	**845**	30	25,661	30
Non-deductible expenses	**34,836**	1237	16,292	19
Effect of Information technology	**21**	1	814	1
Effect of minimum tax	**2,758**	98	-	0
Effect of excess dividend tax	**-**	0	402	0
Tax exempt income	**(35,529)**	(1262)	(36,754)	(43)
Tax incentives	**(152)**	(5)	(230)	0
Total income tax expense in income statement	**2,779**	99	6,186	7
Income tax expense	**2,779**	99	6,186	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

16 Taxation (continued)

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
The movement in the current income tax liability is as follows:				
At start of the year	**8,530**	31,633	**6,558**	29,836
Effect of adjustment on acquired entities	**-**	3	**-**	-
Tax paid	**(9,293)**	(30,276)	**(5,189)**	(27,029)
Withholding tax credit utilised	**-**	(11)	**-**	-
Prior period (over)/under provision	**(41)**	-	**(1,251)**	-
AFS securities revaluation tax charge/(credit)	**-**	(682)	**-**	-
Income tax charge	**6,519**	6,975	**2,779**	3,751
Effect of changes in exchange rate	**75**	888	**-**	-
At 31 December	**5,790**	8,530	**2,897**	6,558
Current	**5,790**	8,530	**2,897**	6,558

17 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash	**76,308**	63,306	**50,070**	44,338
Balances with central banks excluding mandatory reserve deposits	**161,868**	71,058	**155,866**	65,630
	238,176	134,364	**205,936**	109,968
Mandatory reserve deposits with central banks	**476,916**	563,237	**473,118**	560,077
	715,092	697,601	**679,054**	670,045

Included in balances with central banks is a call placement of ₦7.5 billion for Group and Bank (31 December 2014: ₦7.5 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 ₦473.12 billion with the CBN as at 31 December 2015 (December 2014: ₦560.1 billion). This balance is the CBN cash reserve requirement. The cash reserve ratio represents a mandatory 20% of qualifying deposits (December 2014 :15% of non-government deposits and 75% of government deposit), which should be held with the CBN as a regulatory requirement. The Group balance of mandatory reserve deposit also includes restricted balances of ₦1.090 billion and ₦1.878 billion (December 2014: ₦0.968 billion and ₦1.407 billion) for FBNBank Ghana and FBNBank 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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash (Note 17)	**76,308**	63,306	**50,070**	44,338
Balances with central banks other than mandatory reserve deposits (Note 17)	**161,868**	71,058	**155,866**	65,630
Loans and advances to banks excluding long-term placements (Note 19)	**345,823**	290,692	**122,635**	212,679
Treasury bills included in financial assets held for trading (Note 21)	**761**	174	**761**	174
Treasury bills and eligible bills excluding pledged treasury bills (Notes 22.1 and 22.2)	**60,215**	61,049	**57,136**	50,913
	644,975	486,279	**386,468**	373,734

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19 LOANS AND ADVANCES TO BANKS

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current balances with banks within Nigeria	**128,925**	52,962	**30,257**	3,478
Current balances with banks outside Nigeria	**117,664**	156,808	**75,778**	171,567
Placements with banks and discount houses	**99,234**	80,922	**16,600**	37,634
	345,823	290,692	**122,635**	212,679
Long-term placement	**28,688**	139,361	**14,913**	30,163
Carrying amount	**374,511**	430,053	**137,548**	242,842

Included in loans to banks is a non-current placement of ₦28.68 billion for Group and ₦14.91 billion for Bank (31 December 2014: ₦139.36 billion for Group and ₦30.16 billion for Bank), which does not qualify as cash and cash equivalent.

All other loans to banks are due within three months.

20 LOANS AND ADVANCES TO CUSTOMERS

Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
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**
31 DECEMBER 2014					
Overdrafts	329,576	11,845	3,619	15,464	314,112
Term loans	1,819,090	15,640	11,331	26,971	1,792,119
Staff loans	7,081	-	68	68	7,013
Project finance	77,709	-	151	151	77,558
	2,233,456	27,485	15,169	42,654	2,190,802
Advances under finance lease	3,043	241	41	282	2,761
	2,236,499	27,726	15,210	42,936	2,193,563

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20 Loans and advances to customers (continued)

Bank

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
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
31 DECEMBER 2014					
Overdrafts	308,724	11,299	2,168	13,467	295,257
Term loans	1,497,444	14,616	9,486	24,102	1,473,342
Staff loans	6,220	-	67	67	6,153
Project finance	16,676	-	151	151	16,525
	1,829,064	25,915	11,872	37,787	1,791,276
Advances under finance lease	3,043	241	41	282	2,761
	1,832,107	26,156	11,913	38,069	1,794,037

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	897,523	1,196,808	720,220	989,639
Non-current	918,522	996,755	737,066	804,398
	1,816,045	2,193,563	1,457,285	1,794,037

20a CBN/Bank of Industry facilities

Included in Loans and advances to customers are term loans granted to customers in line with the CBN's ₦200 billion intervention fund 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 Scheme (CACS)

This relates to the balance on term loan facilities granted to customers under the CBN's Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of seven years at 9% interest per annum. These balances are included in the Loans and advances.

CBN On-Lending Bail-Out Fund

This relates to term loans granted to state governments in line with the CBN's ₦338 billion special intervention fund for financing the payment of backlog of staff salaries in states of the federation. The facilities were granted at 9% per annum for tenors ranging from 10 to 20 years.

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CBN/Bank of Industry	44,215	14,514
CBN/Commercial Agriculture Credit Scheme	11,998	13,733
CBN/On-Lending Bail-Out Fund	25,652	-

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20 Loans and advances to customers (continued)

Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2015					
Specific impairment	11,846	15,640	241	0	27,727
Collective impairment	3,617	11,330	42	219	15,207
	15,463	26,970	283	219	42,934
Additional provision/(write-back)					
Specific impairment	38,080	65,412	82		103,574
Collective impairment	81	23,825	37	(12)	23,932
	38,161	89,237	119	(12)	127,506
Exchange difference					
Specific impairment	(47)	276	-	-	229
Collective impairment	(104)	4	-	-	(100)
Loans written off					
Specific impairment	(10,789)	(6,220)	-	-	(17,009)
Collective impairment	(796)	(4,774)	(48)	-	(5,618)
At 31 December 2015	41,888	105,493	354	207	147,942
Specific impairment	39,090	75,108	323	-	114,521
Collective impairment	2,798	30,385	31	207	33,421
	41,888	105,493	354	207	147,942
AT 1 JANUARY 2014					
Specific impairment	10,465	9,393	696	31	20,585
Collective impairment	4,058	19,587	72	916	24,633
	14,523	28,980	768	947	45,218
Additional provision/(write-back)					
Specific impairment/(write-back)	7,490	16,409	(455)	(31)	23,413
Collective impairment/(write-back)	2,918	2,213	1	(697)	4,435
	10,408	18,622	(454)	(728)	27,848
Loans written off					
Specific impairment	(6,444)	(10,239)	-	-	(16,683)
Collective impairment	(3,359)	(10,470)	(31)	-	(13,860)
Acquisition through business combination (specific impairment)	335	77			412
At 31 December 2014	15,463	26,970	282	219	42,934
Specific impairment	11,846	15,640	241	-	27,727
Collective impairment	3,617	11,330	42	219	15,208
	15,463	26,970	283	219	42,935

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20 Loans and advances to customers (continued)

Bank

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
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/(write-back)					
Specific impairment	37,598	63,762	82	-	101,442
Collective impairment	261	19,689	37	(13)	19,974
	37,859	83,451	119	(13)	121,416
Loans written off					
Specific impairment	(10,417)	(5,801)		-	(16,218)
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
AT 1 JANUARY 2014					
Specific impairment	10,020	7,297	698	-	18,015
Collective impairment	3,623	18,838	72	901	23,434
	13,643	26,135	770	901	41,449
Additional provision/(write-back)					
Specific impairment	8,346	12,838	(457)	-	20,727
Collective impairment	1,906	1,118	1	(682)	2,343
	10,252	13,956	(456)	(682)	23,070
Loans written off					
Specific impairment	(7,068)	(5,519)		-	(12,587)
Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
At 31 December 2014	13,467	24,102	283	219	38,071
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

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20 Loans and advances to customers (continued)

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

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross investment in finance lease, receivable				
- No later than one year	12	168	12	168
- Later than one year and no later than five years	2,632	3,555	2,632	3,555
	2,644	3,723	2,644	3,723
Unearned future finance income on finance leases	(323)	(680)	(323)	(680)
Impairment allowance on leases	(356)	(282)	(356)	(282)
Net investment in finance lease, receivable	1,965	2,761	1,965	2,761
Net investment in finance lease, receivable is analysed as follows:				
- No later than one year	12	151	12	151
- Later than one year and no later than five years	1,953	2,610	1,953	2,610
	1,965	2,761	1,965	2,761

20.1 Nature of security in respect of loans and advances:

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Legal mortgage/debenture on business premises, factory assets or real estates	755,757	579,351	612,162	490,974
Guarantee/receivables of investment grade banks, companies and state government	668,115	746,557	658,976	738,045
Domiciliation of receivables	386,217	630,801	256,346	484,648
Clean/negative pledge	100,725	79,749	28,442	78,012
Marketable securities/shares	16,348	14,755	16,304	14,755
Otherwise secured	21,385	81,184	9,274	2,290
Cash/government securities	15,440	104,102	13,432	23,383
	1,963,987	2,236,499	1,594,936	1,832,107

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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Treasury bills with maturity of less than 90 days	761	174	761	174
Treasury bills with maturity over 90 days	981	730	981	730
Bonds held for trading	123	-	123	-
Total debt securities	1,865	904	1,865	904
Derivative assets	3,184	9,804	3,184	8,354
Total assets held for trading	5,049	10,708	5,049	9,258

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21 Financial assets and liabilities held for trading (continued)

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's use of derivative instruments 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 December 2015			Bank – 31 December 2015		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
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)

	Group – 31 December 2014			Bank – 31 December 2014		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Foreign exchange derivatives						
Forward FX contract	281,325	1,450	(1,975)	386	-	(8)
FX accumulator contract	563	-	(133)	565	-	(133)
Currency swap	14,884	-	(58)	14,884	-	(58)
Put options	52,996	8,354	(7,747)	52,996	8,354	(7,747)
	349,768	9,804	(9,913)	68,831	8,354	(7,946)
Current	296,774	1,450	(2,166)	15,835	-	(199)
Non-current	52,996	8,354	(7,747)	52,996	8,354	(7,747)
	349,770	9,804	(9,913)	68,831	8,354	(7,946)

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22 INVESTMENT SECURITIES

22.1 Securities available for sale

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**58,103**	57,083	**57,136**	50,913
– Treasury bills with maturity of more than 90 days	**396,244**	232,698	**396,244**	232,698
– Government bonds	**180,145**	72,169	**180,145**	72,169
– Other bonds	**40,576**	38,256	**6,732**	6,603
Equity securities – at fair value:				
– Listed	**1,027**	1,623	**887**	1,470
Equity securities – at fair value:				
– Unlisted	**48,454**	40,722	**48,433**	40,655
Total securities classified as available for sale	**724,549**	442,551	**689,577**	404,508
Current	**524,805**	383,596	**489,993**	351,943
Non-current	**199,744**	58,955	**199,584**	52,565
	724,549	442,551	**689,577**	404,508

22.2 Securities held to maturity

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**2,112**	3,966	**-**	-
– Treasury bills with maturity of more then 90 days	**7,894**	7,993	**-**	-
– Bonds	**96,031**	144,394	**92,325**	140,467
Total securities classified as held to maturity	**106,037**	156,353	**92,325**	140,467
Current	**23,198**	143,915	**13,152**	131,955
Non-current	**82,839**	12,438	**79,173**	8,512
	106,037	156,353	**92,325**	140,467
Total investment securities	**830,586**	598,904	**781,902**	544,975

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23 ASSETS 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		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Available-for-sale debt securities (Note 23.1)	**20,198**	19,203	**20,198**	19,203
Held to maturity debt securities (Note 23.2)	**82,019**	45,324	**79,888**	43,955
	102,217	64,527	**100,086**	63,158
Debt securities – at amortised cost:				
– Treasury bills	**1,602**	1,360	**-**	-
– Bonds	**80,417**	43,964	**79,888**	43,955
	82,019	45,324	**79,888**	43,955
The related liability for assets held as collateral include:				
Bank of Industry	**44,477**	14,791	**44,477**	14,791
CBN/Commercial Agriculture Credit Scheme intervention fund	**11,998**	15,624	**11,998**	15,624

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 houses and payment agencies of ₦20.2 billion for the Group in December 2015 (2014: ₦40.24 billion) and ₦20.2 billion for the Bank in December 2015 (2014: ₦40.24 billion) for which there is no related liability.

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	**21,800**	20,563	**20,198**	19,203
Non-current	**80,417**	43,964	**79,888**	43,955
	102,217	64,527	**100,086**	63,158

24 INVESTMENT IN SUBSIDIARIES

24.1 Principal subsidiary undertakings

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
FBN Bank (UK) Limited (Note 24 (i))	**45,882**	30,695
First Pension Custodian Limited (Note 24 (ii))	**2,000**	2,000
FBN Mortgages Limited (Note 24 (iii))	**4,777**	4,777
FBNBank DRC (Note 24 (iv))	**5,503**	5,503
FBNBank Ghana (Note 24 (v))	**10,559**	10,559
FBNBank Sierra Leone (Note 24 (vi))	**1,723**	1,685
FBNBank Guinea (Note 24 (vii))	**2,513**	2,378
FBNBank The Gambia (Note 24 (viii))	**1,472**	1,472
FBNBank Senegal (Note 24 (ix))	**4,034**	2,038
Impairment loss on investment in subsidiaries	**(4,048)**	(2,121)
	74,415	58,986

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24.1 Principal subsidiary undertakings (continued)

During the year, the Bank made additional investments of ₦15.188 billion in FBNBank UK, ₦1,996 billion in FBNBank Senegal and ₦135 million in FBNBank Guinea.

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 FBNBank 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 ₦1.93 billion.

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 Mortgages Limited (Note 24 (iii))	Mortgage banking	Nigeria	100	100	31 December
FBNBank DRC (Note 24 (iv))	Banking	Democratic Republic of Congo	75	75	31 December
FBNBank Ghana (Note 24 (v))	Banking	Ghana	100	100	31 December
FBNBank Sierra Leone (Note 24 (vi))	Banking	Sierra Leone	100	100	31 December
FBNBank Guinea (Note 24 (vii))	Banking	Guinea	80	100	31 December
FBNBank The Gambia (Note 24 (viii))	Banking	The Gambia	100	100	31 December
FBNBank Senegal (Note 24 (ix))	Banking	Senegal	80	100	31 December

i FBN Bank (UK) Limited

FBN Bank (UK) Limited (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. FBNBank 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.

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 7 December 2005. The principal activity of the company is to act as a custodian of pension fund assets in accordance with the Pension Reform Act 2004.

iii FBN Mortgages Limited

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

iv FBNBank DRC

FBNBank DRC (previously known as Banque Internationale de Crédit (BIC)) is a company incorporated in the Democratic Republic of Congo (DRC) on 6 April 1994, following the approval granted by the Central Bank of Congo on 24 September 1993.

First Bank of Nigeria Limited has a holding of 75% in the equity of FBNBank DRC.

v FBNBank Ghana

FBNBank Ghana (previously known as ICB Ghana) is a company incorporated in Ghana on 19 March 1996, and commenced operations in November 1996. The bank operates with a Class 1 universal banking licence and is a tier 3 bank in the Ghana banking landscape with a network of 17 branches and two cash agencies. Its principal activities include business banking and consumer banking. The target customers of the consumer banking unit 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 FBNBank Ghana.

vi FBNBank Sierra Leone

FBNBank Sierra Leone is a company incorporated in Sierra Leone on August 2004, and is one of the 10 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 of Nigeria Limited has a holding of 100% in the equity of FBNBank Sierra Leone.

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vii FBNBank Guinea

FBNBank Guinea (previously known as ICB Guinea) is a tier 3 bank in the Guinea banking sector. The bank was incorporated on 17 September 1996 and commenced operations in 1997. FBNBank 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 the Consumer Banking group provides services to retail customers.

First Bank of Nigeria Limited has a holding of 80% in the equity of FBNBank Guinea, while FBNBank Ghana holds the other 20% equity.

viii FBNBank The Gambia

FBNBank The Gambia was incorporated and commenced operations in The Gambia in July 2004. The bank is a tier 3 bank in the Gambian banking sector, and currently operates from four locations in one of the six regions in the country. Key sectors targeted by the bank are public sector, corporate companies, SMEs and retail customers.

First Bank of Nigeria Limited has a holding of 100% in the equity of FBNBank The Gambia.

ix FBNBank Senegal

FBNBank Senegal was incorporated and commenced operations in Senegal in June 2001. The bank is a tier 3 bank and currently operates from three locations in Senegal. Its principal activities include retail and commercial banking. Key sectors targeted by the bank are public sector, corporate customers, SMEs and retail customers.

First Bank of Nigeria Limited acquired 80% in the equity of FBNBank Senegal, with FBNBank Ghana holding the remaining 20% equity.

x FBN Finance Company BV

This is a special purpose entity (SPE) which issued Eurobonds on behalf of the Bank. The results of the SPE have been consolidated by the Bank.

xi First Dependants Nigeria Limited

First Dependants was set up as a special purpose vehicle (SPV)/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.

xii First Nominees Nigeria Limited

First Nominees Nigeria Limited was set up as an SPV 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 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.

xiii Sinking Fund

The fund is an in-house insurance scheme established as a fund against the risk on the FBNHoldings Group's motor vehicles. This fund is being managed internally by FBN Capital, which has the responsibility of managing, operating and administering the fund in settlement of claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24.2 Condensed results of consolidated entities from continuing operations

31 DECEMBER 2015	Parent ₦ million	FBNUK ₦ million	FBN DRC ₦ million	FBN Ghana ₦ million	FBN The Gambia ₦ million	FBN Sierra Leone ₦ million	FBN Guinea ₦ million	FBN Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking group ₦ million
SUMMARISED INCOME STATEMENT														
Operating income	301,719	16,745	11,232	3,299	339	651	909	827	1,329	4,943	711	342,704	(6,497)	336,207
Operating expenses	(178,856)	(7,122)	(8,806)	(1,539)	(256)	(238)	(709)	(1,016)	(607)	(1,534)	(552)	(201,235)	1,152	(200,083)
Provision expense	(120,047)	(4,708)	(690)	(263)	(38)	(63)	(21)	(96)	(271)	-	-	(126,197)	254	(125,943)
Operating profit	2,816	4,915	1,736	1,497	45	350	179	(285)	451	3,409	159	15,272	(5,091)	10,181
Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	2,816	4,915	1,736	1,497	45	350	179	(285)	451	3,409	159	15,272	(5,091)	10,181
Tax	(2,779)	(1,004)	(773)	(544)	(19)	(106)	(66)	(2)	(322)	(992)	(13)	(6,619)	(616)	(7,235)
Profit/(loss) for the year	37	3,911	963	953	26	244	113	(287)	129	2,417	146	8,653	(5,707)	2,946
Other comprehensive income	36,663	1,038	(2)	(106)	(2)	(32)	(4)	15	(4)	-	(14)	37,552	1,115	38,667
Total comprehensive income	36,699	4,949	961	847	24	212	109	(272)	125	2,417	132	46,205	(4,592)	41,613
Total comprehensive income allocated to non-controlling interest	-	-	394	-	-	-	-	-	-	-	-	394	-	394
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUMMARISED FINANCIAL POSITION														
Assets														
Cash and balances with central bank	679,054	15,306	13,288	2,008	410	737	3,786	302	202	-	-	715,093	(1)	715,092
Due from other banks	137,548	261,261	9,617	10,173	784	-	3,232	3,701	2,914	5,918	1,116	436,264	(61,753)	374,511
Loans and advances	1,457,286	344,911	39,965	6,341	475	957	2,904	2,418	3,963	20	-	1,859,240	(43,195)	1,816,045
Financial assets held for trading	5,050	-	-	-	-	-	-	-	-	-	-	5,050	(1)	5,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

24.2 Condensed results of consolidated entities from continuing operations (continued)

31 DECEMBER 2015	Parent ₦ million	FBNUK ₦ million	FBN DRC ₦ million	FBN Ghana ₦ million	FBN The Gambia ₦ million	FBN Sierra Leone ₦ million	FBN Guinea ₦ million	FBN Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking group ₦ million
Investment securities	781,902	33,845	-	1,727	1,156	3,111	2,343	3,786	54	1,594	149,042	978,560	(147,974)	830,586
Assets pledged as collateral	100,086	-	-	1,602	-	-	521	9	-	-	-	102,218	(1)	102,217
Investment in subsidiaries	74,415	-	-	-	-	-	-	-	-	-	-	74,415	(74,415)	-
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	18,840	1,069	4,486	839	21	149	784	143	7,824	731	8,528	43,414	(8,935)	34,479
Deferred tax	1,343	-	988	49	7	22	-	-	400	111	-	2,920	3	2,923
Intangible assets	4,042	493	738	131	4	-	1	24	2	54	54	5,543	3,732	9,275
Property, plant and equipment	72,810	840	5,748	540	87	20	101	197	85	1,130	71	81,629	722	82,351
Assets held for sale	-	-	-	-	-	-	-	-	570	-	-	570	-	570
	3,332,376	657,725	74,830	23,410	2,944	4,996	13,672	10,580	16,014	9,558	158,811	4,304,916	(331,818)	3,973,098
Financed by:														
Customer deposits	2,399,823	412,075	60,270	10,899	1,754	3,185	10,452	4,868	12,038	-	-	2,915,364	(10,294)	2,905,070
Due to other banks	50,566	134,128	-	6,207	-	-	-	-	-	-	-	190,901	(51,849)	139,052
Financial liabilities held for trading	2,658	9,464	-	-	-	-	-	-	-	-	-	12,122	(1)	12,121
Borrowed funds	290,620	-	-	-	-	-	-	1,988	121	-	156,156	448,885	(198,993)	249,892
Tax payable	2,897	377	960	29	7	(2)	4	2	40	1,460	15	5,789	1	5,790
Other liabilities	123,019	19,935	5,829	528	18	30	805	416	717	1,534	565	153,396	(519)	152,877
Retirement benefit obligations	3,046	-	-	-	-	-	152	1	34	38	-	3,271	438	3,709
Deferred income tax liabilities	-	45	-	-	-	-	-	-	-	-	18	63	-	63
	2,872,629	576,024	67,059	17,663	1,779	3,213	11,413	7,275	12,950	3,032	156,754	3,729,791	(261,217)	3,468,574
Equity and reserves	459,747	81,701	7,771	5,747	1,165	1,783	2,259	3,305	3,064	6,526	2,057	575,125	(70,601)	504,524
SUMMARISED CASH FLOWS														
Operating activities														
Interest received	327,485	28,140	6,641	3,242	329	314	1,092	519	1,025	757	190	369,734	-	369,734
Interest paid	(106,442)	(8,173)	(908)	(826)	(89)	(91)	(218)	(236)	(1,150)	-	(10,243)	(128,376)	5,013	(123,363)

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24.2 Condensed results of consolidated entities from continuing operations (continued)

31 DECEMBER 2015	Parent ₦ million	FBNUK ₦ million	FBN DRC ₦ million	FBN Ghana ₦ million	FBN The Gambia ₦ million	FBN Sierra Leone ₦ million	FBN Guinea ₦ million	FBN Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking group ₦ million
Purchase of investment securities	(863,807)	(24,780)	-	618	(2,557)	(781)	(558)	(446)	-	(12,837)	-	(905,149)	4,917	(900,232)
Proceeds from the sale of investment securities	687,247	18,114	-	-	1,783	-	-	1,939	-	12,962	4	722,050	-	722,050
Income tax paid	(6,440)	(1,443)	(1,102)	(710)	(26)	(116)	(74)	(2)	-	(621)	(9)	(10,542)	(616)	(11,157)
Cash flow generated from operations	91,348	105,811	(2,506)	3,837	177	276	115	33	(1,312)	2,467	10,135	210,382	12,364	222,746
Net cash generated from operating activities	129,391	117,670	2,125	6,161	(383)	(398)	357	1,807	(1,437)	2,728	77	258,098	21,678	279,777
Net cash used in investing activities	(5,736)	(388)	(1,484)	(329)	(59)	(17)	(54)	(128)	(56)	(9)	(143)	(8,402)	(3,820)	(12,222)
Net cash used in financing activities	(111,560)	(2,169)	(106)	(284)	(341)	-	258	1,497	(14)	(353)	(2,663)	(115,733)	1,979	(113,754)
Increase in cash and cash equivalents	12,095	115,113	536	5,549	(783)	(415)	561	3,176	(1,507)	2,366	(2,729)	133,964	19,838	153,801
Cash and cash equivalents at start of year	373,735	147,737	22,384	7,031	1,956	1,161	4,805	824	4,423	3,590	4,256	571,900	(85,621)	486,279
Effect of exchange rate fluctuations on cash held	638	230	(14)	4	4	(9)	4	3	-	-	-	860	4,034	4,894
Cash and cash equivalents at end of year	386,468	263,080	22,906	12,584	1,177	737	5,370	4,003	2,916	5,956	1,527	706,724	(61,749)	644,974

The total balances are before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

24.2 Condensed results of consolidated entities from continuing operations (continued)

xiv 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).

31 DECEMBER 2015	FBN Finance ₦ million	Sinking Fund ₦ million	FBN Nominees ₦ million	First Dependants ₦ million	Total ₦ million
SUMMARISED INCOME STATEMENT					
Operating income	16	192	5	499	711
Operating expenses	(46)	(35)	(18)	(453)	(552)
Provision expense	-	-	-	-	-
Operating profit	(31)	157	(13)	47	159
Associate	-	-	-	-	-
Profit before tax	(31)	157	(13)	47	159
Tax	-	-	-	(13)	(13)
(Loss)/profit for the year	(31)	157	(13)	34	147
Other comprehensive income	-	(1)	(14)	-	(14)
Total comprehensive income	(31)	157	(27)	34	133
SUMMARISED FINANCIAL POSITION					
Assets					
Cash and balances with the CBN	-	-	-	-	-
Due from other banks	7	739	172	197	1,116
Loans and advances	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Investment securities	147,972	984	21	64	149,042
Assets pledged as collateral	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-
Investment in associates	-	-	-	-	-
Other assets	8,227	1	287	13	8,528
Deferred tax	-	-	-	-	-
Intangible assets	-	-	-	54	54
Property, plant and equipment	-	-	-	71	71
Assets held for sale	-	-	-	-	-
	156,206	1,723	481	399	158,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

24.2 Condensed results of consolidated entities from continuing operations (continued)

31 DECEMBER 2015	FBN Finance ₦ million	Sinking Fund ₦ million	FBN Nominees ₦ million	First Dependants ₦ million	Total ₦ million
Financed by					
Customer deposits	-	-	-	-	-
Due to other banks	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-
Borrowed funds	156,155	-	-	-	156,155
Tax payable	2	-	-	13	15
Other liabilities	91	152	181	142	565
Retirement benefit obligations	-	-	-	-	-
Deferred income tax liabilities	-	-	-	18	18
Liabilities held for sale	-	-	-	-	-
	156,248	152	180	172	156,753
Equity and reserves	(43)	1,572	300	227	2,057
Total equity and liabilities	156,205	1,723	480	400	158,810
Summarised 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

25 DISCONTINUED OPERATIONS

There were no discontinued operations in the current year.

a) Disposal of Kakawa Discount House Limited in December 2014

In the prior year, the Group sold its entire shareholding in Kakawa to its parent company, FBN Holdings Plc, on 22 December 2014 at a price of ₦6.4 billion. The Group's share of results of Kakawa to the date of classification as held for sale and gain/(losses) on the disposal is shown within the discontinued operations prior periods.

The results from discontinued operations that have been included in the consolidated income statement are as follows:

	Group		Bank	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
Share of results of equity accounted investments	-	136	-	-
Profit/(loss) on disposal of discontinued operations	-	(220)	-	4,176
Profit/(loss) for the year – discontinued operations	-	(84)	-	4,176

b) Assets classified as held for sale

During the year, subscribers who purchased some of the properties in prior periods subsequently defaulted on their payment obligation to the Group and opted to exchange the properties for the outstanding balance due from them. The balance of ₦5.1 billion in respect of the affected property in account receivable was reclassified to assets held for sale.

Following reassessment of the continued classification of some assets classified as held for sale at the end of the year, the Group has deemed it fit to reclassify portions of the assets to inventory because there is no firm agreement in respect of their sale despite its marketing effort (see Note 29). The reclassification was necessitated by the general economic slowdown and failure to conclude their sale for over 12 months.

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

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Assets classified as held for sale		
Inventory	570	2,931
	570	2,931

The fair value of the asset held for sale was determined using the sales comparison approach where the key input is price per square metre determined from recent sales of comparable property in the area (comparability is based on location and size). The fair value is within level 2 of the fair value hierarchy.

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26 PROPERTY, PLANT AND EQUIPMENT

	Bank							
	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Work in progress ₦ million	Total ₦ million
COST								
At 1 January 2014	32,492	17,522	7,175	28,458	5,736	6,087	5,307	102,777
Additions	539	2,127	1,874	4,491	1,751	691	1,680	13,153
Reclassifications	459	455	0	1,241	174	124	(2,453)	-
Write-offs	-	-	-	-	-	-	(322)	(322)
Disposals	-	-	(763)	(26)	(1)	(1)	-	(791)
At 31 December 2014	33,490	20,104	8,286	34,164	7,660	6,901	4,212	114,817
ACCUMULATED DEPRECIATION								
At 1 January 2014	4,146	-	3,237	16,997	3,855	2,647	-	30,882
Charge for the year	663	-	1,728	4,743	1,534	1,073	-	9,741
Exchange differences	-	-	12	-	-	-	-	12
Disposals	-	-	(573)	(25)	(1)	(1)	-	(600)
At 31 December 2014	4,809	-	4,404	21,715	5,388	3,719	-	40,035
Net book amount at 31 December 2014	**28,681**	**20,104**	**3,882**	**12,449**	**2,272**	**3,182**	**4,212**	**74,782**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 INTANGIBLE ASSETS

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
COST						
At 1 January 2014	7,137	-	-	-	3,716	10,853
Additions	-	-	-	-	2,086	2,086
Write-offs	-	-	-	-	(732)	(732)
Other changes	(1,081)	52	330	699	-	-
Acquisition of subsidiary	346	-	-	-	251	597
Exchange difference	(996)	-	-	-	126	(870)
At 31 December 2014	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**
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	552	-	-	-	1,707	2,259
Amortisation charge	-	20	207	139	901	1,267
Write-offs	-	-	-	-	(512)	(512)
Acquisition of subsidiary	-	-	-	-	228	228
Impairment charge	501	-	-	-	-	501
Exchange difference	-	-	-	-	88	88
At 31 December 2014	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
NET BOOK VALUE						
At 31 December 2015	**3,340**	**-**	**-**	**396**	**5,539**	**9,275**
At 31 December 2014	4,353	32	123	560	3,035	8,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

27 Intangible assets (continued)

	Bank	
	Computer software ₦ million	Total ₦ million
COST		
At 1 January 2014	2,288	2,288
Additions	1,897	1,897
Write-offs	(732)	(732)
At 31 December 2014	3,453	3,453
Additions	**3,101**	**3,101**
At 31 December 2015	**6,554**	**6,554**
AMORTISATION AND IMPAIRMENT		
At 1 January 2014	1,046	1,046
Amortisation charge	647	647
Write-offs	(512)	(512)
At 31 December 2014	1,181	1,181
Amortisation charge	1,330	1,330
Write-offs	-	-
At 31 December 2015	**2,511**	**2,511**
NET BOOK VALUE		
At 31 December 2015	**4,043**	**4,043**
At 31 December 2014	2,272	2,272

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 the straight-line method over three years, five years and two years respectively. The Brand and Customer relationship intangible assets were fully impaired due to a change in the name of the acquired entities.

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

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entities to which the goodwill relates is recognised as a cash generating unit (CGU) and forms part of the unreportable segment shown as Others.

In the prior year, the value of goodwill in FBNBank Guinea was reduced to the recoverable amount by an impairment loss which was recognised in operating expenses in the income statement. The impairment in Guinea arose as a result of the outbreak of ebola, which has led to an adverse effect on the economy.

In the current year, the goodwill of FBN Senegal and FBN Gambia has been fully impaired and the impairment recognised in the income statement. The impairment was attributable to the general economic downturn in both economies.

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 projections covering five years. The discount rate used is pre-tax.

The CGUs with material goodwill balances relates to Ghana and the Banque Internationale de Crédit (BIC) and the key assumptions used in the value-in-use calculation are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

27 Intangible assets (continued)

	2015		2014	
	BIC	Ghana	BIC	Ghana
Terminal growth rate: %	6%	4%	6%	6%
Discount rate: %	24%	27%	24%	27%
Deposit growth rate: %	12%	6%	12%	15%
Recoverable amount of the CGU: ₦ million	11,173	10,259	12,983	8,776

Management determined deposits to be the key value driver in each of the entities.

	2015 BIC	2015 Ghana	2014 BIC	2014 Ghana
Goodwill: ₦ million	552	2,345	1,104	2,285
Net asset: ₦ million	7,771	5,826	6,158	5,272
Total carrying amount: ₦ million	8,323	8,171	7,262	7,557
Excess of recoverable amount over carrying amount: ₦ million	2,850	2,088	5,721	1,219

28 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2012: 30; 2011: 30%).

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:				
DEFERRED TAX ASSETS				
Property, plant and equipment	(7,918)	(8,304)	(8,245)	(8,245)
Allowance for loan losses	3,380	3,432	2,047	2,047
Tax losses carried forward	10,364	10,360	10,791	10,791
Other assets	1,224	1,100	1,254	1,254
Other liabilities	(7,605)	(7,598)	(7,671)	(7,671)
Defined benefit obligation	3,267	3,269	3,167	3,167
Effect of changes in exchange rate	211	125	-	-
	2,923	2,384	1,343	1,343
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	1,699	1,284	89	89
- Deferred tax asset to be recovered within 12 months	1,224	1,100	1,254	1,254
	2,923	2,384	1,343	1,343
DEFERRED TAX LIABILITIES				
Property, plant and equipment	6	13	-	-
Allowance for loan losses	(32)	(32)	-	-
Tax losses carried forward	2	2	-	-
Other assets	(11)	(11)	-	-
Other liabilities	(28)	(10)	-	-
Deferred tax liabilities				
- Deferred tax asset to be recovered after more than 12 months	(52)	27	-	-
- Deferred tax asset to be recovered within 12 months	(11)	(11)	-	-
	(63)	(38)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

28 Deferred tax (continued)

Group	1 Jan 2015 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2015 ₦ million
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)	-	(7,605)
Defined benefit obligation	3,270	(3)	-	3,267
Effect of changes in exchange rate	125	86	-	211
	2,386	538	-	2,923

Group	1 Jan 2014 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2014 ₦ million
Movements in deferred tax assets during the year:				
Property, plant and equipment	(490)	(7,814)	-	(8,304)
Allowance for loan losses	3,591	(158)	-	3,433
Tax losses carried forward	(426)	10,786	-	10,360
Other assets	(597)	1,697	-	1,100
Other liabilities	(630)	(6,968)	-	(7,598)
Defined benefit obligation	3,139	-	122	3,261
Effect of changes in exchange rate		125	-	125
	4,587	(2,332)	122	2,377

Group	Opening balance ₦ million	Recognised in profit and loss ₦ million	Closing balance ₦ million
Movements in deferred tax liabilities during the year:			
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

28 Deferred tax (continued)

Group

	Opening balance ₦ million	Recognised in profit and loss ₦ million	Closing balance ₦ million
2014			
Property, plant and equipment	**-**	**13**	**13**
Allowance for loan losses	**-**	**(32)**	**(32)**
Tax losses carried forward	-	2	2
Other assets	-	(11)	(11)
Other liabilities	(10)	-	(10)
	(10)	(28)	(38)

Bank

	1 Jan 2015 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2015 ₦ million
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**

Bank

	1 Jan 2014 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2014 ₦ million
Movements in temporary differences during the year:				
Property, plant and equipment	(361)	(7,884)	-	(8,245)
Allowance for loan losses	2,128	(81)	-	2,047
Tax losses carried forward	-	10,791	-	10,791
Other assets	(445)	1,700	-	1,255
Other liabilities	(703)	(6,968)	-	(7,671)
Defined benefit obligation	3,036	8	122	3,166
	3,655	(2,434)	122	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 ₦11.4 billion (2014: ₦7.8 billion).

The Group exercises control over the subsidiaries and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29 OTHER ASSETS

	Group		Bank	
	31 Dec 2015 ₦ million	Restated 31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
FINANCIAL ASSETS				
Accounts receivable	14,011	27,612	8,080	18,120
	14,011	27,612	8,080	18,120
Less specific allowances for impairment	(805)	(884)	(791)	(797)
	13,206	26,728	7,289	17,323
NON-FINANCIAL ASSETS				
Inventory – others	2,253	1,326	1,877	1,320
Inventory – properties (Note 25b)	7,677	-	-	-
Prepayments	11,343	11,403	9,674	10,530
	21,273	12,729	11,551	11,850
Net other assets balance	34,479	39,457	18,840	29,173

29.1 Reconciliation of impairment account

	Group		Bank	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
At start of year	884	1,218	796	1,202
Write-off	(596)	(351)	(523)	(349)
Increase/(write-back) of impairment	517	17	518	(57)
At end of year	805	884	791	796

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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Due to banks within Nigeria	115,778	71,417	2,307	13,127
Due to banks outside Nigeria	23,274	92,293	48,259	6,119
	139,052	163,710	50,566	19,246

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

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31 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	**737,096**	750,252	**640,556**	698,754
Savings	**829,809**	728,728	**814,849**	714,987
Term	**900,085**	985,280	**509,003**	614,039
Domiciliary	**429,360**	515,476	**426,694**	513,243
Electronic purse	**8,720**	9,999	**8,720**	9,999
	2,905,070	2,989,735	**2,399,822**	2,551,022
Current	**2,756,997**	2,823,835	**2,399,250**	2,551,022
Non-current	**148,073**	165,900	**572**	-
	2,905,070	2,989,735	**2,399,822**	2,551,022

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

32 BORROWINGS

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Long-term borrowings comprise:				
– FBN Eurobond (i)	**152,434**	141,819	**152,434**	141,819
– Due to European Investment Bank (ii)	**-**	565	**-**	565
– On-lending facilities from financial institutions (iii)	**83,332**	32,449	**83,332**	32,449
– Borrowing from correspondent banks (iv)	**14,126**	188,143	**54,854**	203,117
	249,892	362,976	**290,620**	377,950
Current	**29,901**	206,299	**72,705**	223,802
Non-current	**219,991**	156,677	**217,915**	154,148
	249,892	362,976	**290,620**	377,950
At start of the year	**362,976**	126,302	**377,950**	125,363
Acquisition of subsidiary	**-**	2,497	**-**	-
Proceeds of new borrowings	**75,961**	309,298	**116,665**	288,179
Finance cost	**15,066**	17,924	**16,073**	10,451
Foreign exchange (gains)/losses	**6,750**	(9,927)	**10,328**	26,707
Repayments of borrowings	**(198,900)**	(71,308)	**(218,435)**	(65,545)
Interest paid	**(11,961)**	(11,810)	**(11,961)**	(7,205)
At end of year	**249,892**	362,976	**290,620**	377,950

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2014: 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 seven years. 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, 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 two years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the bank call dates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 Borrowings (continued)

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

(iii) 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 CBN, in a bid to unlock the credit market, approved the investment of ₦200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of banks' loans to the manufacturing sector. During the year, the BOI disbursed an additional ₦31.6 billion (2014: ₦9.16 billion) to First Bank of Nigeria Limited. The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate of 7% per annum.

b CBN/CACS Intervention funds

The 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 of Nigeria Limited received ₦4.2 billion (2014: ₦6.8 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven-year period at an interest rate of 9% per annum.

c CBN on-lending bail-out fund

During the year, First Bank of Nigeria Limited received ₦25.7 billion for on-lending to two state governments in line with the CBN's special intervention fund. The loans granted are at an interest rate of 9%.

(iv) 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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Defined Benefits plan				
Defined Benefits pension (ii)	**3,083**	1,636	**3,046**	1,546
Gratuity scheme (iii)	**626**	376	**-**	-
	3,709	2,012	**3,046**	1,546

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 2015 and 31 December 2014.

Defined Benefit pension (ii)

First Pensions Custodian Nigeria Limited (FPCNL) has a non-contributory defined gratuity scheme for staff and directors. Staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of nine years. The Company discontinued the staff scheme in 2014 and individual members' benefit were calculated on a discontinuance basis. The directors' scheme is on a continuing basis.

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.

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33 Retirement benefit obligations (continued)

The movement in the defined benefit pension (ii) over the year is as follows:

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
Defined Benefit pension obligations at 1 January 2014	11,801	(10,690)	1,111
Transfer from gratuity scheme (i)	344		344
Interest expense/(income)	1,254	(1,190)	64
Service cost	69		69
Curtailment losses	23		23
Remeasurement:		-	-
- Return on plan assets not included in net interest cost on pension scheme	-	1,861	1,861
- Change in demographic assumptions	(1,445)	-	(1,445)
Contributions:			-
- Employer	-	(381)	(381)
Payments:			-
- Benefit payment	(1,608)	1,598	(10)
Defined Benefit pension obligations at 31 December 2014	10,438	(8,802)	1,636
Interest expense/(income)	1,328	(1,116)	212
Service cost	42		42
Curtailment losses	-		-
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	(1,531)	1,531	-
Defined benefit pension obligations at 31 December 2015	12,033	(8,949)	3,083

The movement in the defined benefit pension (ii) over the year is as follows:

Bank

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
Defined Benefit pension obligations at 1 January 2014	11,801	(10,690)	1,111
Interest expense/(income)	1,216	(1,190)	26
Remeasurement:			-
- Return on plan assets not included in net interest cost on pension scheme	-	1,861	1,861
- Change in demographic assumptions	(1,453)	-	(1,453)
Contributions:			-
- Employer	-	-	0
Payments:			-
- Benefit payment	(1,486)	1,486	-
Defined benefit pension obligations at 31 December 2014	10,078	(8,533)	1,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 Retirement benefit obligations (continued)

Bank

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
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
Contributions:			-
- Employer	-	-	-
Payments:	-	-	-
- Benefit payment	(1,338)	1,338	-
Defined benefit pension obligations at 31 December 2015	**11,808**	**(8,762)**	**3,046**

The actual return on plan assets was Group ₦1.58 billion (2014: ₦671 million); Bank ₦1.57 million (2014: ₦671 million).

Composition of plan assets

Group

	2015			2014		
	Quoted ₦ million	Unquoted ₦ million	Total ₦ million	Quoted ₦ million	Unquoted ₦ million	Total ₦ million
Equity instruments			950			1,557
- Banking	805			1,471		
- Oil service	6			53		
- Real estate	21			33		
- Manufacturing	118					
Debt instruments			7,739			7,180
- Government	5,616			5,738		
- Corporate bond	884			466		
- Money market investments		1,238			976	
Money on call		252	252		67	67
Others		10	10		0	0
Total	7,450	1,500	8,951	7,761	1,043	8,804

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33 Retirement benefit obligations (continued)

Bank

	2015			2014		
	Quoted ₦ million	Unquoted ₦ million	Total ₦ million	Quoted ₦ million	Unquoted ₦ million	Total ₦ million
Equity instruments			949			1,557
- Banking	805			1,471		
- Oil service	6			53		
- Real estate	21			33		
- Manufacturing	118					
Debt instruments			7,560			6,933
- Government	5,492			5,491		
- Corporate bond	884			466		
- Money market investments		1,184			976	
Money on call		252	252		44	44
Total	7,326	1,436	8,761	7,514	1,020	8,534

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

Arising from the defined benefit pension plan, the Group is exposed to a number of risks, 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 assets that better match the liabilities. In the equity market, the focus will be to seek to reduce the volatility on the fund and align asset allocation with the long-term objectives of the fund while taking advantage of selling off government bonds to enter duration at attractive yields.

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 life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6.58 years and retirement age of 60 years.

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

The weighted average duration of the defined benefit obligation is 6.58 years.

Group/Bank

	31 Dec 2015 %	31 Dec 2014 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11%	14%
Inflation rate	9%	9%
Future pension increases	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 Retirement benefit obligations (continued)

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

	Assumption %	Defined benefit obligation ₦ million	Impact on liability %
Discount rate	14%	11,807	0.0%
	15.0%	11,137	-5.67%
	13.0%	12,562	12.79%
Life expectancy	Base	11,807	0.0%
	Improved by 1 year	11,926	1.0%
	Decreased by 1 year	11,683	-2.0%

The above sensitivity analysis is for FirstBank 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 (iii)
This relates to the schemes operated by the subsidiaries of the Bank as follows:

FBNBank DRC has a scheme whereby on separation, staff who have spent a minimum of three years in service are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN mortgages provide gratuity benefit to eligible staff who are confirmed and have spent minimum of five years in servce and for directors who have spent minimum of two years in service.

FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receive a lump sum based on their qualifying basic salaries on the number of years spent in service. The aggregate balance on this scheme is deemed immaterial.

34 OTHER LIABILITIES

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
FINANCIAL LIABILITIES				
Customer deposits for letters of credit	**46,844**	34,264	**33,608**	16,579
Accounts payable	**63,285**	59,012	**59,475**	55,088
Creditors	**11,596**	13,882	**9,100**	8,647
Bank cheques	**15,290**	14,964	**14,932**	14,580
Collection on behalf of third parties	**9,412**	7,362	**3,778**	6,758
	146,427	129,484	**120,893**	101,652
NON-FINANCIAL LIABILITIES				
Accruals	**6,450**	2,220	**2,127**	1,904
Other liabilities balance	**152,877**	131,704	**123,020**	103,556

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

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35 SHARE CAPITAL

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
AUTHORISED		
50 billion ordinary shares of 50k each (2014: 50 billion)	**25,000**	25,000

Issued and fully paid

	Number of shares ₦ million	Ordinary shares ₦ million
MOVEMENTS DURING THE YEAR		
At 31 December 2014	**32,632**	16,316
At 31 December 2015	**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 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 SMEs. Under the terms of the guideline (amended by the CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and will continue after the first five years, but banks' contributions will thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The SME equity investment scheme reserves are non-distributable.
- **Statutory credit reserve:** the Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential guidelines (as prescribed by the CBN) is recorded in this reserve. This reserve is non-distributable.
- **Foreign currency translation reserve (FCTR):** records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2015

37 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit before tax from continuing operations	**10,181**	94,452	**2,816**	81,361
Profit before tax from discontinued operations	**0**	(84)	**-**	4,176
Profit before tax including discontinued operations	**10,181**	94,368	**2,816**	85,537
Adjustments for:				
– Depreciation	**10,577**	10,530	**9,563**	9,741
– Amortisation	**2,048**	1,268	**1,330**	647
– Impairment on goodwill	**872**	501	**-**	-
– Impairment on intangible assets	**72**	-	**-**	-
– Profit from disposal of property, plant and equipment	**179**	(382)	**171**	(401)
– Foreign exchange losses/(gains)	**5,183**	(9,927)	**10,328**	26,707
– Profit from disposal of investment in associate	**-**	-	**-**	(4,176)
– Profit/(loss) from disposal of investment securities	**(13,223)**	(837)	**(13,243)**	(146)
– Net gains/(losses) from financial assets classified as held for trading	**556**	(541)	**561**	(541)
– Impairment on loans and advances	**127,506**	27,845	**121,416**	23,070
– Impairment on investments	**7,151**	-	**-**	-
– PPE written off	**161**	(401)	**161**	333
– Change in provision in other assets	**5**	17	**5**	(57)
– Change in provision for impairment of investments	**-**	-	**1,927**	2,121
– Change in retirement benefit obligations	**272**	(138)	**199**	26
– Dividend income	**(1,348)**	(1,202)	**(7,340)**	(3,716)
– Net interest income	**(258,810)**	(239,555)	**(227,875)**	(215,449)
Increase/(decrease) in operating assets:				
– Cash and balances with the central bank (restricted cash)	**86,341**	(222,075)	**86,959**	(235,335)
– Loans and advances to banks	**102,033**	(35,732)	**14,610**	(9,562)
– Loans and advances to customers	**250,527**	(410,847)	**207,499**	(335,204)
– Financial assets held for trading	**420**	563	**(1,054)**	(505)
– Other assets	**14,679**	19,590	**10,210**	13,400
– Pledged assets	**(37,303)**	(10,877)	**(36,928)**	(10,752)
Increase/(decrease) in operating liabilities:				
– Deposits from banks	**(27,529)**	84,924	**32,929**	7,853
– Deposits from customers	**(98,345)**	36,212	**(152,150)**	(21,284)
– Financial liabilities	**7,685**	1,963	**-**	-
– Other liabilities	**32,857**	(21,412)	**29,254**	(24,062)
Cash flow generated from/(used in) operations	**222,747**	(676,144)	**91,349**	(691,755)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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38 COMMITMENTS AND CONTINGENCIES

38.1 Capital commitments

At the balance sheet date, the bank had capital commitments amounting to ₦425 million (31 December 2014: ₦375 million) in respect of authorised and contracted capital projects. The expenditure will be funded from the Group's internal resources.

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Authorised and contracted		
Group	**468**	375
Bank	**425**	375

38.2 Operating lease rentals

At 31 December 2015, 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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Within one year	**262**	257	**-**	-
Between two and five years	**848**	834	**-**	-
More than five years	**2,302**	2,265	**-**	-
	3,412	3,356	**-**	-

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 ₦375.6 million have been made (2014: nil). The directors, having sought the advice of the professional legal counsel, are of the opinion that no significant liability will crystallise 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 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Performance bonds and guarantees	**295,469**	429,279	**293,731**	420,805
Letters of credit	**126,227**	272,718	**127,426**	221,946
	421,696	701,997	**421,157**	642,751

38.5 Loan commitments

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Undrawn irrevocable loan commitments	**33,342**	90,379	**19,015**	77,188

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 2015.

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 2015:	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	5,049	-	5,049	-	2,306	2,743
Total assets subject to offsetting, master netting and similar arrangements	5,049	-	5,049	-	2,306	2,743
LIABILITIES						
Financial derivatives	(2,657)	-	(2,657)	-	-	(2,657)
Total liabilities subject to offsetting, master netting and similar arrangements	(2,657)	-	(2,657)	-	-	(2,657)

At 31 December 2014:	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	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 as they were set off in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

39 Offsetting financial assets and financial liabilities (continued)

The Group also made margin deposits with ICBC Standard Bank (2014: Merrill Lynch and Goldman Sachs) as collateral for its outstanding derivative positions. The counterparty may set off the Group's 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 First Bank of 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 ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
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	-	-
31 DECEMBER 2014					
Loans and advances to customers					
Loans outstanding at 1 January	-	32,033	60,962	-	-
Loans issued during the year	-	11,719	12,548	-	-
Loan repayments during the year	-		(13,258)	-	-
Loans outstanding at 31 December	-	43,752	60,252	-	-

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 ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
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

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40.2 Deposits from related parties (continued)

	Bank				
	Parent ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
31 DECEMBER 2014					
Due to customers					
Deposits at 1 January	1,471	10,786	977	792	338
Deposits received during the year	8,824	598,936	10,432	101,162	123,303
Deposits repaid during the year	(10,287)	(585,231)	(10,357)	(101,789)	(118,873)
Transfer to subsidiary		165		(165)	-
Deposits at 31 December	8	24,656	1,052	-	4,768

40.3 Other transactions with related parties

	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
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
31 DECEMBER 2014				
Receivable	-	-	-	21
Account payable	-	-	-	-
Borrowings	-	-	-	163,728
Interest income	4,168	7,081	-	-
Interest expense	76	27	-	1,038
Fee and commission income	116	3	-	736

40.4 Key Management compensation

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

	Group		Bank	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Salaries and other short-term employee benefits	792	799	792	799
Post-employment benefits	741	383	741	383
	1,533	1,182	1,533	1,182

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40.5 Direct credit assets to directors

Name of borrowers	Nature of security	Name of the related interest	Relationship to reporting institution	Status	Total ₦
Abiru Adetokunbo Mukhail	Domiciliation of salary and legal mortgage on property financed by the bank	Abiru Adetokunbo Mukhail	Executive director	Performing	71,160,571.00
Adesola Adeduntan	Legal mortgage on property financed by the Bank	Adesola Adeduntan	Executive director	Performing	64,483,334.00
Awosika Ibikun Abiodun	Domiciliation of personal inflow	Awosika Ibikun Abiodun	Non-executive director	Performing	13,805,738.00
Eke Urum Kalu	Domiciliation of salary and entitlements	Eke Urum Kalu	Executive director	Performing	159,991,258.00
Feese Ambrose Asula	Domiciliation of personal inflow	Feese Ambrose Asula	Non-executive director	Performing	1,546,821.00
Ibrahim Lawal Kankia	Domiciliation of personal inflow	Ibrahim Lawal Kankia	Non-executive director	Performing	706,108.00
Lawal Dauda	Domiciliation of salary	Lawal Dauda	Executive director	Performing	6,722,447.00
Le Global Oilfield Services Ltd	Legal mortgage on property located at Plot 177A, Moshood Olugbani Street, VI	Remi Makanjuola	Chairman FBNBank Senegal	Performing	65,822,661.00
Maccido Bello Mohammed	Domiciliation of salary	Maccido Bello Mohammed	CEO FBN Holdings Plc	Performing	2,339,043.00
Nestoil Limied	All asset debenture	Chidi Anya	Non-executive director-FBH	Performing	11,647,411,685.00
Nsf Developments Limited	Equitable mortgage on project site belonging to NSF Development Ltd situated at Plot No C58, 52 Road	Feese Ambrose Asula	Non-executive director	Performing	82,251,077.00
Odubola Abiodun Tajudeen	Domiciliation of salary and legal mortgage on property financed by the Bank	Odubola Abiodun Tajudeen	Executive director	Performing	58,400,000.00
Otudeko Ayoola Oba	Domiciliation of personal inflow	Oba Otudeko/Obafemi Adedamola Otudeko	Ex-Chairman/ Non-executive director	Performing	272,738.00
P. W. Nigeria Ltd	Legal mortgage on the company's Housing Estate located at 142 Karmo (within the Life Camp Development Area), Abuja	Garba Duba	Ex-non-executive director	Performing	982,635,635.00
Premium Poultry Farms Limited	All Assets Debenture on fixed and floating assets (excluding land and building) of the farm located at Plot FL 22	Mahey Rafindadi Rasheed	Non-executive director	Performing	1,056,944,948.00
Rainbow Town Development Limited	Legal/Equitable mortgage/debenture on business premises, factory assets or real estates	Fbn Holdings	Non-executive director	Performing	52,119,765,580.94
Seawolf Oilfield Services	Charge over asset financed	Oye Hassan Odukale/Tunde Hassan-Odukale	Non-executive director	Non-performing	2,917,996,424.00
Shobo Olugbenga Francis	Domiciliation of salary	Shobo Olugbenga Francis	Executive director	Performing	104,530.00

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40.5 Direct credit assets to directors (continued)

Name of borrowers	Nature of security	Name of the related interest	Relationship to reporting institution	Status	Total ₦
Honeywell Group	1. All asset debenture managed by Cornerstone Trustees. FBN interest is noted for ₦3.2 billion 2. Cross guarantee of Honeywell Flour Mills Ltd. To cover the total exposure	Oba Otudeko/Obafemi Adedamola Otudeko	Ex-Chairman/ Non-executive director	Performing	40,733,600,171.00
	All asset debenture over the assets of Honeywell Flour Mills Plc. Legal mortgage on properties situated at Plot 17/18, Parkview Estate, Ikoyi and at Maitama District, Abuja				
	All asset debenture managed by First Trustees (to be stamped for ₦150 million). The Company's assets were last valued by Jide Taiwo as at 2008				
	Debenture on fixed and floating assets of Anchorage Leisure Ltd. Legal mortgage on the property being developed				
Lister Flour Mills & Al-Fil Petroleum Group	Charge on asset financed	Khadija Alao-Straup	Non-executive director	Non-performing	9,875,544,186.00
	Mortgage debenture on Lister Flour Mills Legal mortgage				
	Mortgage debenture on property valued at ₦1.6 billion				
					119,861,504,955.94

Related-party transactions and balances disclosed above are in accordance with the CBN Circular BSD/1/2004.

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41 EMPLOYEES

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

	Group		Bank	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Executive directors	7	7	7	7
Management	202	187	76	66
Non-management	8,834	9,474	7,533	8,103
	9,043	9,668	7,616	8,176

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) was as follows:

	Group		Bank	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
₦300,000 – ₦2,000,000	501	1,140	41	28
₦2,000,001 – ₦2,800,000	167	691	125	546
₦2,800,001 – ₦3,500,000	856	410	796	388
₦3,500,001 – ₦4,000,000	47	8	-	-
₦4,000,001 – ₦5,500,000	2,099	2,357	1,772	2,333
₦5,500,001 – ₦6,500,000	1,843	1,686	1,734	1,678
₦6,500,001 – ₦7,800,000	1,351	743	1,249	714
₦7,800,001 – ₦9,000,000	839	448	781	412
₦9,000,001 and above	1,333	2,178	1,111	2,070
	9,036	9,661	7,609	8,169

42 DIRECTORS' EMOLUMENTS

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

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees and sitting allowances	252	118
Executive compensation	469	432
Retirement benefit costs	1,150	474
Other director expenses	1,544	3,287
	3,415	4,311
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	44	26
Highest paid director	111	100

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

	31 Dec 2015	31 Dec 2014
₦5,500,001 and above	19	19
	19	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

43 COMPLIANCE WITH BANKING REGULATION

- A penalty of ₦1.88 billion was paid by the Bank for incomplete disclosure of unremitted FGN MDA deposit balances as at 15 October 2015.
- A penalty of ₦2 million was imposed on the Bank for delay in providing the CBN examiners with CDD information on 8 Politically Exposed Persons (PEPs) upon demand.
- The Bank paid a penalty of ₦2 million for non-compliance with the CBN directive on reporting line of CCO.
- A penalty of ₦2 million was imposed on the Bank for failure to meet the deadline for the transfer of Federal Government funds to the Treasury Single Account (TSA).
- The Bank paid a penalty of ₦2 million for non-compliance with CBN foreign exchange policy on front loading.
- The Bank paid a penalty of ₦6 million for failure to obtain approval from the CBN on acquisition/modification of some properties acquired as business outlets.

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 DIVIDENDS PER SHARE

A dividend of ₦0.3 per share was proposed by the Board of Directors on 24 December 2014 amounting to ₦9,790 million and was paid on 23 April 2015.

46 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 Dec 2015	31 Dec 2014	**31 Dec 2015**	31 Dec 2014
Profit from continuing operations attributable to owners of the parent (₦ million)	**2,946**	84,925	**37**	75,175
Profit/(loss) from discontinued operations attributable to owners of the parent (₦ million)	**-**	136	**-**	-
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	**0.09**	2.60	**0.00**	2.30
	0.09	2.60	**0.00**	2.30

47 NON-AUDIT SERVICES

The external auditors of First Bank of Nigeria Ltd, PwC Nigeria, rendered services in respect of NDIC deposit certification and certification of internal control report issued to the South African Reserve Bank based on agreed procedures during the year. Payments made in respect of these services were included in professional fees as ₦0.787 million and ₦1.84 million respectively.

VALUE ADDED STATEMENT

	Group			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	465,590		455,393	
Interest expense	(129,383)		(116,662)	
	336,207		338,731	
Administrative overheads:				
- Local	(104,476)		(128,870)	
- Foreign	(10,095)		(5,238)	
Value added	221,636	100	204,623	100
DISTRIBUTION				
Employees				
Salaries and benefits	72,888	33	72,726	36
Government				
Taxation	7,235	3	9,526	5
The future				
Asset replacement (depreciation):				
- Local	10,577	5	9,985	5
- Foreign		-	546	0
Asset replacement (amortisation):				
- Local	2,047	-	1,132	1
- Foreign		-	136	0
Asset replacement (provision for losses)	125,943	57	25,730	13
Expansion (transfers to reserves)	2,946	1	84,842	41
	221,636	100	204,622	100

VALUE ADDED STATEMENT

	Bank			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	**421,056**		410,648	
Interest and fee expense	**(119,337)**		(103,061)	
	301,719		307,587	
Administrative overheads	**(104,292)**		(127,727)	
Value added	**197,427**	**100**	179,860	100
DISTRIBUTION				
Employees				
Salaries and benefits	**63,673**	**32**	63,011	35
Government				
Company income tax	**2,779**	**2**	6,186	3
The future				
Asset replacement (depreciation)	**9,563**	**5**	9,741	5
Asset replacement (amortisation)	**1,330**	**1**	647	0
Asset replacement (provision for losses)	**120,046**	**61**	20,924	12
Expansion (transfers to reserves)	**37**	**-**	79,351	44
	197,428	**100**	179,860	100

FIVE-YEAR FINANCIAL SUMMARY – GROUP
STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2011 ₦ million
ASSETS					
Cash and balances with central bank	**715,092**	697,601	593,973	298,024	199,228
Loans and advances to banks	**374,511**	430,053	415,210	394,173	463,328
Loans and advances to customers	**1,816,045**	2,193,563	1,797,935	1,562,695	1,252,153
Financial assets held for trading	**5,049**	10,708	4,743	2,565	5,964
Investment securities	**830,586**	598,904	734,690	684,359	697,001
Assets pledged as collateral	**102,217**	64,527	53,651	50,109	72,129
Inventory	**-**	-	-	-	25,609
Other assets	**34,479**	39,457	44,729	33,984	63,061
Investment in associates	**-**	-	-	5,609	7,489
Investment property	**-**	-	-	-	4,055
Property, plant and equipment	**82,351**	83,404	78,489	74,474	65,889
Intangible assets	**9,275**	8,103	8,594	3,417	1,008
Deferred tax	**2,923**	2,384	4,587	7,954	6,954
Assets held for sale	**570**	2,931	4,549	12,978	-
	3,973,098	4,131,635	3,741,151	3,130,340	2,863,868
FINANCED BY					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	254,524
Reserves	**297,038**	255,818	175,965	191,190	98,425
Non-controlling interest	**1,929**	1,641	1,626	1,353	964
Deposits from banks	**139,052**	163,710	77,481	87,551	183,500
Deposits from customers	**2,905,070**	2,989,735	2,942,782	2,405,035	1,951,011
Financial liabilities held for trading	**12,121**	9,913	1,701	1,796	2,857
Liabilities on investment contracts	**-**	-	-	-	49,440
Liabilities on insurance contracts	**-**	-	-	-	824
Borrowings	**249,892**	362,976	126,302	75,541	106,204
Retirement benefit obligations	**3,709**	2,012	1,776	18,648	15,081
Current income tax	**5,790**	8,530	31,633	22,536	24,328
Other liabilities	**152,877**	131,704	182,542	118,289	159,325
Deferred income tax liabilities	**63**	38	10	9	1,069
Liabilities held for sale	**-**	-	-	2,836	-
	3,973,098	4,131,635	3,747,375	3,130,341	2,863,868

FIVE-YEAR FINANCIAL SUMMARY – GROUP

INCOME STATEMENT

	As reported under IFRS				
	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million
Gross earnings	**465,590**	455,393	372,840	338,921	265,580
Net operating income	**336,207**	338,814	280,107	280,410	230,853
Operating expenses	**(200,083)**	(218,632)	(173,001)	(182,329)	(136,668)
Group's share of associate's results	**-**	-	-	1,008	(1,507)
Impairment charge for credit losses	**(125,943)**	(25,730)	(20,521)	(12,912)	(38,011)
(Loss) on sale of assets to AMCON	**-**	-	-	-	(15,501)
Exceptional item	**-**	-	-	-	-
Profit before taxation	**10,181**	94,452	86,585	86,177	39,166
Taxation	**(7,235)**	(9,526)	(21,009)	(14,918)	(18,864)
Profit from continuing operations	**2,946**	84,926	65,576	71,259	20,302
Profit from discontinuing operations	**-**	(84)	875	3,838	(1,666)
Profit for the year	**2,946**	84,842	66,451	75,097	18,636
Profit attributable to:					
Owners of the parent	**2,552**	84,826	66,344	75,040	19,520
Non controlling interest	**394**	15	107	57	(884)
	2,946	84,842	66,451	75,097	18,636
Earnings per share in kobo (basic/diluted)	**9**	260	204	230	57

In line with IFRS 1.22(d), the figures reported in the above income statement for years 2011 to 2015 have been prepared using relevant IFRS guidelines and standards.

FIVE-YEAR FINANCIAL SUMMARY – BANK

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2015 ₦ million	Restated 31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2011 ₦ million
ASSETS					
Cash and balances with central bank	**679,054**	670,045	541,221	288,125	199,091
Loans and advances to banks	**137,548**	242,842	367,571	329,120	222,347
Loans and advances to customers	**1,457,285**	1,794,037	1,473,839	1,316,407	1,144,461
Financial assets held for trading	**5,049**	9,258	2,225	1,942	2,552
Investment securities	**781,902**	544,975	637,928	631,211	670,624
Assets pledged as collateral	**100,086**	63,158	52,406	50,109	72,129
Other assets	**18,840**	29,173	36,067	32,459	43,734
Investment in associates	**-**	-	-	2,224	14,099
Investment in subsidiaries	**74,415**	58,986	56,307	40,348	32,416
Property, plant and equipment	**72,810**	74,782	71,895	70,724	64,056
Intangible assets	**4,043**	2,272	1,241	1,302	734
Deferred tax	**1,343**	1,343	3,655	6,703	5,195
	3,332,375	3,490,871	3,244,355	2,770,674	2,471,438
FINANCED BY					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	254,524
Reserves	**254,189**	217,490	145,152	166,619	106,404
Deposits from banks	**50,566**	19,246	10,155	18,463	51,306
Deposits from customers	**2,399,822**	2,551,022	2,570,719	2,171,807	1,784,490
Financial liabilities held for trading	**2,657**	7,946	1,697	1,278	1,143
Borrowings	**290,620**	377,950	125,363	81,987	104,287
Retirement benefit obligations	**3,046**	1,546	1,111	18,156	14,676
Current income tax	**2,897**	6,558	29,836	19,768	21,354
Other liabilities	**123,020**	103,556	156,989	87,039	116,938
Deferred income tax liabilities	**-**	-	-	-	-
	3,332,374	3,490,871	3,246,580	2,770,674	2,471,438

FIVE-YEAR FINANCIAL SUMMARY – BANK

INCOME STATEMENT

	As reported under IFRS				As reported under NGAAP
	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million
Gross earnings	**421,056**	410,648	339,320	313,822	251,312
Net operating income	**301,719**	303,411	256,112	258,554	220,706
Gain from disposal of associate	**-**	-	-	3,490	-
Operating expenses	**(178,857)**	(201,126)	(159,421)	(168,908)	(133,368)
Impairment charge for credit losses	**(120,046)**	(20,924)	(19,838)	(9,847)	(32,165)
(Loss) on sale of assets to AMCON	**-**	-	-	-	(15,501)
Exceptional item	**-**	-	-	-	-
Profit before taxation	**2,816**	81,361	76,853	83,289	39,672
Taxation	**(2,779)**	(6,186)	(17,488)	(12,145)	(16,620)
Profit from continuing operations	**37**	75,175	59,365	71,144	23,052
Profit from discontinuing operations	**-**	4,176	-	-	-
Profit for the year	**37**	79,351	59,365	71,144	23,052
Earnings per share (basic)	**0.11**	243	182	218	71

In line with IFRS 1.22(d), the figures reported in the above income statement for years 2011 to 2015 have been prepared using relevant IFRS guidelines and standards.

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average number of shares in issue
Book value per share (BVPS)	=	Total equity / Number of outstanding shares (35, 895, 292, 792 units)
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio	=	Operating expenses (operating cost before loan loss expense) / Operating income
Debt to capital	=	Long-term debt / Long-term debt + equity
Dividend per share	=	Dividend / Number of shares in issue
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest earning assets	=	Due from other banks + treasury bills + Securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) + Statutory credit reserve / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Provision on non-performing loans

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Provisioning level (nonperforming loans coverage)	=	Total provision / Total NPL
Price to book	=	Share price / Total assets – intangible assets and liabilities
Price earnings	=	Market value per share / Earnings per share
Return on average assets	=	PAT / Average total assets x 100
Return on average equity	=	PAT / 8Average total equity x 100
Risk asset ratio	=	Total loans / Total assets
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	Total tier 1 capital / Risk-weighted assets
Tier 2 ratio	=	Total tier 2 capital / Risk-weighted assets
Total capital adequacy ratio	=	Total qualifying capital / Risk-weighted assets
Yield on interest earning assets	=	Interest income / Average interest earning assets

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AFS	Available for sale
ALCO	Assets & Liabilities Management Committee
ALM	Asset and liability management
AMCON	Asset Management Corporation of Nigeria
ATM	Automated teller machine
AUM	Assets under management
BAC	Board Audit Committee
BARAC	Board Audit & Risk Assessment Committee
BCC	Board Credit Committee
BCMS	Business Continuity Management System
BDM	Business Development Manager
BDO	Business development office
BFGPC	Board Finance & General Purpose Committee
BF&HCC	Board Finance & Human Capital Committee
BGC	Board Governance Committee
BIC	Banque Internationale de Crédit SARL
BOFIA	Banks and Other Financial Institutions Act
BOI	Bank of Industry
BRCC	Business Risk and Compliance Committee
BRMC	Board Risk Management Committee
CACS	Commercial Agricultural Credit Scheme
CAGR	Cumulative annual growth rate
CAM	Classified Assets Management
CAMA	Companies and Allied Matters Act
CAP	Credit Analysis & Processing
CAR	Capital adequacy ratio
CASA	Current and savings accounts
CBG	Corporate Banking group
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFP	Contingency funding plan
CGU	Cash-generating units
CMG	Commercial Banking group
COSO	Committee of Sponsoring Organisations
COT	Commission on turnover
CRM	Customer relationship management
CRO	Chief Risk Officer
CRR	Cash reserve ratio
CRSA	Control and risk self-assessment
CSR	Corporate social responsibility
DRC	Democratic Republic of Congo
EaR	Earnings at risk
ED	Executive Director
EPS	Earnings per share
ERM	Enterprise Risk Management
ESGMS	Environmental, social and governance management system
EXCO	Executive Committee
FBN BDC	FBN Bureau de Change Limited
FBN MB	FBN Microfinance Bank Limited
FBN (UK)	FBNBank (UK) Limited
FFL	First Funds Limited
FGN	Federal Government of Nigeria
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRNL	First Registrars Nigeria Limited
FRR	Facility risk rating
FSA	Financial Services Authority
FX	Foreign exchange
GDP	Gross Domestic Product
GITSC	Group IT Steering Committee
GMD	Group Managing Director
HCMD	Human Capital Management and Development
HNI	High net worth individuals
HR	Human Resources
HTM	Held to maturity
IBAM	Investment Banking and Asset Management group
IBG	Institutional Banking group
IBNR	Incurred but not reported
ICAFAS	Internal Control and Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
ICB	International Commercial Bank
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISF	Information Security Forum
ISMD	Information Security Management department
ISMS	Information security management system
ISO	International Organization for Standardization
IT	Information technology
KPI	Key Performance Indicator
KRI	Key risk indicator
KYC	Know Your Customer
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LRP	Liquidity risks package

ABBREVIATIONS

MANCO	Management Committee
MATs	Management action triggers
MBAM	Merchant Banking and Asset Management group
MCC	Management Credit Committee
MDAs	Ministries, departments and agencies
MDG	Millennium Development Goal
MGC	Management General Committee
MPC	Monetary Policy Committee
MPR	Monetary policy rate
MRLP	Market risk limits package
MRPC	Market Risk Policy Committee
₦	Naira
NDIC	Nigeria Deposit Insurance Corporation
NGO	Non-governmental organisation
NIBOR	Nigerian Interbank Offered Rate
NII	Non-interest income
NIR	Non-interest revenue
NPL	Non-performing loan
NSBP	Nigerian Sustainable Banking Principles
NSE	Nigerian Stock Exchange
OCI	Other comprehensive income
OFR	Officer of the Federal Republic
ORM	Operational risk management
ORR	Obligor risk rating
PAT	Profit after tax
PBG	Private Banking group
PBT	Profit before tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of default
PFA	Pension fund administrator
PFMS	People First Management System
PMI	Primary mortgage institution
POS	Point of sale
PPE	Property, plant and equipment
PSG	Public Sector group
RBG	Retail Banking group
RCSA	Risk and control self-assessment
RDAS	Retail Dutch Auction System
RM	Relationship management
ROE	Return on equity
RTU	Risk taking unit
SBU	Strategic Business Unit
SEC	Securities and Exchange Commission
SLA	Service level agreement
SLD	Specialised Lending Department
SME	Small and medium enterprises
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
SSWG	Strategic Sustainability Working Group
TAT	Turnaround time
TRAP	Triggers for accrual portfolios
TSA	Treasury Single Account
UHNW	Ultra high net worth
UNGC	United Nations Global Compact
VaR	Value at risk
WACC	Weighted average cost of capital

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Subsidiary		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
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FBNBank DRC S.A.	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBN Capital Limited and FBN Capital Asset Management	16 Keffi Street, Off Awolowo Road, S/W Ikoyi, Lagos	+234 1 2798300
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt	+243 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja	+234 9 2916757
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2777800-1
FBN Mortgages Limited	76 Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos	+234 1-4622673, +234 1-4622831-34, +234 1-4605120-24, +234 1-4605124, +234 7080653100
	FBN Trustees Nigeria Limited, First Bank Area Office, 3rd Floor, 22/24, Aba Road, Port Harcourt	+234 802 059 6019
	FBN Trustees Nigeria Limited, 2nd Floor, Ahmadu Coomassie House, Plot 777, Mohammadu Buhari Way, Central Business District, Garki Abuja	+234 701 045 5883
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4444, +234 1 905 4428, +234 1 9054364
FBN Microfinance Bank Limited	305 Herbert Macaulay Way, Yaba, Lagos	+234 1 3428703, +234 1 3425517
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 14622176
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
FBN Funds Limited	90 Awolowo Road, South-West, Ikoyi, Lagos	+234 1 2798300, +234 1 2707180-9
FBN Merchant Bank Limited	2 Broad Street, Lagos Island, Lagos	+234 1-2702290, +234 1-2702291, +234 1-2702292; +234 1-2702293, +234 1 2702294
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FBNBank Senegal	Lot No. 2, Mermoz Pyrotechnie, VDN Dakar, Senegal	+221 869 75 04
FirstBank representative offices		
South Africa Rep Office	The Forum Building, 10th Floor No. 2 Maude Street, Sandton 2146, Johannesburg, South Africa	+27 11 7849922, +27 11 7849925
Beijing Rep Office	Unit 1431, Tower B COFCO Plaza No. 8 Jianguomennei Street, Dong Cheing District, Beijing, China	+861 0652 86820, +861 5201 470057
UAE Rep Office	Salam HQ Plot No. C6, Sector E, Abu Dhabi, UAE	+971 26445621

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Since 1894

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