FBN Holdings Plc.
Consolidated Financial Statements
for the year ended 31 December 2015

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FBN Holdings Plc.

DIRECTORS AND ADVISORS

DIRECTORS

Dr. Oba A. Otudeko, CFR	Non-Executive Director (Group Chairman)
Bello Maccido	Group Chief Executive Officer - Retired December 31, 2015
U. K. Eke, MFR	Group Managing Director - Appointed January 1, 2016
Oye Hassan-Odukale, MFR	Non-Executive Director
Abdullahi Mahmoud	Non-Executive Director - Resigned December 31, 2015
Olabisi Onasanya	Non-Executive Director - Resigned December 31, 2015
Chidi Anya	Non-Executive Director
Dr. Sule Hamza Wuro Bokki	Non-Executive Director
Debola Osibogun	Non-Executive Director - Appointed January 27, 2015
Omatseyin Ayida	Non-Executive Director - Appointed January 27, 2015
Muhammad K. Ahmad, OON	Non-Executive Director - Appointed July 28, 2015
Dr. Adesola Adeduntan	Non-Executive Director - Appointed January 25, 2016

COMPANY SECRETARY: Tijjani M. Borodo

REGISTERED OFFICE:
Samuel Asabia House
35 Marina
Lagos

AUDITOR:
PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers, Plot 5B, Water Corporation Road
Oniru, Lagos

REGISTRAR:
First Registrars & Investor Services Limited
Plot 2 Abebe Village Road
Iganmu
Lagos

BANKER:
First Bank of Nigeria Limited
35 Marina
Lagos

FBN HOLDINGS PLC
Directors' Report
For the year ended 31 December 2015

The Directors present their report on the affairs of FBN Holdings Plc ("the Company") together with the financial statements and auditors' report for the period ended 31 December, 2015.

a. Legal Form

The Company was incorporated as a private limited liability company in Nigeria in 2010 and was converted to a public company in September 2012, when it commenced operations. The Company's shares were listed on the floor of the Nigerian Stock Exchange on November 26, 2012 after the shares of First Bank of Nigeria Plc were delisted on November 23, 2012.

b. Principal Activity and Business Review

The principal activity of the Company is the raising and allocation of Capital and resources.

The Company is also saddled with the responsibility of coordinating group-wide financial reporting to shareholders and managing shareholder, investor and external relations to the Group and the task of developing and coordinating implementation of Group strategies.

The Company consists of four groups namely:

- Commercial Banking Group made up of First Bank of Nigeria Limited, FBN Bank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, and FBNBank DR Congo (formerly Banque Internationale de Credit), FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea, FBNBank, Gambia and FBNBank Senegal.
- Investment Banking and Assets Management Group, made up of FBN Merchant Bank Limited, FBN Capital Limited, FBN Securities Limited, FBN Funds Limited and FBN Trustees Limited.
- Insurance Group made up of FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services made up of FBN Microfinance Bank Limited.

The Company prepares separate and consolidated financial statements.

c. Directors' Shareholding

The direct and indirect interests of Directors in the issued share capital of the company as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are noted as follows:

FBNHoldings

DIRECTORS' SHAREHOLDING

S/N	Name	Direct holding	Indirect holding
1.	Dr Oba Otudeko, CFR	5,895,264	532,075,839
2.	Mr. Oye Hassan-Odukale, MFR	1,854,003	276,612,369
3.	Mr. Bello Mohammed Maccido (resigned w.e.f 31.12.2015)	2,633,279	-
4.	Mr. Bisi Onasanya (resigned w.e.f 31.12.2015)	10,091,032	-
5.	Mallam Abdullahi Sarki Mahmoud (resigned w.e.f 31.12.2015)	531,956	-
6.	Mr. Chidi Anya	-	52,168
7.	Dr. Hamza Sule Wuro Bokki	359,700	
8.	Mr. Omatseyin Akene Ayida	1,100,000	
9.	Otunba (Mrs) 'Debola Osibogun	95,968	
10.	Mr. Muhammad K. Ahmad, OON	-	

d. ***Operating Results***

The Directors recommend for approval a dividend of 15kobo per share, amounting to N (5,384,293,918.80). Highlights of the operating results for the period under review are as follows:

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	N' million	N' million	N' million	N' million
Gross Earnings	505,191	481,774	6,794	16,969
Profit Before Tax	21,512	94,056	2,180	5,683
Taxation	(6,364)	(10,045)	-	-
Total Profit for the year	15,148	84,011	2,180	5,683
Appropriation:				
Transfer to statutory reserves	1,369	13,204	-	-
Transfer (from)/ to statutory credit reserve	(44,240)	38,686	-	-
Transfer to contingency reserves	221	110	-	-
Transfer to retained earnings reserve	57,799	32,011	2,180	5,683

e. ***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.

f. ***Property and equipment***

Information relating to changes in property and equipment is given in Note 35 to the Accounts. In the Directors' opinion, the market value of the FBN Holdings' properties is not less than the value shown in the financial statements.

g. ***Shareholding Range Analysis***

RANGE ANALYSIS AS AT 31/12/2015

FBN Holdings

RANGE			No of Holders	Holders %	Units	Units %
1	-	1000	285,340	23.35	210,909,179	0.59
1001	-	5000	496,359	40.62	1,195,731,430	3.33
5001	-	10000	174,978	14.32	1,203,018,013	3.35
10001	-	50000	217,983	17.84	4,442,092,175	12.38
50001	-	100000	23,092	1.89	1,605,151,736	4.47
100001	-	500000	19,487	1.59	3,872,086,201	10.79
500001	-	1000000	2,320	0.19	1,608,277,951	4.48
1000001	-	5000000	1,945	0.16	3,654,899,618	10.18
5000001	-	10000000	226	0.02	1,560,170,652	4.35
10000001	-	50000000	186	0.02	3,549,801,895	9.89
50000001	-	100000000	27	0.00	1,799,226,165	5.01
100000001	-	500000000	30	0.00	7,805,057,797	21.74
50000000	-	35895292791	4	0.00	3,388,869,979	9.44
			1,221,977	100.00	35,895,292,791	100.00

Shareholdings Analysis as at 31 December, 2015

Shareholdings Analysis as at 31 December, 2015		
Category	Holdings	% Holdings
Retail	19,352,806,311	53.90
Domestic Institutional	10,579,552,190	29.50
Foreign Institutional	5,287,901,441	14.70
Government- Related Holdings	675,032,850	1.90

h. Substantial interest in shares

According to the register of members as at 31 December, 2015, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Human Resources

Employment of Disabled Persons

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

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

j. *Health, Safety and Welfare at Work*

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company 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 has a Group Life Assurance cover and operates a defined contributory pension plan in line with Pension Reform Act 2014. It also operates Employees Compensation scheme (which replaced the Workmen Compensation scheme) in line with Employee's Compensation Act 2011 for the benefit of its employees.

k. Employee Involvement and Training

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

In accordance with the Company's policy of continuous development, training facilities are provided in a well-equipped Training School. In addition, employees of the Company are sponsored to both local and foreign courses and trainings. These are complemented by on-the job training.

l. Auditors

The Auditors, Messrs. PricewaterhouseCoopers have indicated their willingness to continue to act in that office.

BY ORDER OF THE BOARD

Tijjani M Borodo
FRC/2013/NBA/00000002367
Company Secretary
Lagos, Nigeria

FBN Holdings Plc.

Responsibility for annual financial statements

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

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

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

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

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

The directors are of the opinion that the IFRS financial statements give a true and fair view of the state of the financial affairs of the Company and Group and of the profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal

Nothing has come to the attention of the directors to indicate that FBN Holdings Plc. will not remain a going concern for at least twelve (12) months from the date of this statement.

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

FBN Holdings Plc.

Statement of Compliance with Nigerian Stock Exchange (NSE) Lisiting Rules on Securities Trading Policy

In line with Section 14.4 of the Nigerian Stock Exchange (NSE) Amendments to the Listing Rules (Rules), we wish to state that we have adopted a code of conduct regarding securities transactions by our directors and it is in line with the required standard set out in the Rules.

The FBN Holdings Plc's Securities Trading Policy (Policy) is embedded in the Board-approved Group Disclosure Policy and having made specific enquiry of all our directors regarding compliance with the Policy, we hereby confirm to the best of our knowledge that our Board of Directors are in compliance with our Securities Trading Policy and the provisions of the Rules on Securities Trading.

Dr. Oba Otudeko, CFR	Tijjani M. Borodo
Group Chairman	Company Secretary
FRC/2013/ICAN/00000002365	FRC/2013/NBA/00000002367

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FBN HOLDINGS PLC

Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of FBN Holdings Plc ("the company") and its subsidiaries (together "the group"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

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

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

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

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

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 50 to the financial statements;

v) to the best of our information, there were no penalties for contraventions of relevant circulars issued by the Central Bank of Nigeria.

Tola Ogundipe

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0833616

7 April 2016

FBN Holdings

Company Secretary Department
Samuel Asabia House, 35 Marina,
P. O. Box 5216, Lagos, Nigeria
Web: www.fbnholdings.com

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended December 31, 2015 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion.

2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.

3. The internal control was being constantly and effectively monitored.

4. The external auditors' management report received satisfactory response from Management.

5. The Committee reviewed the Audit Report on insider-related party transactions and is satisfied with their status as required by Central Bank of Nigeria (CBN).

Dated April 4, 2016

Mr. Job Ihejirika Onwughara
Chairman, Audit Committee

Members of the Committee

Mr. Job Ihejirika Onwughara
Mr. Oye Hassan-Odukale MFR
Mr. Lateef Ayodeji Sonubi
Mr. Chidi Anya
Alhaji Abubakar Yahyah
Mallam Abdullahi Mahmoud

FBN Holdings Plc.

INCOME STATEMENT

	Note	GROUP 31 December 2015 N 'million	GROUP 31 December 2014 N 'million	COMPANY 31 December 2015 N 'million	COMPANY 31 December 2014 N 'million
Continuing operations					
Interest income	7	396,190	362,579	614	2,886
Interest expense	8	(131,167)	(118,725)	-	-
Net interest income		**265,023**	**243,854**	**614**	**2,886**
Impairment charge for credit losses	9	(119,322)	(25,942)	-	-
Net interest income after impairment charge for credit losses		**145,701**	**217,912**	**614**	**2,886**
Insurance premium revenue	10	8,448	3,320	-	-
Insurance premium revenue ceded to reinsurers		(1,107)	(616)	-	-
Net insurance premium revenue		**7,341**	**2,704**	**-**	**-**
Fee and commission income	11	64,058	66,983	-	-
Fee and commission expense	11b	(9,583)	(6,205)	-	-
Net gains on foreign exchange	12	22,226	44,905	31	42
Net gains/ (losses) on sale of investment securities	13	6,666	(230)	35	-
Net gains/ (losses) from financial instruments at fair value through profit or loss	14	2,055	(1,262)	-	-
Gain from disposal of subsidiary	34	1,572	-	1,600	-
Dividend income	15	1,531	1,469	4,493	13,747
Other operating income	16	3,551	2,854	22	294
Gain on bargain purchase	32	-	1,172		
Insurance claims		(3,306)	(1,043)	-	-
Personnel expenses	17	(80,416)	(79,843)	(685)	(1,159)
Depreciation of property, plant and equipment	35	(11,516)	(11,375)	(384)	(229)
Amortisation of intangible assets	36	(2,157)	(1,384)	-	-
Impairment loss on investment		-	-	(850)	(7,781)
Operating expenses	18	(126,211)	(143,200)	(2,696)	(2,117)
Operating profit		21,512	93,457	2,180	5,683
Share of profit of associates	30	-	599	-	-
Profit before tax		**21,512**	**94,056**	**2,180**	**5,683**
Income tax expense	19a	(6,364)	(10,045)	-	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**15,148**	**84,011**	**2,180**	**5,683**
PROFIT FOR THE YEAR		**15,148**	**84,011**	**2,180**	**5,683**
Profit/(loss) attributable to:					
Owners of the parent		15,406	84,231	2,180	5,683
Non-controlling interests		(258)	(220)	-	-
		15,148	**84,011**	**2,180**	**5,683**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/ loss per share (in Naira):	55				
From continuing operations		0.43	2.35	0.06	0.16
From profit for the year		0.43	2.35	0.06	0.16

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	GROUP		COMPANY	
		31 December		31 December	
		2015	2014	2015	2014
		N 'million	N 'million	N 'million	N 'million
PROFIT FOR THE YEAR		**15,148**	**84,011**	**2,180**	**5,683**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
-Unrealised net gains/ (losses) arising during the period, before tax		43,154	(378)	(17)	291
-Net reclassification adjustments for realised net losses, before tax		(1,616)	(2,100)	-	-
Exchange difference on translation of foreign operations, before tax		630	5,297	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme, before tax	44	(1,404)	(364)	-	-
Income tax relating to remeasurement of defined benefit pension scheme		-	122	-	-
Other comprehensive income for the year, net of tax		**40,764**	**2,577**	**(17)**	**291**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,912**	**86,588**	**2,163**	**5,974**
Total comprehensive income attributable to:					
Owners of the parent		58,341	86,848	2,163	5,974
Non-controlling interests		(2,429)	(260)	-	-
		55,912	**86,588**	**2,163**	**5,974**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		58,341	86,848	2,163	5,974
		58,341	**86,848**	**2,163**	**5,974**

STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2015 N 'million	GROUP 31 December 2014 N 'million	COMPANY 31 December 2015 N 'million	COMPANY 31 December 2014 N 'million
ASSETS					
Cash and balances with central banks	20	715,871	698,104	-	-
Loans and advances to banks	22	385,769	460,911	4,792	3,261
Loans and advances to customers	23	1,817,271	2,178,986	63	80
Financial assets at fair value through profit or loss	24	26,426	27,601	-	-
Investment securities					
-Available-for-sale investments	25	799,850	553,154	7,019	2,806
-Held to maturity investments	25	106,623	158,485	-	1,466
-Loans and receivables	25	7,306	-	-	-
Asset pledged as collateral	26	105,646	68,483	-	-
Other assets	27	35,483	40,640	4,670	14,361
Inventory	28	49,649	37,805	-	-
Investment properties	29	3,025	2,826	-	-
Investments in associates accounted for using the equity method	30	-	-	1,500	1,500
Investment in subsidiaries	31	-	-	263,595	260,777
Property, plant and equipment	35	88,398	88,557	1,192	1,519
Intangible assets	36	9,687	8,569	-	-
Deferred tax assets	37	14,615	11,285	-	-
		4,165,619	4,335,406	282,831	285,770
Asset held for sale	33	570	8,331	-	2,000
Total assets		**4,166,189**	**4,343,737**	**282,831**	**287,770**
LIABILITIES					
Deposits from banks	38	144,652	171,151	-	-
Deposits from customers	39	2,970,922	3,050,853	-	-
Financial liabilities at fair value through profit or loss	24a	12,488	10,917	-	-
Current income tax liability	19b	8,773	11,829	-	-
Other liabilities	40	168,441	132,633	5,751	9,590
Liability on investment contracts	41	10,157	60,617	-	-
Liability on insurance contracts	42	11,837	8,260	-	-
Borrowings	43	256,116	369,707	-	-
Retirement benefit obligations	44	3,764	2,029	-	-
Deferred tax liabilities	37	239	87	-	-
		3,587,389	3,818,083	5,751	9,590
Liabilities held for sale	33	-	1,592	-	-
Total liabilities		**3,587,389**	**3,819,675**	**5,751**	**9,590**
EQUITY					
Share capital	45	17,948	16,316	17,948	16,316
Share premium	46	252,892	254,524	252,892	254,524
Retained earnings	46	163,198	109,809	5,885	6,968
Other reserves					
Statutory reserve	46	66,647	65,278	-	-
Capital reserve	46	1,223	1,223	10	10
SSI Reserve	46	6,076	6,076	-	-
AFS Fair value reserve	46	56,241	12,532	345	362
Contingency Reserve	46	438	217	-	-
Statutory credit reserve	46	2,433	46,673	-	-
Treasury shares	46	-	(18)	-	-
Foreign currency translation reserve	46	8,029	7,399	-	-
		575,125	520,029	277,080	278,180
Non-controlling interest		3,675	4,033	-	-
Total equity		**578,800**	**524,062**	**277,080**	**278,180**
Total equity and liabilities		**4,166,189**	**4,343,737**	**282,831**	**287,770**

The financial statements on pages 11 to 110 were approved and authorised for issue by the Board of Directors on 4 April 2016 and signed on its behalf by:

Dr. Oba Otudeko, CFR	**U. K. Eke, MFR**	**Oyewale Ariyibi**
Group Chairman	Group Managing Director	Head Finance
FRC/2013/ICAN/00000002365	FRC/2013/ICAN/00000002352	FRC/2013/ICAN/00000001251

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent													
	Share capital	Share premium	Retained earnings	Capital reserve	Statutory reserve	SSI reserve	AFS Fair value reserve	Contingency reserve	Statutory credit reserve	Treasury shares	FCTR	Total	Non-controlling interest	Total equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2014	16,316	254,524	115,397	-	52,074	6,076	14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777
Profit for the year (as previously reported)	-	-	83,059	-	-	-	-	-	-	-	-	83,059	(220)	82,839
Effect of final accounting of business combination (Note 57)			1,172									1,172		1,172
Profit for the year (revised)	-	-	84,231	-	-	-	-	-	-	-	-	84,231	(220)	84,011
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	5,297	5,297	-	5,297
Fair value movements on available for sale financial assets, net of ta	-	-	-	-	-	-	(2,437)	-	-	-	-	(2,437)	(41)	(2,478)
Remeasurement of defined benefit pension scheme, net of tax	-	-	(242)	-	-	-	-	-	-	-	-	(242)	-	(242)
Total comprehensive income	-	-	83,989		-	-	(2,437)	-	-	-	5,297	86,849	(261)	86,588
Transactions with owners														
Dividends	-	-	(35,895)		-	-	-	-	-	-	-	(35,895)	(107)	(36,002)
Changes in treasury shares	-	-	-		-	-	-	-	-	2,262	-	2,262	-	2,262
Other Changes*	-	-	-		-	-	-	-	-	-	-	-	(58)	(58)
Business restructuring	-	-	(1,682)	1,223	-	-	-	-	-	-	-	(459)	(47)	(506)
Transfer between reserves	-	-	(52,000)	-	13,204	-	-	110	38,686	-	-	-	-	-
Total transactions with Owners	-	-	(89,577)	1,223	13,204	-	-	110	38,686	2,262	-	(34,092)	(211)	(34,304)
At 31 December 2014	16,316	254,524	109,809	1,223	65,278	6,076	12,532	217	46,673	(18)	7,399	520,029	4,033	524,062
Profit for the year	-	-	15,406	-	-	-	-	-	-	-	-	15,406	(258)	15,148
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	630	630	-	630
Fair value movements on available for sale financial assets, net of ta	-	-	-	-	-	-	43,709	-	-	-	-	43,709	(2,171)	41,538
Remeasurement of defined benefit pension scheme, net of tax	-	-	(1,404)	-	-	-	-	-	-	-	-	(1,404)	-	(1,404)
Total comprehensive income	-	-	14,002		-	-	43,709	-	-	-	630	58,341	(2,429)	55,912
Transactions with owners														
Dividends	-	-	(3,263)		-	-	-	-	-	-	-	(3,263)	(344)	(3,607)
Bonus issue	1,632	(1,632)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-		-	-	-	-	-	18	-	18	-	18
Loss of control in Ivory Trust Fund (excluding NSIA II)	-	-	-		-	-	-	-	-	-	-	-	1,127	1,127
Additional investment in FBN Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	-	1,326	1,326
Other changes*	-	-		-	-	-		-	-	-	-	-	(38)	(38)
Transfer between reserves	-	-	42,650	-	1,369	-	-	221	(44,240)	-	-	-	-	-
Total transactions with Owners	1,632	(1,632)	39,387	-	1,369	-	-	221	(44,240)	18	-	(3,245)	2,071	(1,174)
At 31 December 2015	17,948	252,892	163,198	1,223	66,647	6,076	56,241	438	2,433	-	8,029	575,125	3,675	578,800

*Other Changes represents the change in non-controlling interest arising from the acquisiton or disposal of unit holdings in FBN Heritage Funds. FBN Heritage fund is an open-ended mutual fund, which allows unit holder buy and sell holdings, resulting in changes in the value of NCI.

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	AFS Fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2014	16,316	254,524	37,180	10	71	308,101
Profit for the year	-	-	5,683	-	-	5,683
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	291	291
Total comprehensive income	-	-	5,683	-	291	5,974
Transactions with owners						
Dividends	-	-	(35,895)	-	-	(35,895)
Total transactions with Owners	-	-	(35,895)	-	-	(35,895)
At 31 December 2014	16,316	254,524	6,968	10	362	278,180
Profit for the year	-	-	2,180	-	-	2,180
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	(17)	(17)
Total comprehensive income	-	-	2,180	-	(17)	2,163
Transactions with owners						
Dividends	-	-	(3,263)	-	-	(3,263)
Bonus issue	1,632	(1,632)	-	-	-	-
Total transactions with Owners	1,632	(1,632)	(3,263)	-	-	(3,263)
At 31 December 2015	17,948	252,892	5,885	10	345	277,080

FBN Holdings Plc.

STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2015 N 'million	GROUP 31 December 2014 N 'million	COMPANY 31 December 2015 N 'million	COMPANY 31 December 2014 N 'million
Operating activities					
Cash flow generated from/ (used in) operations	47	234,804	(716,279)	(1,533)	(4,024)
Income taxes paid	19	(12,267)	(31,329)	-	-
Interest received		388,584	352,041	604	1,917
Interest paid		(128,555)	(93,316)	-	-
Net cash flow generated from/ (used in) operating activities		482,566	(488,883)	(929)	(2,107)
Investing activities					
Acquisition/ additional investment in subsidiary		-	-	(6,400)	(3,200)
Disposal of subsidiaries, net of cash disposed	33	(37,037)	-	380	-
Purchase of investment securities		(997,897)	(491,692)	(9,762)	-
Proceeds from the sale of investment securities		834,991	478,252	5,578	124
Cash and cash equivalent acquired from subsidiary		-	16,935	-	-
Dividends received		1,531	1,469	14,525	44,963
Purchase of investment properties		(1)	(13)	-	-
Purchase of property, plant and equipment	35	(11,594)	(16,916)	(115)	(676)
Purchase of intangible assets	36	(4,371)	(2,208)	-	-
Proceeds on disposal of property, plant and equipment		347	1,346	51	-
Net cash flow (used in)/ generated from investing activities		(214,031)	(12,827)	4,257	41,211
Financing activities					
Proceeds from sale of treasury shares		18	2,262	-	-
Dividend paid		(3,607)	(36,002)	(3,263)	(35,895)
Proceeds from new borrowings	43	75,961	315,792	-	-
Repayment of borrowings	43	(200,445)	(71,308)	-	-
Interest paid on borrowings	43	(12,102)	(11,850)	-	-
Additional investment by NCI		1,288	(58)	-	-
Net cash flow (used in)/ generated from financing activities		(138,887)	198,836	(3,263)	(35,895)
Increase/ (Decrease) in cash and cash equivalents		129,648	(302,874)	65	3,209
Cash and cash equivalents at start of year		532,456	834,691	4,727	1,476
Effect of exchange rate fluctuations on cash held		4,264	639	-	42
Cash and cash equivalents at end of year	21	666,368	532,456	4,792	4,727

1 General information

These financial statements are the consolidated financial statements of FBN Holdings Plc. (the Company), and its subsidiaries (hereafter referred to as 'the Group'). The Registered office address of the Company is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.

The principal activities of the Group are mainly the provision of commercial banking services, investment banking services, insurance business services and provision of other financial servises and corporate banking.

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 04 April 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's 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 Company.

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

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

The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2015: Annual improvements to IFRSs 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 not likely to affect future periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) **IFRS 9 - Financial instruments (1 January 2018)**
IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

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

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The bank is yet to quantify the impact of this change although it is expected to lead to an increased impairment charge than recognized under IAS 39.

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

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

2.3 Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.7 Income taxation

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

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

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

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

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

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

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

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

2.8 Inventories

The group purchases and constructs properties for resale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.9.2 Financial liabilities

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

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

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

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

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

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

2.9.3 Derivative financial instruments

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

2.9.4 Embedded derivatives

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

2.9.5 Determination of fair value

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

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

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

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

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

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

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

The impact on other comprehensive income of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.7.

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

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

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

2.9.6 De-recognition of financial instruments

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

2.9.7 Reclassification of financial assets

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

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

2.10 Offsetting financial instruments

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

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

2.11 Revenue recognition

a. Interest income and expense

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

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

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

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

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

b. Fees and commission income

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

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

c. Dividend income

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

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

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

2.13 Impairment of non-financial assets

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

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

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

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

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

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

2.16 Leases

Leases are divided into finance leases and operating leases.

a. *The group is the lessee*

(i) *Operating lease*

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

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

(ii) *Finance lease*

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

(ii) *Finance lease*

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

b *The group is the lessor*

(i) *Operating lease*

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

(ii) *Finance lease*

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

2.17 Investment Properties

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

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

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

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

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

2.18 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

2.19 Intangible assets

a. Goodwill

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

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

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

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

b. Computer software

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

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

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

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

c. Brand, customer deposits and customer relationships

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

2.20 Investment contracts

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

2.21 Cash and cash equivalents

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

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

2.22 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans

a. *Defined contribution plan*

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

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
All entities within the Group make contributions in line with relevant pension laws in their jurisdiction.

b. *Defined benefit plan*

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

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

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

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

(ii) Short-term benefits

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

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

2.23 Provisions

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

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

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

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

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

2.24 Insurance contracts

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

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

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

b. *Recognition and measurement*

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

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

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

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

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

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

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

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

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

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

c. *Insurance contract liabilities*

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

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

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

2.25 Fiduciary activities

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

2.26 Issued debt and equity securities

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

2.27 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

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

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

c. *Earnings per share*

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

c. *Treasury shares*

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

d. *Statutory credit reserve*

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

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

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

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

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

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

2.28 Financial guarantees

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

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

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

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

3.2 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 is the single largest risk for the Group arising mainly from the activities of the Commercial Banking segment and to a much lesser extent in the other segments within the Group. These activities include the commercial and consumer loans and advances and loan commitments arising from lending activities, and can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The credit risk management and control are centralised in a credit risk management team, which reports to the Commercial Banking business's Chief Risk Officer (CRO) regularly.

3.2.1 Credit risk measurement

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

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

3.2.1 Credit risk measurement continued

(a) Obligor Risk Rating (ORR system)

The obligor risk rating grids have a minimum of ten (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. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that has 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	16.65%-5.56%	0.15	0.15	0.15	
Default risk	D	10	5.55%-0.00%	1.00	1.00	1.00	Default

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

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

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

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

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

3.2.2 Risk limit control and mitigation policies

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

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

(a) Portfolio limits

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

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

3.2.2 Risk limit control and mitigation policies continued
(a) Portfolio limits continued

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

(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 realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:
– No single retail loan should amount to more than 0.2% of total retail portfolio.

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

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

STANDARD CREDIT APPROVAL GRID FOR WHOLESALE AND RETAIL LENDING

	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	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	Buiness 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.

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

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 re-assessed if there is observable evidence of distress of the borrower, this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

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

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

A record of all repossessed collateral is maintained centrally to ensure an orderly disposal and appropriate monitoring of the sales proceeds realized. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers.

3.2.4 Exposure Management

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

3.2.5 Delinquency Management/Loan Workout

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

3.2.6 Credit Recovery

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

3.2.7 Management of concentration risk

The Group manages limits and controls concentrations of credit risk to individual counterparties, groups, industries and countries.

The Group defines levels of concentration risk it is wiling to take by placing limits on credit exposure to a single borrower, groups of borrowers and geographic and industry segments. Such concentration risk limits approved by the Board of Directors on the recommendation of the 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.

3.2.9 Measurement basis of financial assets and liabilities

GROUP

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
31 December 2015					
Financial assets					
Cash and balances with central banks	-	-	715,871	-	715,871
Loans and advances to banks	-	-	385,769	-	385,769
Loans and advances to customers:					
- Overdrafts	-	-	316,571	-	316,571
- Term loans	-	-	1,402,123	-	1,402,123
- Staff loans	-	-	8,330	-	8,330
- Project finance	-	-	88,280	-	88,280
- Advances under finance lease	-	-	1,967	-	1,967
Financial assets at fair value through profit or loss	26,426	-	-	-	26,426
Investment securities:					
- Available-for-sale investments	-	799,850	-	-	799,850
- Held to maturity investments	-	-	-	106,623	106,623
- Loans and receivables	-	-	7,306	-	7,306
Asset pledged as collateral	-	23,626	-	82,020	105,646
Other assets	-	-	21,070	-	21,070
Total Financial Assets	26,426	823,476	2,947,287	188,643	3,985,832

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Deposits from banks	-	144,652	144,652
Deposits from customers	-	2,970,922	2,970,922
Financial liabilities at fair value through profit or loss	12,488	-	12,488
Other liabilities	-	168,441	168,441
Liability on investment contracts	-	10,157	10,157
Borrowings	-	256,116	256,116
Total Financial Liabilities	12,488	3,550,288	3,562,776

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
GROUP					
31 December 2014					
Financial assets					
Cash and balances with central banks	-	-	698,104	-	698,104
Loans and advances to banks	-	-	460,911	-	460,911
Loans and advances to customers:					
- Overdrafts	-	-	314,114	-	314,114
- Term loans	-	-	1,777,092	-	1,777,092
- Staff loans	-	-	7,461	-	7,461
- Project finance	-	-	77,558	-	77,558
- Advances under finance lease	-	-	2,761	-	2,761
Financial assets at fair value through profit or loss	27,601	-	-	-	27,601
Investment securities:					
- Available-for-sale investments	-	553,154	-	-	553,154
- Held to maturity investments	-	-	-	158,485	158,485
Asset pledged as collateral	-	19,203	-	49,280	68,483
Other assets	-	-	26,549	-	26,549
Total Financial Assets	27,601	572,357	3,364,550	207,765	4,172,273

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Deposits from banks	-	171,151	171,151
Deposits from customers	-	3,050,853	3,050,853
Financial liabilities at fair value through profit or loss	10,917	-	10,917
Other liabilities	-	132,633	132,633
Liability on investment contracts	-	60,617	60,617
Borrowings	-	369,707	369,707
Total Financial Liabilities	10,917	3,784,961	3,795,878

3.2.9 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
COMPANY					
31 December 2015					
Financial assets					
Loans and advances to banks	-	-	4,792	-	4,792
Loans and advances to customers					
- Staff loans	-	-	63	-	63
Investment securities:					
- Available-for-sale investments	-	7,019	-	-	7,019
Other assets	-	-	4,454	-	4,454
Total Financial Assets	-	7,019	9,309	-	16,328

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Other liabilities	-	5,751	5,751
Total Financial Liabilities	-	5,751	5,751

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised cost Loans and Receivables N'million	Amortised cost Held to maturity N'million	Total N'million
31 December 2014					
Financial assets					
Loans and advances to banks	-	-	3,261	-	3,261
Loans and advances to customers					
- Staff loans	-	-	80	-	80
Investment securities:					
- Available-for-sale investments	-	2,806	-	-	2,806
- Held to maturity investments	-	-	-	1,466	1,466
Other assets	-	-	14,111	-	14,111
Total Financial Assets	-	2,806	17,452	1,466	21,724

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Other liabilities	-	9,590	9,590
Total Financial Liabilities	-	9,590	9,590

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		COMPANY	
	31 Dec 2015 N'million	31 Dec 2014 N'million	31 Dec 2015 N'million	31 Dec 2014 N'million
Balances with central banks	639,561	634,796	-	-
Loans and advances to banks	385,769	460,911	4,792	3,261
Loans and advances to customers				
- Overdrafts	316,571	314,114	-	-
- Term loans	1,402,123	1,777,092	-	-
- Staff loans	8,330	7,461	63	80
- Project finance	88,280	77,558	-	-
- Advances under finance lease	1,967	2,761	-	-
Financial assets at fair value through profit or loss	19,220	23,674	-	-
Investment securities - Debt				
-Available-for-sale investments	741,966	494,576	4,183	-
-Held to maturity investments	106,623	158,485	-	1,466
-Loans and receivables	7,306	-	-	-
Asset pledged as collateral	105,646	68,483	-	-
Other assets	21,070	26,549	4,454	14,111
	3,844,432	4,046,460	13,492	18,918
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	33,342	90,379	-	-
Letter of credit and other credit related obligations	421,696	701,997	-	-
	455,038	792,376	-	-
TOTAL MAXIMUM EXPOSURE	4,299,470	4,838,836	13,492	18,918

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 assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	629,961	-	-	9,331	269	-	639,561
Loans and advances to banks	120,595	0	3,350	40,679	158,277	62,868	385,769
Loans and advances to customers		-	-	-	-	-	-
- Overdrafts	229,116	52,039	11,091	22,001	1,541	783	316,571
- Term loans	914,746	196,469	63,064	105,698	47,632	74,514	1,402,123
- Staff loans	6,842	-	-	1,448	40	-	8,330
- Project finance	40,031	2,246	11,614	31,057	3,220	112	88,280
- Advances under finance lease	1,374	561	32	-	-	-	1,967
Financial assets at fair value through I	16,655	-	-	303	2,262	-	19,220
Investment securities		-	-	-	-	-	
- Available-for-sale investments	713,582	5,384	2,617	-	10,368	10,015	741,966
- Held to maturity investments	89,457	4,919	130	12,117	-	-	106,623
- Loans and receivables	7,306	-	-	-	-	-	7,306
Asset pledged as collateral	105,646	-	-	-	-	-	105,646
Other assets	18,938	-	-	2,132	-	-	21,070
31 December 2015	2,894,249	261,618	91,898	224,766	223,609	148,292	3,844,432

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

Loan commitments	28,887	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	3,936	421,696
31 December 2015	365,076	52,068	19,440	8,290	6,228	3,936	455,038

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	626,208	-	-	8,160	428	-	634,796
Loans and advances to banks	109,234	-	2,717	21,905	271,655	55,400	460,911
Loans and advances to customers							
- Overdrafts	220,338	58,629	16,745	17,411	991		314,114
- Term loans	1,032,778	332,387	102,839	97,653	211,435	-	1,777,092
- Staff loans	6,608	2	11	798	42	-	7,461
- 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 at fair value through profit or loss	13,870	-	-	-	8,674	1,130	23,674
Investment securities							
- Available-for-sale investments	470,894	3,235	799	9,065	10,583	-	494,576
- Held to maturity investments	139,810	7,334	504	10,837	-	-	158,485
Asset pledged as collateral	67,114	-	-	1,369	-	-	68,483
Other assets	12,644	8,590	609	4,479	227	-	26,549
31 December 2014	2,739,847	411,663	133,826	197,573	507,021	56,530	4,046,460

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

Loan commitments	63,410	7,171	10,327	2,239	7,232	-	90,379
Letters of credit and other credit related obligations	458,547	66,959	46,960	18,602	110,929	-	701,997
31 December 2014	521,957	74,130	57,287	20,841	118,161	-	792,376

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

COMPANY

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	Total N 'million
Loans and advances to banks	4,792	-	-	-	-	-	4,792
Loans and advances to customers							
- Staff loans	63	-	-	-	-	-	63
Investment securities							
- Available-for-sale investments	4,183	-	-	-	-	-	4,183
Other assets	4,454	-	-	-	-	-	4,454
31 December 2015	13,492	-	-	-	-	-	13,492

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	Total N 'million
Loans and advances to banks	3,261	-	-	-	-	-	3,261
Loans and advances to customers							-
- Staff loans	80	-	-	-	-	-	80
Investment securities							-
- Loans and receivables	1,466	-	-	-	-	-	1,466
Other assets	14,111	-	-	-	-	-	14,111
31 December 2014	18,918	-	-	-	-	-	18,918

b) Industry sectors

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

GROUP

	Balances with central bank N 'million	Loans and advances to banks N 'million	Financial assets at fair value through profit or loss N 'million	Investment Securities (Debt) - Available for N 'million	Investment Securities - Held to maturity N 'million	Investment Securities - Loans and receivables N 'million	Asset pledged as collateral N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	126	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	639,561	385,769	4,719	45,448	5,540	3,955	3,428
Transportation	-	-	-	1,096	-	-	-
Communication	-	-	-	-	-	3,351	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	14,501	695,296	101,083	-	102,218
Total at 31 December 2015	639,561	385,769	19,220	741,966	106,623	7,306	105,646

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

	Other assets	Overdraft	Term loans	Loans to customers Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	2,686	55,663	-	-	-	58,349
Oil and gas	3,206	123,098	432,616	20	34,748	197	590,679
Consumer credit	-	5,220	134,776	5,830	-	-	145,826
Manufacturing	-	51,381	296,766	-	18,486	298	366,931
Real estate	-	20,174	92,705	2,090	-	-	114,969
Construction	517	30,477	16,964	-	18,004	9	65,454
Finance and insurance	16,517	3,907	20,776	21	3,986	125	28,815
Transportation	-	3,125	16,928	-	6,519	83	26,655
Communication	-	10,138	54,244	-	-	-	64,382
General commerce	830	35,230	38,831	-	110	6	74,177
Utilities	-	8,788	55,064	-	-	-	63,852
Retail services	-	21,397	39,699	369	5,542	1,236	68,243
Public sector	-	950	147,091	-	885	13	148,939
Total at 31 December 2015	21,070	316,571	1,402,123	8,330	88,280	1,967	1,817,271

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or	Investment Securities- Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets N 'million
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	1,241
Finance and insurance	634,796	460,911	11,955	38,078	6,746	-	20,346
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	11,719	428,878	150,732	68,483	554
Total at 31 December 2014	634,796	460,911	23,674	466,956	158,485	68,483	26,549

	Overdraft	Term loans	Loans to customers Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	688,760	-	33,805	284	853,104
Consumer credit	5,137	163,522	5,984	-	29	174,672
Manufacturing	54,165	302,602	-	18,043	405	375,215
Real estate	20,297	122,947	1,477	-	-	144,721
Construction	32,709	43,258	-	14,322	-	90,289
Finance and insurance	853	17,841	-	1,744	14	20,452
Transportation	3,710	4,820	-	3,851	28	12,409
Communication	2,432	64,202	-	-	-	66,634
General commerce	23,987	70,675	-	209	9	94,880
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,410	1,974	110,015
Public sector	6,201	113,197	-	1,174	18	120,590
Total at 31 December 2014	314,114	1,777,092	7,461	77,558	2,761	2,178,986

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

b) Industry sectors

	Balances with central bank	Loans and advances to banks	Investment Securities - Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral	Other assets N 'million
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY							
Finance and insurance	-	4,792	4,183	-	-	-	4,454
Public sector	-	-	-	-	-	-	-
Total at 31 December 2015	-	4,792	4,183	-	-	-	4,454

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Consumer credit	-	-	24	-	-	24
Real estate	-	-	39	-	-	39
Total at 31 December 2015	-	-	63	-	-	63

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral	Other assets N 'million
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY							
Finance and insurance	-	3,261	-	-	-	-	14,111
Public sector	-	-	-	1,466	-	-	-
Total at 31 December 2014	-	3,261	-	1,466	-	-	14,111

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Consumer credit	-	-	24	-	-	24
Real estate	-	-	56	-	-	56
Total at 31 December 2014	-	-	80	-	-	80

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

	Loan commitments 31 Dec 2015	Letter of credit and other related obligations 31 Dec 2015	Loan commitments 31 Dec 2014	Letter of credit and other related obligations 31 Dec 2014
	N 'million	**N 'million**	**N 'million**	**N 'million**
		GROUP		
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

3.2.12 Loans and advances to customers

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

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
GROUP						
December 2015						
Neither past due nor impaired	210,781	1,206,638	8,333	76,319	1,978	1,504,049
Past due but not impaired	27,702	59,554	64	12,098	-	99,418
Individually impaired	117,034	220,775	2	-	332	338,143
Collectively impaired	2,941	12,430	1	-	11	15,383
Gross	358,458	1,499,397	8,400	88,417	2,321	1,956,993
Less: allowance for impairment (note 23)	(41,887)	(97,274)	(70)	(137)	(354)	(139,722)
Net	316,571	1,402,123	8,330	88,280	1,967	1,817,271
Individually impaired	39,089	67,275	-	-	322	106,686
Portfolio allowance	2,798	29,999	70	137	32	33,036
Total	41,887	97,274	70	137	354	139,722

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
December 2014						
Neither past due nor impaired	300,769	1,675,947	7,529	77,425	1,698	2,063,368
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	329,578	1,803,768	7,529	77,709	3,043	2,221,627
Less: allowance for impairment (note 23)	(15,464)	(26,676)	(68)	(151)	(282)	(42,641)
Net	314,114	1,777,092	7,461	77,558	2,761	2,178,986
Individually impaired	11,845	15,932	-	-	241	28,018
Portfolio allowance	3,619	10,744	68	151	41	14,623
Total	15,464	26,676	68	151	282	42,641
COMPANY						
December 2015						
Neither past due nor impaired	-	-	63	-	-	63
Net	-	-	63	-	-	63
December 2014						
Neither past due nor impaired	-	-	80	-	-	80
Net	-	-	80	-	-	80

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	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Grades:						
AAA	359	7,695	580	-	-	8,634
AA	-	23,838	-	-	-	23,838
A	1,388	20,452	-	-	-	21,840
BBB	26,998	95,348	97	-	-	122,443
BB	125,899	625,603	2,150	7,288	941	761,881
B	50,357	222,816	5,469	2,259	1,037	281,938
CCC	283	725	-	-	-	1,008
CC	-	-	-	-	-	-
C	5,497	210,161	37	66,772	-	282,467
	210,781	1,206,638	8,333	76,319	1,978	1,504,049

3.2.12 Loans and advances to customers continued

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances past due but not impaired						
Past due up to 30 days	211	5,200	2	19	-	5,432
Past due by 30 - 60 days	24,729	45,546	1	11,706	-	81,982
Past due 60-90 days	2,762	8,808	61	373	-	12,004
Gross amount	27,702	59,554	64	12,098	-	99,418
(c) Collectively impaired loans						
	2,941	12,430	1	-	11	15,383
(d) Loans and advances individually impaired						
Gross amount	117,034	220,775	2	-	332	338,143
Specific impairment	(39,089)	(67,275)	-	-	(322)	(106,686)
Net amount	77,945	153,500	2	-	10	231,457

December 2014

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
a) Grades:						
AAA	141	4,604	-	-	-	4,745
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	154,205	291	1,404	-	221,905
BB	163,467	825,402	6,323	14,464	1,066	1,010,722
B	69,614	329,111	740	1,973	632	402,070
CCC	-	10,583	-	-	-	10,583
CC	-	-	24	-	-	24
C	1,152	290,124	119	59,584	-	350,978
	300,769	1,675,947	7,529	77,425	1,698	2,063,368
(b) Loans and advances past due but not impaired						
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 60-90 days	863	20,655	-	284	62	21,864
Gross amount	11,087	81,046	-	284	1,058	93,475
(c) Collectively impaired loans						
These represent insignificant impaired loans which are assessed on a collective basis.						
	3,151	8,977	-	-	46	12,174
(d) Loans and advances individually impaired						
Gross amount	14,571	37,798	-	-	241	52,610
Specific impairment	(11,845)	(15,932)	-	-	(241)	(28,018)
Net amount	2,726	21,866	0	0	0	24,592

3.2.12 Loans and advances to customers continued

(e) Sensitivity analysis on impairment

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

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

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

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

Scenario 1
The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2
The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realizing collaterals pledged.

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	**Scenario 1**	**Scenario 2**
	N'million	**N'million**	**N'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

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 has been assessed by reference to Moody's rating, Agusto & Agusto's rating (credit rating agency) and the internal rating system at 31 December 2015 and 31 December 2014.

	Group
31 December 2015	**Loans to banks**
	N'million
A+ to A-	85,279
B+ to B-	18,706
Unrated	281,784
	385,769
31 December 2014	
A+ to A-	282,494
B+ to B-	109,825
Unrated	68,592
	460,911

3.2.13 Loans and advances to banks continued

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

31 December 2015

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
	N'million	N'million	N'million	N'million	N'million
A+ to A-	20,954	69,458	1,835	18,813	4,735
B+ to B-	474,984	195,802	4,191	158,222	237
Unrated	2,830	1,565	8,412	-	16,098
	498,768	266,825	11,608	177,035	21,070
31 December 2014					
A+ to A-	-	19,001	-	22,469	937
B+ to B-	360,783	131,672	10,436	167,908	8,316
Unrated	-	2,322	6,952	-	17,296
	360,783	152,995	17,388	190,377	26,549

Company

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Loans and receivables	Other assets
31 December 2015	N'million	N'million	N'million	N'million	N'million	N'million
A+ to A-	3,532	651	-	-	-	-
Unrated	-	-	-	-	-	4,454
	3,532	651	-	-	-	4,454
31 December 2014						
A+ to A-	-	-	1,466	-	-	-
Unrated	-	-	-	-	-	14,111
	-	-	1,466	-	-	14,111

3.2.14 Collaterized Assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2015 and 31 December 2014 are as shown below

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2015	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	385,769	19,837
Financial assets at fair value through profit or loss	-	-	26,426	5,983
Total Financial Assets	-	-	412,195	25,820

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2014	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	460,911	19,837
Financial assets at fair value through profit or loss	-	-	27,601	5,983
Total Financial Assets	-	-	488,512	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 collaterised:
Cash and balances with Central Banks
Investment securities:
- Available-for-sale investments
- Held to maturity investments

Asset pledged as collateral
Other assets

The Group's investment in risk-free government securities and its Cash and balances with Central Banks are not considered to require collaterals given their sovereign nature.

3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

The Group is funded primarily by a well diversified mix of retail, corporate and public sector deposits. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and interbank takings as significant sources of funding.

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

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

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

GROUP

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

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,641
Deposits from customers	2,230,551	364,398	109,762	135,532	126,109	12,495	2,978,847
Financial liabilities at fair value through profit or loss	-	-	367	-	-	-	367
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	133,470	10,007	3,199	10,513	25	168,441
Insurance contracts liability	-	557	-	902	6,390	3,988	11,838
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	2,328,767	529,993	173,712	161,592	292,629	148,649	3,635,342
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	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440
31 December 2014							
Financial liabilities							
Deposits from banks	119,807	42,793	4,573	3,978	-	-	171,151
Deposits from customers	2,285,701	465,753	70,684	92,567	134,030	9,658	3,058,393
Borrowings	62,139	130,550	7,567	11,624	60,349	164,086	436,315
Other liabilities	38,682	32,685	15,133	34,672	4,585	-	125,755
Insurance contracts liability	-	556	-	7,704	-	-	8,260
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	2,506,329	672,337	97,957	211,162	198,964	173,744	3,860,493
Loan commitments	66,690	7,171	3,327	900	12,291	-	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	295,440	75,100	52,290	96,802	62,892	209,852	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

COMPANY

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2015							
Financial liabilities							
Other liabilities	-	-	-	5,751	-	-	5,751
Total financial liabilities	-	-	-	5,751	-	-	5,751
Assets held for managing liquidity risk	4,792	-	-	4,454	-	-	9,247
31 December 2014							
Financial liabilities							
Other liabilities	-	-	-	7,950	-	-	7,950
Total financial liabilities	-	-	-	7,950	-	-	7,950
Assets held for managing liquidity risk	3,261	1,466	-	14,111	-	-	18,838

3.3 Liquidity risk continued

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

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

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,642
Deposits from customers	477,416	388,168	196,170	266,588	369,326	1,264,287	2,961,955
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	129,733	10,007	3,199	10,513	25	164,704
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	575,633	549,469	259,753	291,746	529,455	1,396,453	3,602,509
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	78,011	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2014							
Financial liabilities							
Deposits from banks	85,538	36,770	44,865	3,979	-	-	171,152
Deposits from customers	473,470	539,000	228,443	282,872	324,473	1,210,135	3,058,393
Borrowings	62,139	130,542	7,489	11,624	66,104	164,086	441,985
Other liabilities	38,645	32,937	15,211	34,672	4,585	-	126,049
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	659,792	739,809	296,008	401,464	395,162	1,374,221	3,866,456
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	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

3.3.4 Assets held for managing liquidity risk

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

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

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

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

3.3.5 Derivative liabilities

(a) Derivatives settled on a net basis

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

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

GROUP	Up to 1 month N 'million	1-3 months N 'million	3-6 months N 'million	6 - 12 months N 'million	1-5 years N 'million	Over 5 years N 'million	Total N 'million
At 31 December 2015							
Derivative liabilities							
Cross-Currency Swap	-	-	-	-	-	-	-
Accumulator-Forward FX contract	-	-	-	-	-	-	-
Put Option	(522)	(222)	-	-	(2,645)	-	(3,389)
	(522)	(222)	-	-	(2,645)	-	(3,389)
Derivative assets							
Cross-Currency Swap	367	-	-	-	-	-	367
Put Options	-	-	-	-	-	-	-
Forward Contract	571	235	-	-	2,958	-	3,764
	937	235	-	-	2,958	-	4,130
	415	13	-	-	313	-	741
At 31 December 2014							
Derivative liabilities							
Cross-Currency Swap	-	-	-	-	-	-	-
Accumulator-Forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,671	-	22,103
	919	2,664	2,881	6,066	9,671	-	22,201
Derivative assets							
Cross-Currency Swap	1,002	-	-	-	-	-	1,002
Foreign exchange derivatives	938	2,728	2,842	6,257	9,848	-	22,613
Put options	1,011	439	-	-	-	-	1,450
	2,951	3,167	2,842	6,257	9,848	-	25,065
	3,870	5,831	5,723	12,323	19,519	-	47,266

(b) Derivatives settled on a gross basis.

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

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2015 (N' million)							
Liabilities held for trading							
FX Swap - Payable	(2,985)	(24,285)	(12,994)	-	-	-	(40,264)
FX Swap - Receivable	3,132	23,876	12,920	-	-	-	39,928
Forward Contract - Payment	-	(4,433)	(218,574)	(98,944)	-	-	(321,951)
Forward Contract - Receipt	-	-	-	-	-	-	-
Put option	-	-	-	-	46	-	46
	147	(4,842)	(218,648)	(98,944)	46	-	(322,241)
At 31 December 2014							
Derivatives 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)
Put option	-	-	-	-	143	-	143
	686	1,022	162	-	143	-	2,014

3.4 Market risk

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

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

3.4.1 Management of market risk

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

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

3.4.2 Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below:

(a) Value at risk (VAR)

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

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (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 analaysis are the held for trading assets.

The treasury bill trading VaR is NGN106 million as at 31st 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 Nil as at 31st December 2015, reflecting the new regulatory Trading Open Position of Zero stipulated by the CBN. Hence, there was no open position as at year end.

VAR summary	GROUP		
	12 months to 31 December 2015		
	Average	**High**	**Low**
Foreign exchange risk	7	25	-
Interest rate risk	354	1,155	82
Total VAR	**361**	**1,180**	**82**
	12 months to 31 December 2014		
	Average	**High**	**Low**
Foreign exchange risk	12	34	-
Interest rate risk	415	1,286	22
Total VAR	**427**	**1,320**	**22**

3.4.2 Market risk measurement techniques continued

(b) Stress tests

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

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

The Asset and Liability 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.

Non-trading portfolio

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

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

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

Hedged non-trading market risk exposures

The Group'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 N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2015						
Financial assets						
Cash and balances with Central Banks	678,502	5,791	6,576	6,215	18,787	715,871
Loans and advances to banks	40,557	214,953	89,649	28,178	12,432	385,769
Loans and advances		-	-	-	-	
- Overdrafts	180,309	125,885	307	3,603	6,468	316,571
- Term loans	539,978	744,698	41,768	67,463	8,216	1,402,123
- Staff loans	6,846	1,126	40	0	318	8,330
- Project finance	18,026	66,209	-	4,045	-	88,280
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities		-	-	-	-	
- Available-for-sale investments	671,603	70,363	-	-	-	741,966
- Held to maturity investments	94,506	-	-	3	12,114	106,623
- Loans and receivables	7,306	-	-	-	-	7,306
Asset pledged as collateral	103,514	-	-	-	2,132	105,646
Financial assets at fair value through profit or loss	16,036	3,184	-	-	-	19,220
Other assets	12,358	3,274	452	18	4,968	21,070
	2,371,508	1,235,483	138,792	109,525	65,435	3,920,743
Financial liabilities						
Customer deposits	2,049,590	507,269	357,541	23,680	32,842	2,970,922
Deposits from banks	8,021	114,100	15,285	6,704	542	144,652
Financial liabilities at fair value through profit or loss	367	10,743	-	1,378	-	12,488
Borrowings	82,332	171,669	127	-	1,988	256,116
Other liabilities	101,946	56,597	2,690	4,723	2,485	168,441
Investment contracts	10,157	-	-	-	-	10,157
	2,252,413	860,378	375,643	36,485	37,857	3,562,776

3.4.3 Foreign exchange risk continued

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2014						
Financial assets						
Cash and balances with Central Banks	664,969	14,526	2,599	4,203	11,807	698,104
Loans and advances to banks	52,389	233,210	147,746	22,963	4,603	460,911
Loans and advances						-
- Overdrafts	186,567	109,295	117	99	18,036	314,114
- Term loans	740,884	884,209	60,655	80,648	10,696	1,777,092
- Staff loans	6,600	-	42	-	819	7,461
- Project finance	15,767	60,048	-	1,743	-	77,558
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities						-
- Available-for-sale investments	422,296	67,136	-	1	5,142	494,575
- Held to maturity investments	147,651	-	-	-	10,834	158,485
Asset pledged as collateral	67,115	-	-	-	1,368	68,483
Financial assets at fair value through profit or loss	13,869	8,354	-	1,450	-	23,673
Other assets	16,575	5,215	238	1	4,520	26,549
	2,337,443	1,381,993	211,397	111,108	67,825	4,109,766
Financial liabilities						
Customer deposits	2,098,639	529,284	340,812	8,115	74,003	3,050,853
Deposits from banks	20,528	126,205	18,416	5,897	105	171,151
Financial liabilities at fair value through profit or loss	1,062	9,722	-	133	-	10,917
Borrowings	30,414	334,219	105	958	4,011	369,707
Other liabilities	74,546	20,240	21,724	3,433	5,814	125,757
Investment contracts	60,617	-	-	-	-	60,617
	2,285,806	1,019,670	381,057	18,536	83,933	3,789,002

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

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

	GROUP 31 Dec 2015	31 Dec 2014
Naira strengthens by 10% against the US dollar Profit/(loss)	(37,511)	(36,232)
Naira weakens by 10% against the US dollar Profit/(loss)	37,511	36,232
Naira strengthens by 10% against the EURO Profit/(loss)	(7,304)	(9,257)
Naira weakens by 10% against the EURO Profit/(loss)	7,304	9,257

3.4.4 Interest rate risk

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

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

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2015				
Financial assets				
Cash and balances with central banks	715,871	15,253	8,000	692,616
Loans and advances to banks	385,769	247,947	78,802	59,021
Loans and advances to customers		-	-	-
- Overdrafts	316,571	316,571	-	-
- Term loans	1,402,123	1,356,122	46,000	-
- Staff loans	8,330	22	8,310	-
- Project finance	88,280	88,280	-	-
- Advances under finance lease	1,967	1,967	-	-
Financial assets at fair value through profit or loss	26,426	-	105,637	8
Investment securities:		-	-	-
- Available-for-sale investments	799,850	4,634	737,874	57,342
- Held to maturity investments	106,623	-	106,620	4
- Loans and receivables	7,306	-	7,306	-
Assets pledged as collateral	105,646	-	105,646	-
Other assets	21,070	46	16,208	10,172
	3,985,832	**2,030,842**	**1,220,403**	**819,163**
Financial liabilities				
Deposits from customers	2,970,922	1,378,045	1,080,460	512,782
Deposits from banks	144,652	86,864	53,061	4,727
Financial liabilities at fair value through profit or loss	12,488	-	-	12,122
Other liabilities	168,441	-	-	168,442
Liability on investment contracts	10,157	-	-	-
Borrowings	256,116	13,139	242,976	-
	3,562,776	**1,478,048**	**1,376,497**	**698,073**
Interest rate mismatch		**552,794**	**(156,094)**	**121,090**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
31 December 2014				
Financial assets				
Cash and balances with Central Banks	698,104	8,238	8,001	681,865
Loans and advances to banks	460,911	195,319	86,706	178,885
Loans and advances				
- Overdrafts	314,114	314,114	-	-
- Term loans	1,777,092	1,747,066	30,026	-
- Staff loans	7,461	-	7,461	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
Available-for-sale investments	553,154	515	495,646	56,994
Held to maturity investments	158,485	-	158,485	
Assets pledged as collateral	68,483	-	68,483	-
Financial assets at fair value through profit or loss	27,601	144	17,521	9,936
Other assets	26,549	-	2,497	24,052
	4,172,273	**2,345,715**	**874,826**	**951,732**
Financial liabilities				
Customer deposits	3,050,853	1,349,992	1,156,095	544,766
Deposits from banks	171,151	138,576	22,565	10,010
Financial liabilities at fair value through profit or loss	10,917	-	1,002	9,915
Borrowings	369,707	176,317	193,390	-
Other liabilities	125,757	-	209	125,548
Investment contracts	60,617	60,617	-	-
	3,789,002	**1,725,502**	**1,373,261**	**690,239**
Interest rate mismatch		**620,213**	**(498,435)**	**261,493**

3.4.5 Interest rate sensitivity gap analysis

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

Figures in N'bn	<=30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEARS & ABOVE	Rate Sensitive
Treasury Bills	133	196	101	44	-	-	474
Government Bonds	-	-	1	50	184	112	347
Corporate Bonds	-	-	4	-	7	0	11
Loans and advances to banks	372	-	-	-	-	-	372
Project Finance	6	11	2	1	1	-	21
Term Loans	194	95	29	77	73	668	1,136
Overdraft	24	48	72	148	-	-	292
Equipment on Lease	0	0	2	-	-	-	2
Staff Loans	0	0	6	-	-	-	6
TOTAL ASSETS	729	350	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	290
TOTAL LIABILITIES	426	302	121	160	330	601	1,940
	303	48	96	160	(65)	180	722

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.

3.5 Management of insurance risk

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

3.5.1 Underwriting risk

Underwriting risk relates mainly to the uncertainty that the insured event will occur. The nature of an insurance contract is that the timing and size of claims are uncertain and therefore unpredictable. The principal underwriting risk is the risk that the actual outcome of mortality, morbidity and medical claims will result in volatile profits from one year to the next. Such volatility may result from large concentrations of risk or from charging inadequate premiums relative to the severity or incidence of the risk accepted. Inadequate policy wording may fail to protect the insurer from claims that were not envisaged when the product was priced.

Insurance events are random and the actual number and amount of underwriting benefits will vary from the best estimates established from statistical techniques and taking cognisance of past experience. The Group manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

3.5 Management of insurance risk continued
3.5.1 Underwriting risk continued

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

• All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.

• The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.

• Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.

• The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.

• The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.

• Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

The Group's core funeral product offering is characterised by low sums assured which negates the need for underwriting at policy inception. The policy conditions enable the Group to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception.

The Group's reinsurance arrangements include risk premium treaties for a high life cover, hospital cover product and critical illness products. The decision on the proportion of risk to be ceded follows mainly from the Group's desire to maintain its relationship with the reinsurers and is based on the level of assistance received from the reinsurers. Exceptions to this are reinsurance cessions that are intended to limit the Group's exposure to large sums assured.

Claims risk is represented by the fact that the Group may incur unexpectedly high mortality and morbidity losses on any group of policies. Client service staffs are trained to identify and investigate fraudulent claims timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also investigates and advises on improvements to internal control systems.

3.5.2 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information are not readily available.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than N10 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised in the next table, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from all life and non-life insurance contracts:

3.5 Management of insurance risk continued

	31 December 2015			31 December 2014		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Individual traditional	8,554	-	8,554	4,802	-	4,802
Group credit life	560	-	560	765	-	765
Group Life – UPR incl AURR	725	(1)	724	357	(8)	349
General business – UPR incl AURR	515	-	515	573	-	573
Group Life - IBNR	251	(1)	249	133	(4)	129
Additional reserves	852	(350)	502	942	-	942
Outstanding claims	382	(36)	345	688	-	688
Total	**11,838**	**(388)**	**11,449**	**8,260**	**(12)**	**8,248**

Claims paid by class of business during the period under review are shown below

	31 December 2015			31 December 2014		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Group Life	1,271	(108)	1,163	423	(71)	352
Group Credit Life	339	-	339	232	-	232
Individual Life	1,640	-	1,640	466	-	466
General business	569	(364)	205	466	(270)	196
Total	**3,819**	**(472)**	**3,347**	**1,587**	**(341)**	**1,246**

3.5.3 Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behavior.

The insurance business offers varying products, from which the group is exposed. The main products on offer and the associated risks are:

Product	**Types of insurance**	**Product Features**	**Risk**
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in 4 equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the Sum Assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of NGN100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a max. of NGN5million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lumpsum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no claim on the policy.	Death only
Family Income Protection Plan	Individual traditional	Pays a lumpsum to the beneficiary should any of the coverered events happens to the policyholder, dependiong on the option chosen at inception.	Death with either Permanent Disability & Critical Illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of NGN500,000.00 (subjected to NGN1 million for a maximum of 2 lines) for a registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution from on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the bank. 2. The scheme pays a maximum of 6 months instalment after loss of job by the borrower to the bank.	Death and loss of job.
General Business-Short Term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured	Accident-motor & general accident, fire outbreak, burglary and other hazards

3.5.3 Sources of uncertainty in the estimation of future claim payments continued

The insurance liabilities have been made on the following principles:

Type of Business	Valuation Method
Individual Risk Business	Gross premium valuation approach
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Fergusion method

Individual business

A gross premium method was used for individual risk business. This is a monthly cashflow projection approach taking into account the incidence of all expected future cashflows including office premiums, expenses and benefit payments satisfying the Liability Adequacy Test.

For the endowment plans, the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The Flexi save Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. Flexi save is an embedded product having components of insurance and financial risk. The product has not be unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cashflows including expenses.

Interest is allocated to policyholder Flexisave accounts at a rate of 2% below the Monetary Policy Rate (MPR). In order to accurately consider the potential cost of the life cover to the Group from this product (and hence the reserves that should be held) the policyholder funds was projected; this enabled a comparison of the expected future income to the Group from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgo (death benefits and expenses). A reserve is then set up to meet any shortfalls.

Life cover is only available for "active" policies, being those that paid a premium in the year. The risk reserves will allow for future life cover on policies that are active at the valuation date. Policyholders are able to reinstate their life cover by paying any outstanding premiums. Allowance for reinstated policies are made within the additional reserves.

Group business

Reserves for Group Life business comprise an unexpired premium reserve (UPR) and where necessary, a reserve for Incurred But Not Reported Claims (IBNR) to make an allowance for the delay in reporting of claims.

The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR has been tested by comparing against an Additional Unexpired Risk Reserve (AURR), which has been calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach (Basic Chain Ladder in 2015) has been used for IBNR reserving, which considers the pattern of claims emerging.

No separate reserve is proposed for claims handling costs for Group Life business as these are typically insignificant in size. Costs incurred are absorbed as part of the general business management costs.

Due to the limited nature of data captured for credit life business, the cashflow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

Non-life business

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The Basic Chain Ladder Method (BCL), a Loss ratio method adjusted for assumed experience to date and in more recent years and where the claim development seems different than in the past a Bornheutter – Ferguson Method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to sub-divide claims between large and small claims. Sub – dividing the data would reduce the volume of the data in the triangles and compromise the credibility. Extreme large claims however were removed from the triangulations to avoid distorting development patterns.

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

Net valuation interest rate of 10.25% pa was adopted for all long term business, which has been applied as a single long term rate of return. As at 23 December 2015, FGN bond yields of duration between 5 and 20 years were round 11%. The 20 year FGN bond yield was 11.15%. By comparison long term bonds were yielding 15% at December 2014.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long term yield to arrive at a gross valuation interest rate of 10.90%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate
Long Term FGN bond yield	11.15%
Less 0.25% risk adjustment	-0.25%
Less 0.65% tax	-0.65%
Net valuation rate	10.25%

The valuation interest rates for the individual risk products are as follows:

Type of Business	**Current Valuation**	**Previous valuation**
Risk products	10.25%	14.75%
Pension Annuity	10.25%	

Expenses

The Group makes provisions for expenses in its mathematical reserves of an amount which is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

Future maintenance expenses

The regulatory maintenance expenses are derived from the best estimate maintenance expenses plus a prudence margin for adverse deviations. The best estimate maintenance expenses are calculated as the sum of the following:
(1) Per policy maintenance charges
(2) Allocated operating expenses

The regulatory maintenance expense assumptions (per policy) are derived by adding a 10% additional prudent margin to the best estimate maintenance expenses to give the required assumption. This has consistently been adopted for IFRS purposes.

The Group performed an expense analysis in during the year, which suggests actual expense experience over the year of:
(1) Individual life: N4,297 per policy
(2) Credit life: N600 per policy
(3) Family shield: N520 per policy
(4) Group life: 42% of premium

The Group adopted a valuation expense assumption of N4,300 per policy on risk policies excluding family shield and N600 per policy for credit life while expense per policy for family shield is set at N500. The analysis is based on the number of active policies at the valuation date.

3.5.4 Process used to decide on assumptions continued

Expenses continued

The valuation expense assumptions are as follows:

Type of Business	Current valuation	Previous valuation
Individual Life	N4,300 pp	N5,000 pp
Credit Life	N600 pp	N250 pp
Family Shield	N500 pp	

Expense Inflation

The above expenses are subject to inflation at 9.5% pa. Consumer Price Inflation at 31 December 2015 was 9.42%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Group"s experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A6770 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data which demonstrated a good fit to the A6770 table.

Future mortality improvements

No allowance is proposed for future mortality improvements. The Group does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and Flexisave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the Flexisave surrender values are apportioned on the basis of sum insured.

Surrender rate was not applied in the current valuation however the reserves for the Cashflow Plans will be subjected to a minimum floor of the surrender value at the valuation date.

Lapses

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and Cashflow	Lapse Rate p.a	Surrender Rate p.a
Year 1	12.5%	-
Year 2	-	2.5%
Year 3	-	2.5%
Year 4	-	2.5%
Year 5	-	2.5%

i. For individual policies the valuation age has been taken as Age Last Birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.

ii. The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

iii. No specific adjustment has been made for immediate payment of claims.

iv. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies.

v. No allowance had been made for lapses or surrenders.

vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

Bonuses

We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% pa for the Cashflow Endowment.

Group and Credit life businesses

Unexpired premium reserves (UPR) are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred.

Acquisition expense ratio of 20% of gross premium was adopted. Group Life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, stamp duty of 0.15% and management expenses.

3.5.4 Process used to decide on assumptions continued

Group and Credit life businesses continued

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.

(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided

(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.

(iv) The IBNR was estimated based on an average claims notification delay period of 3 months, which was derived from the claims experience data.

Additional contingency reserves was made in addition to those provided for long term business to be held. These contingencies are considered as standard for the 12 months following the valuation date, i.e. short term contingency only. Other liabilities such as expense and data contingencies reserves has been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	2015	2014
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. All reserves has been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

Changes in assumptions

The Company did not change its assumptions for the insurance contracts.

3.5.5 Insurance and Market risk sensitivities

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the available capital and shareholder risk tolerance levels.

The "Assumption Changes" component of the analysis of change in the table below shows the impact on liabilities of the actual assumption changes made over the year.

The sensitivity analysis was performed using the under-listed variables:

a) Valuation interest (discount) rate +/-1%
b) Expenses +/- 10%
c) Expense inflation +/-2%
d) Mortality +/-5% (including Group Life)

2015	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	8,552	7,476	10,105	8,876	8,116	9,853	7,858
Group Credit Life	560	560	560	568	551	560	560
Group Life – UPR incl AURR	725	725	725	725	725	725	725
General Business – UPR incl AURR	515	515	515	515	515	515	515
Group Life - IBNR	251	251	251	251	251	251	251
Additional reserves	225	225	225	225	225	225	225
Reinsurance	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net Liability	10,826	9,750	12,379	11,158	10,381	12,127	10,132
% change in Net Liability		90.1%	114.4%	103.1%	95.9%	112.0%	93.6%
Assets	13,783	13,783	13,783	13,783	13,783	13,783	13,783
Surplus	2,957	4,033	1,404	2,625	3,402	1,656	3,651

3.5.5 Insurance and Market risk sensitivities continued

2015	Base	Mortality	
N'million		5%	-5%
Individual traditional	8,552	8,607	8,498
Group credit life	560	560	560
Group Life – UPR incl AURR	725	725	725
General Business – UPR incl AURR	515	515	515
Group Life - IBNR	251	251	251
Additional reserves	225	225	225
Reinsurance	(2)	(2)	(2)
Net Liability	10,826	10,881	10,771
% change in Net Liability		100.5%	99.5%
Assets	13,783	13,783	13,783
Surplus	2,957	2,902	3,012

2014	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual traditional	1,927	1,542	2,311	1,994	1,861	1,959	1,899
Individual savings	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Group credit life	765	765	765	771	760	765	765
Group Life – UPR incl AURR	357	357	357	357	357	357	357
Group Life - IBNR	133	133	133	133	133	133	133
Additional reserves	943	942	943	947	938	943	942
Reinsurance	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Net Liability	6,988	6,602	7,372	7,065	6,912	7,020	6,959
% change in Net Liability		61.0%	68.1%	65.3%	63.9%	64.8%	64.3%
Assets	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Surplus	1,746	2,132	1,362	1,669	1,822	1,714	1,775

2014	Base	Mortality	
N'million		5%	-5%
Individual traditional	1,927	1,936	1,918
Individual savings	2,875	2,875	2,875
Group credit life	765	765	765
Group Life – UPR incl AURR	357	357	357
Group Life - IBNR	133	133	133
Additional reserves	943	944	942
Reinsurance	(12)	(12)	(12)
Net Liability	6,988	6,998	6,978
% change in Net Liability		64.6%	64.5%
Assets	8,734	8,734	8,734
Surplus	1,746	1,736	1,756

Assumptions have been flexed on the basis used to calculate the value of in-force (VIF) business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

Assumptions have been flexed on the basis used to calculate the value of in-force (VIF) business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

3.5.6 Solvency

The solvency level at the valuation date was 121% (100.0%: 2014). That is, assets representing life and non-life fund on the Group's balance sheet (N13.8b) were 121% of the value of the actuarially calculated net liabilities (N11.8b).

The assets backing the life and non-life fund are as follows:

	2015 N'million	2014 N'million
Government Bonds	1,386	670
Treasury Bills	9,055	7,208
Cash and bank balances	1,970	692
Commercial papers	1,075	-
Investment properties	80	80
Investment in quoted equity	217	24
Investment in unquoted equity	-	61
Total	13,783	8,735

The assets adequately match the liabilities. In particular asset admissibility requirements and localization rules in section 25 of 2003 Insurance Act were met. The life fund shows a surplus of N1.6billion (2014: N490million), while life and non-life shows a surplus of N1.9billion (2014: N795million).

3.6 Equity risk

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

As at 31 December 2015, the market value of quoted securities held by the Group is N3.73 billion (2014: N7.42 billion). If the all share index of the NSE moves by 1600 basis points from the 28,642.25 position at 31 December 2015, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N596 million.

The Group holds a number of investments in unquoted securities with a market value of N61.37 billion (2014: N55.09 billion) of which investments in Airtel Nigeria Ltd (42%), and African Finance Corporation (AFC) (54%) are the significant holdings. These investments were valued at N20.24 billion (cost N2.9 billion); and N26.47 billion (cost N12.7 billion) respectively as at 31 December 2015. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments , see sensitivity analysis in note 3.7.

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

3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	15,990	-	-	15,990
Equity	1,438	2,083	3,685	7,206
Derivatives	-	3,230	-	3,230
Available-for-sale financial assets				
Investment securities - debt	718,411	23,556	-	741,967
Investment securities - unlisted equity	4,483	5,215	45,899	55,597
Investment securities - listed equity	2,288	-	-	2,288
Assets pledged as collateral	22,033	-	-	22,033
Financial liabilities at fair value through profit or loss				
Derivatives	-	12,121	367	12,488

3.7.1 Financial instruments measured at fair value continued

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2014				
Financial assets at fair value through profit or loss				
Debt Securities	13,426	300	-	13,726
Equity	3,927	-	-	3,927
Derivatives	-	9,948	-	9,948
Available-for-sale financial assets				
Investment securities - debt	443,916	50,659	-	494,575
Investment securities - unlisted debt				-
Investment securities - unlisted equity	319	6,731	48,035	55,085
Investment securities - listed equity	3,493	-	-	3,493
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities at fair value through profit or loss				
Derivatives	-	10,917	-	10,917
COMPANY				
31 December 2015				
Financial assets				
Available-for-sale financial assets				
Investment securities - unlisted equity	-	2,836	-	2,836
31 December 2014				
Financial assets				
Available-for-sale financial assets				
Investment securities - unlisted equity	-	2,806	-	2,806

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

(c) Financial instruments in level 3

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

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

The following table presents changes in level 3 instruments
GROUP

At 1 January 2014	44,002
Transfer into Level 3 due to change in observability of market data	67
Total Gains/(losses) for the period	
- Included in profit or loss	-
- Included in other comprehensive income	3,966
At 31 December 2014	48,035
Sales	(21)
Realised gain on sale	(3,709)
Total Gains/(losses) recognised through OCI	1,694
Transfer out of Level 3 due to change in observability of market data	(100)
At 31 December 2015	45,899

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

3.7.1 Financial instruments measured at fair value continued

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

Description	Valuation technique	Range of Unobservable Input(probability-weighted average)	Relationship of unobservable inputs to fair value
AIRTEL NIGERIA	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LTD	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
INTERSWITCH LTD	EV/EBITDA	25% 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
MOORHOUSE PROPERTIES LTD	Income Approach (Discounted Cashflow)	5% minority discount	the higher the minority discount the lower the fair value
MAIN ONE CABLE COMPANY LTD	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value

EV/EBITDA or P/E valuation multiple - the group 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.

Income approach (discounted cashflow) - the group determines the free cash flow of the investee company, and discounts these cashflows using the relevant cost of equity. The cost of equity is derived by adjusting the yield on the risk free securites (FGN Bonds) with the equity risk premium and company/sector specific premium. The present value derived from the calculation represents the investee company's enterprise value.

A reasonable change in the illiquidity discount and minority discount will not result in a material change to the fair value of the investment.

3.7.2 Group's valuation process

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

3.7.3 Financial instruments not measured at fair value

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2015				
Financial assets				
Cash and balances with central banks	500	715,371	-	715,871
Loans and advances to banks	-	385,769	-	385,769
Loans and advances to Customers:	-	-	-	
- Overdrafts	-	-	316,571	316,571
- Term loans	-	46,000	1,356,123	1,402,123
- Staff loans	-	564	7,766	8,330
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Held to maturity investments	80,533	26,090	-	106,623
Asset pledged as collateral	79,888	2,132	-	82,020
Other assets	-	21,070	-	21,070

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2015				
Financial liabilities				
Deposit from customers	-	2,970,921	-	2,970,921
Deposit from bank	-	144,652	-	144,652
Borrowing	152,434	103,682	-	256,116
Other liabilities	-	168,441	-	168,441
Investment contracts	-	10,157	-	10,157
31 December 2014				
Financial assets				
Cash and balances with central banks	500.00	697,604	-	698,104
Loans and advances to banks	-	460,911	-	460,911
Loans and advances to Customers:				
- Overdrafts	-	-	314,114	314,114
- Term loans	-	30,017	1,747,075	1,777,092
- Staff loans	-	388.00	7,073	7,461
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Held to maturity investments	111,457	47,028	-	158,485
Asset pledged as collateral	47,920	1,360.00	-	49,280
Other assets	-	26,549	-	26,549
Financial liabilities				
Deposit from customers	-	3,050,853	-	3,050,853
Deposit from bank	-	171,151	-	171,151
Borrowing	141,819	227,888	-	369,707
Other liabilities	-	125,311	446	125,757
Investment contracts	-	60,617	-	60,617
COMPANY				
31 December 2015				
Financial assets				
Loans and advances to banks	-	4,792	-	4,792
Loans and advances to Customers:				
- Staff loans	-	-	63	63
Held to maturity investments	-			-
Other assets	-	4,454	-	4,454
Financial liabilities				
Other liabilities	-	5,751	-	5,751
31 December 2014				
Financial assets				
Loans and advances to banks	-	3,261	-	3,261
Loans and advances to Customers:				
- Staff loans	-	-	80	80
Investment securities:				
Held to maturity investments	1,466	-	-	1,466
Other assets	-	14,111	-	14,111
Financial liabilities				
Other liabilities	-	7,950	-	7,950

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

	At 31st December 2015		At 31st December 2014	
	Carrying value N 'million	Fair value N 'million	Carrying value N 'million	Fair value N 'million
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	51,055	48,915	35,828	33,804
Variable rate loans	1,766,217	1,811,618	2,143,152	2,188,220
Investment securities (held to maturity)	106,624	104,094	158,484	124,995
Asset pledged as collateral	82,020	82,020	86,443	30,649
Financial liability				
Borrowings	256,116	286,016	369,707	407,765

Investment securities have been fair valued using the market prices and is within level 1 of the fair value of the fair value hierarchy, while the loans and advances to customers have been fair valued using unobservable imputs and is within level 3 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for both the company and group approximate their fair values:

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

4. Capital management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria Securities and Exchange Commission, National Insurance Commission etc), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current capital requirement of 16% for Systemically Important Banks and 10% for Merchant Banks set by the Central Bank of Nigeria.

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

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

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an Internal Capital Adequacy Assessment Process which proactively evaluates capital needs vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group's capital is divided into two tiers:

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

• Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, Tier 2 capital is restricted to 331/3% of Tier 1 capital.

In 2014, Nigerian banks based on regulatory requirements issued by the Central Bank migrated from the Basel I to Basel II in terms of capital adequacy monitoring and reporting. Basel II introduced capital charges for operational risk and market risks which hitherto were unweighted, in addition to the credit risk.

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

The table below summarises the Basel II capital adequacy ratio for 2015 and 2014. It shows the composition of regulatory capital and ratios for the years. During those years, the Bank complied with all the regulatory capital requirements to which it was subjected.

	FBN MERCHANT BANK		FIRST BANK OF NIGERIA	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
Tier 1 capital				
Share capital	4,302	4,000	16,316	16,316
Share premium	3,905	3,000	189,241	189,241
Statutory reserve	4,657	3,857	63,237	63,231
Deposit for shares	-	1,206	-	-
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	10,500	7,170	130,787	87,200
Less: Goodwill/Deferred Tax	(6,929)	(5,185)	(5,386)	(1,343)
Less: Loan to subsidiary	-	-	(29,181)	-
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 1 capital	16,435	14,048	333,883	316,687
Tier 2 capital				
Fair value reserve	289	(3,875)	54,090	16,126
Other borrowings	-	-	152,434	141,819
Total tier 2 capital	289	(3,875)	206,524	157,945
Tier 2 Capital Restriction	289	(3,875)	133,424	120,688
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 2 capital	289	(3,875)	96,216	91,195
Total regulatory capital	16,725	10,173	430,099	407,882
Total risk-weighted assets	67,313	45,270	2,518,285	2,585,214
Risk-weighted Capital Adequacy Ratio (CAR)	24.85%	22.47%	17.08%	15.78%
Tier 1 CAR	24.42%	31.03%	13.26%	12.25%

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

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

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

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

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

b Fair value of financial instruments

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

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 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. During the year, the held to maturity investment portfolio was not tainted.

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 38, "Retirement benefits obligation," for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

e Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 36 for detailed information on impairment assessment performed on the CGU.

Impairment charges of N630million and N242million arose in FBN Gambia and FBN Senegal respectively during the course of the year 2015. Both entities form part of the Commercial Banking Group segment.The impairment was attributable to the general economic downturn in both economies.

6 Segment information

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

The Group is divided into the following business units:

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

Investment Banking and Asset Management Business Group (IBAM)
This is the investment-banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance Business Group
This includes the Group's legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South African based Sanlam Group.

Other Financial Services Business Group
This includes the Group's non operating holding company and other non - banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services to the mass-market retail segment and SPVs established by the Group. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring events.

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

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

Segment result of operations
The segment information provided to the Group executive committee for the reportable segments for the period ended 31 December 2015 is as follows:

	Commercial Banking Group	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2015					
Total segment revenue	465,769	32,976	10,500	7,733	**516,978**
Inter-segment revenue	(6,571)	(35)	(345)	(4,836)	**(11,787)**
Revenue from external customers	459,198	32,941	10,155	2,897	**505,191**
Interest income	372,604	20,520	2,113	953	**396,190**
Interest expense	(119,680)	(11,428)	0	(59)	**(131,167)**
Profit/(loss) before tax	12,547	10,346	2,163	(3,544)	**21,512**
Income tax expense	(7,235)	1,151	(280)	0	**(6,364)**
Profit for the period	5,312	11,497	1,883	(3,544)	**15,148**
Impairment charge on credit losses	(117,037)	(257)	0	(276)	**(117,570)**
Impairment charge on doubtful receivables	(517)	(964)	(14)	(257)	**(1,752)**
Impairment charge on goodwill	(872)	-	-	-	**(872)**
Depreciation	(10,577)	(380)	(163)	(396)	**(11,516)**

6 Segment information continued

	Commercial Banking Group	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2015					
Total assets	3,930,665	155,666	22,746	57,112	**4,166,189**
Other measures of assets:					
Loans and advances to customers	1,773,660	43,313	236	62	**1,817,271**
Expenditure on non-current assets	82,353	2,676	1,822	1,547	**88,398**
Investment securities	830,586	61,956	14,218	7,019	**913,779**
Total liabilities	3,451,319	113,961	13,144	8,965	**3,587,389**
At 31 December 2014					
Total segment revenue	455,475	23,560	6,539	23,639	**509,213**
Inter-segment revenue	(6,802)	(4,791)	(1,810)	(14,636)	**(28,039)**
Revenue from external customers	448,673	18,768	4,729	9,002	**481,174**
Interest income	343,306	15,075	1,334	2,863	**362,579**
Interest expense	(109,559)	(9,117)	0	(49)	**(118,725)**
Profit/(loss) before tax	90,067	3,529	706	(246)	**94,056**
Income tax expense	(9,526)	(2,727)	(195)	2,403	**(10,045)**
Profit for the period	80,541	802	511	2,157	**84,011**
Impairment charge on credit losses	(25,362)	18	-	(312)	**(25,656)**
Impairment charge on doubtful receivables	(17)	(258)	(7)	(4)	**(286)**
Impairment charge on goodwill	(501)	-	-	-	**(501)**
Share of profit/(loss) from associates	521	78	-	-	**599**
Depreciation	(10,531)	(373)	(156)	(315)	**(11,375)**
At 31 December 2014					
Total assets	4,080,258	100,455	17,505	145,519	**4,343,737**
Other measures of assets:					
Loans and advances to customers	2,150,086	1,878	74	26,948	**2,178,986**
Expenditure on non-current assets	83,404	854	1,764	2,535	**88,557**
Investment securities	598,904	45,812	12,011	54,912	**711,639**
Total liabilities	3,649,993	77,304	10,500	81,878	**3,819,675**

Geographical information

Revenues

	31 Dec 2015	31 Dec 2014
	N 'million	N 'million
Nigeria	453,323	438,821
Outside Nigeria	51,868	41,181
Total	**505,191**	**480,002**

Non current asset

	31 Dec 2015	31 Dec 2014
	N 'million	N 'million
Nigeria	80,865	81,394
Outside Nigeria	7,534	6,814
Total	**88,399**	**88,208**

7 Interest income

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Investment securities	100,979	92,153	306	2,760
Loans and advances to banks	23,463	19,216	292	122
Loans and advances to customer	271,748	251,210	16	4
	396,190	362,579	614	2,886

Interest income on loans and advances to customers for the group includes interest income on impaired financial assets of N8.08 billion (2014:N0.598 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 Interest expense

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Deposit from customers	105,411	98,017
Deposit from banks	10,483	2,713
Borrowings	15,273	17,995
	131,167	118,725

9 Impairment charge for credit losses

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Loans and advances to customers (refer note 23)		
Increase in collective impairment	24,200	4,149
Increase in specific impairment	95,658	23,768
	119,858	27,917
Net recoveries on loans previously written off	(2,288)	(2,261)
Other assets (refer note 27)		
Increase in impairment	1,752	286
	119,322	25,942

Included in the impairment charge for the year in the income statement is the impairment charge in loans and advances (collective: N67 million; specific: N210 million) in the books of FBN Microfinance Bank Limited, which was classified as held for sale in 2014 and its sale concluded in 2015.

10 Insurance premium revenue

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Gross premium written	11,848	7,113
Unearned premium	(538)	(344)
	11,310	6,769
Change in insurance contract liabilities	(2,862)	(3,449)
	8,448	3,320

11 Fee and commission income

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Credit related fees (i)	5,698	2,492
Commission on turnover	12,655	15,289
Letters of credit commissions and fees	3,826	6,636
Electronic banking fees	15,371	11,465
Money transfer commission	3,154	2,195
Commission on bonds and guarantees	1,488	1,146
Commission on bills and ancilliary services	1,075	588
Funds transfer and intermediation fees	4,530	5,086
Account maintenance	3,333	8,344
Brokerage and intermediations	1,909	2,163
Custodian fees	4,182	3,511
Financial advisory fees (ii)	5,338	6,538
Fund management fees (ii)	1,499	1,530
	64,058	66,983

(i) The credit related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.
(ii) Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activitie

	GROUP	
	31 December 2015	31 December 2014
	N 'million	N 'million
11b Fees and commission expense	9,583	6,205

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

12 Net gains on foreign exchange

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
Revaluation gain (unrealised) on foreign currency balances	10,910	30,795	31	42
Foreign exchange trading income (realised)	11,316	14,110	-	-
	22,226	44,905	31	42

The revaluation gain arose from exchange rate movements on the Group's long foreign currency balance sheet position as at reporting date.

13 Net gains/(losses) on sale of investment securities

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
Equity securities	5,935	(366)	-	-
Debt securities	731	136	35	-
	6,666	(230)	35	-

14 Net gains/ (losses) from financial instruments at fair value through profit or loss

	GROUP	
	31 December 2015	31 December 2014
	N 'million	N 'million
Derivatives	830	(871)
Trading gain/ (loss) on debt securities	1,059	(152)
Fair value gain/ (loss) on debt securities	166	(239)
	2,055	(1,262)

15 Dividend income

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
First Bank of Nigeria Limited	-	-	-	9,790
FBN Capital Limited	-	-	4,852	4,185
FBN Insurance Brokers Limited	-	-	235	188
FBN Insurance Limited	-	-	339	198
Other entities within the group			206	109
Entities outside the group	1,531	1,469	-	-
Withholding tax on dividend	-	-	(1,139)	(723)
	1,531	1,469	4,493	13,747

16 Other operating income

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
Profit on sale of property, plant and equipment	-	435	-	-
VAT Recovered	291	295	-	-
Gain on sale of properties (inventory)	1,262	184	-	-
Distribution from Capital Alliance Property Investment Company (CAPIC)	-	324	-	289
Net gain from fair value adjustment on investment properties	198	-	-	-
Private banking services and other activities	1,800	1,616	22	5
	3,551	2,854	22	294

17 Personnel expenses

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Wages and salaries	77,474	76,678	671	1,147
Pension costs:				
- Defined contribution plans	2,639	2,954	14	12
- Defined benefit cost **(refer note 44)**	303	211	-	-
	80,416	79,843	685	1,159

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the PV of cash flows discounted at the contractual rate and PV of cash flows discounted at market rate has been recognised as prepaid employee benefit (in prepayments) which is amortised to personnel expenses over the life of the loan.

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

	GROUP		COMPANY	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Executive directors	1	1	1	1
Management	214	198	5	4
Non-management	9,641	10,265	21	19
	9,856	10,464	27	24

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

Below N2,000,000	912	1,575	3	7
N2,000,001 - N2,800,000	214	734	1	-
N2,800,001 - N3,500,000	897	481	2	-
N3,500,001 - N4,000,000	96	55	1	1
N4,000,001 - N5,500,000	2,114	2,368	2	1
N5,500,001 - N6,500,000	1,963	1,703	1	1
N6,500,000 - N7,800,000	1,363	764	2	2
N7,800,001 - N9,000,000	935	462	-	2
N9,000,001 and above	1,364	2,322	17	12
	9,858	10,464	29	26

18 Operating expenses

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Auditors' remuneration	752	530	25	25
Directors' emoluments	6,488	6,795	1,047	751
Loss on sale of property, plant and equipment	186	-	7	-
Deposit insurance premium	12,482	13,027	-	-
AMCON resolution cost	17,591	17,132	-	-
Maintenance	19,310	19,949	176	86
Insurance premium	1,220	565	26	11
Rent and rates	4,024	4,394	143	171
Advert and corporate promotions	8,465	12,759	77	127
Legal and other professional fees	6,153	5,741	585	504
Donations & subscriptions	1,424	1,891	6	4
Stationery & printing	2,436	2,335	73	99
Communication, light and power	6,942	6,304	5	32
Cash handling charges	3,522	3,042	-	-
Operational and other losses	2,194	18,488	-	-
Passages and travels	6,031	5,134	345	192
Outsourced cost	15,824	12,939	-	-
Statutory fees	153	57	44	55
Underwriting expenses	1,462	1,539	-	-
Recruitment and training cost	478	106	72	19
WHT on retained dividend	1,139	723	-	-
Fines and penalties	1,901	393	-	-
Fair value loss on asset held for sale	-	1,599	-	-
Back duty tax assessment	552	1,886	-	-
Other operating expenses	5,482	5,872	65	41
	126,211	143,200	2,696	2,117

19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
a Income tax expense				
Corporate tax	7,951	8,031	-	-
Education tax	160	138	-	-
Technology tax	180	889	-	-
Capital gains tax	0	3	-	-
Under/ (over) provision in prior years	1,250	(162)	-	-
Current income tax - current period	9,541	8,899	-	-
Origination and reversal of temporary deferred tax differences	(3,177)	1,146	-	-
Income tax expense	**6,364**	**10,045**	-	-

GROUP	**2015**		**2014**	
Profit before income tax	21,512		94,056	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	6,454	30%	28,217	30%
Effect of tax rates in foreign jurisdictions	370	2%	(129)	0%
Non-deductible expenses	39,057	182%	21,984	24%
Effect of education tax levy	160	1%	138	0%
Effect of Information technology	180	1%	889	1%
Effect of capital gains tax	0	0%	3	0%
Effect of minimum tax	2,984	14%	211	0%
Effect of excess dividend tax	767	4%	403	0%
Effect of National fiscal levy	82	0%	22	0%
Tax exempt income	(46,313)	-215%	(39,730)	-42%
Tax incentives	(109)	-1%	(201)	0%
Tax loss effect	1,719	8%	(2,220)	-2%
(Over) / under provided in prior years	1,250	6%	436	0%
Effect of prior period adjustment on deferred tax	(237)	-1%	22	0%
Total income tax expense in income statement	6,366	30%	10,045	11%
Income tax expense	6,364	30%	10,045	11%

COMPANY	**2015**		**2014**	
Profit before income tax	2,180		5,683	
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	654	30%	1,705	30%
Non-deductible expenses	410	19%	2,339	41%
Tax exempt income	(1,940)	-89%	(4,661)	-82%
Tax incentives	-	0%	(13)	0%
Tax loss effect	875	40%	630	11%
Total income tax expense in income statement	(0)	0%	-	0%
Income tax expense	0	0%	-	0%

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
b Current income tax liability	N 'million	N 'million	N 'million	N 'million
The movement in the current income tax liability is as follows:				
At start of the period	11,829	34,167	-	-
Effect of adjustment on acquired entities	0	38	-	-
Reclassification to Liabilities Held for Sale	0	(69)	-	-
Tax paid	(12,267)	(31,329)	-	-
Withholding tax credit utilised	(379)	(31)	-	-
Income tax charge	9,541	8,899	-	-
Effect of Changes in Exchange Rate	49	154		
At 31 December	8,773	11,829	-	-
Current	8,773	11,829	-	-

20 Cash and balances with central banks

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Cash	76,310	63,308
Balances with central banks excluding mandatory reserve deposits	162,145	71,059
	238,455	134,367
Mandatory reserve deposits with Central Banks	477,416	563,737
	715,871	698,104

Included in balances with central bank is a call placement of N7.5 billion for Group (31 December 2014: N7.5 billion)

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited had restricted balances of N473.12 billion with Central Bank of Nigeria (CBN) as at 31st December 2015 (December 2014: N560.08 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 20% of qualifying deposits (December 2014: 15% non-government deposits and 75% government deposit) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN Bank Ghana and FBN Bank Guinea had restricted balances of N1.090 billion and N1.878 billion (December 2014: N0.968 billion and N1.407 billion) respectively with their respective central banks.

21 Cash and cash equivalents

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

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Cash (Note 20)	76,310	63,308	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	162,145	71,059	-	-
Loans and advances to banks excluding long term placements (Note 22)	356,782	321,201	4,792	3,261
Treasury bills included in financial assets at FVTPL (Note 24)	3,985	7,240	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1&25.2)	67,146	69,648	-	1,466
	666,368	532,456	4,792	4,727

22 Loans and advances to banks

	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Current balances with banks within Nigeria	130,017	54,776	3,097	375
Current balances with banks outside Nigeria	117,664	156,595	-	-
Placements with banks and discount houses (short term)	109,101	109,831	1,695	2,886
	356,782	321,202	4,792	3,261
Long term placement	28,987	139,709	-	-
Carrying amount	385,769	460,911	4,792	3,261

Included in loans to banks is non current placement of N28.99 billion for Group (31 December 2014: N139.7 billion) which does not qualify as cash and cash equivalent.

All other loans to banks are due within 3 months.

23 Loans and advances to customers

GROUP	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
31 December 2015					
Overdrafts	358,458	(39,089)	(2,798)	(41,887)	316,571
Term loans	1,499,397	(67,275)	(29,999)	(97,274)	1,402,123
Staff loans	8,400	-	(70)	(70)	8,330
Project finance	88,417	-	(137)	(137)	88,280
	1,954,672	(106,364)	(33,004)	(139,368)	1,815,304
Advances under finance lease	2,321	(322)	(32)	(354)	1,967
	1,956,993	(106,686)	(33,036)	(139,722)	1,817,271
31 December 2014					
Overdrafts	329,578	(11,845)	(3,619)	(15,464)	314,114
Term loans	1,803,768	(15,932)	(10,744)	(26,676)	1,777,092
Staff loans	7,529	-	(68)	(68)	7,461
Project finance	77,709	-	(151)	(151)	77,558
	2,218,584	(27,777)	(14,582)	42,359	2,176,225
Advances under finance lease	3,043	(241)	(41)	(282)	2,761
	2,221,627	(28,018)	(14,623)	(42,641)	2,178,986

23 Loans and advances to customers continued
COMPANY

	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
31 December 2015					
Staff loans	63	-	-	-	63
	63	-	-	-	63
31 December 2014					
Staff loans	80	-	-	-	80
	80	-	-	-	80

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Current	860,104	1,166,344	12	13
Non-current	957,167	1,012,642	51	67
	1,817,271	2,178,986	63	80

CBN/Bank of Industry facilities

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

CBN/Commercial Agriculture Credit (CACS)

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

CBN On-lending Bail out fund

This relates to term loans granted to Osun and Ogun state governemnts in line with the Central Bank of Nigeria (CBN) N338 billion special intervention funds for financing the payment of backlog of staff salaries in states of the Federation. The facility to Osun State is for a period of 20 years at 9% per annum while the facility to Ogun State is for a period of 10 years at 9% per annum.

	31 December 2015 N 'million	31 December 2014 N 'million
CBN/Bank of Industry	44,215	14,514
CBN/Commercial Agriculture Credit	11,998	13,733
CBN On-lending Bail-Out Fund	25,652	-

Reconciliation of impairment allowance on loans and advances to customers:
GROUP

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 January 2015					
Specific impairment	11,845	15,932	241	0	28,018
Collective impairment	3,619	10,744	41	219	14,623
	15,464	26,676	282	219	42,641
Additional provision/ (writeback)					
Specific impairment	38,080	57,287	81	-	95,448
Collective impairment	79	24,027	39	(12)	24,133
Loan write off					
Specific impairment	(10,789)	(6,220)	-	-	(17,009)
Collective impairment	(796)	(4,776)	(48)	-	(5,620)
Exchange difference					
Specific impairment	(47)	276	-	-	229
Collective impairment	(104)	4	-	-	(100)
Specific impairment	39,089	67,275	322	0	106,686
Collective impairment	2,798	29,999	32	207	33,036
At 31 December 2015	41,887	97,274	354	207	139,722

	Specific impairment N 'million	Collective impairment N 'million
Additional provision/ (writeback)	95,448	24,133
Impairment charge by FBN Microfinance Bank (sold in 2015)	210	67
Impairment charge for the year (refer note 9)	95,658	24,200

23 Loans and advances to customers continued
Reconciliation of impairment allowance on loans and advances to customers:
GROUP

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 January 2014					
Specific impairment	10,465	9,480	696	31	20,672
Collective impairment	4,061	19,327	71	916	24,375
	14,526	28,807	767	947	45,047
Additional provision					
Specific impairment	7,490	16,764	(455)	(31)	23,768
Collective impairment	2,918	1,927	1	(697)	4,149
Loan write off					
Specific impairment	(6,445)	(10,317)	-	-	(16,762)
Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
Acquisition through business combination					
Specific impairment	335	77	-	-	412
Collective impairment	-	2	-	-	2
Reclassification to Asset Held for Sale					
Specific impairment	-	(72)	-	-	(72)
Collective impairment	-	(42)	-	-	(42)
	15,465	26,675	282	219	42,641
Specific impairment	11,845	15,932	241	0	28,018
Collective impairment	3,619	10,744	41	219	14,623
At 31 December 2014	15,464	26,676	282	219	42,641

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

GROUP	31 December 2015 N 'million	31 December 2014 N 'million
Gross investment in finance lease, receivable		
- No later than 1 year	12	168
- Later than 1 year and no later than 5 years	2,632	3,555
- Later than 5 years	-	-
	2,644	3,723
Unearned future finance income on finance leases	(323)	(680)
Impairment allowance on leases	(354)	(282)
Net investment in finance lease, receivable	1,967	2,761

Net investment in finance lease, receivable is analysed as follows		
- No later than 1 year	12	151
- Later than 1 year and no later than 5 years	1,955	2,610
	1,967	2,761

Nature of security in respect of loans and advances:
GROUP

	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	470,279	535,263	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	902,208	746,557	-	-
Domiciliation of receivables	386,217	630,801	-	-
Clean/Negative Pledge	100,725	79,749	-	-
Marketable Securities/Shares	16,348	14,755	-	-
Otherwise Secured	65,776	110,399	63	80
Cash/Government Securities	15,440	104,102	-	-
	1,956,993	2,221,626	63	80

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.

24 Financial assets and liabilities at fair value through profit or loss

	GROUP	
	31 December 2015	31 December 2014
	N 'million	N 'million
Treasury bills with maturity of less than 90 days	3,985	7,240
Treasury bills with maturity over 90 days	10,243	2,254
Bonds	1,763	4,232
Total debt securities	15,991	13,726
Listed equity securities	1,438	3,927
Unlisted equity securities	5,768	-
Total equity securities	7,206	3,927
Derivative assets (refer note 24a)	3,229	9,948
Total assets at fair value through profit or loss	26,426	27,601
Current	15,195	10,944
Non Current	11,231	16,657
	26,426	27,601

The Group uses the following derivative strategies:

Economic hedges

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

Customers Risk Hedge Needs

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

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

a Derivatives

	GROUP 31 Dec 2015		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Currency swap	41,373	622	(766)
Put options	19,311	2,561	(11,722)
Equity derivatives			
Put options	-	46	-
	60,684	3,229	(12,488)
Current	43,760	967	(4,741)
Non Current	16,924	2,262	(7,747)
	60,684	3,229	(12,488)

	GROUP 31 Dec 2014		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	281,325	1,451	(1,975)
FX Accumulator Contract	565	-	(133)
Currency swap	14,884	-	(1,062)
Put options	52,996	8,354	(7,747)
Equity derivatives			
Put options	-	143	-
	349,770	9,948	(10,917)
Current	296,774	1,451	(3,170)
Non Current	52,996	8,497	(7,747)
	349,770	9,948	(10,917)

		GROUP		COMPANY	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
25	**Investment Securities**	N 'million	N 'million	N 'million	N 'million
25.1	**Available-for-sale investments**				
	Debt securities – at fair value:				
	– Treasury bills with maturity of less than 90 days	65,034	64,067	-	-
	– Treasury bills with maturity of more than 90 days	411,700	277,514	3,532	-
	– Bonds	265,232	152,995	651	-
	Equity securities – at fair value:				
	– Listed	2,288	3,493	-	-
	Equity securities – at fair value:				
	– Unlisted	55,596	55,085	2,836	2,806
		799,850	553,154	7,019	2,806
	Current	547,193	435,395	4,183	-
	Non current	252,657	117,759	2,836	2,806
		799,850	553,154	7,019	2,806
25.2	**Held to maturity investments**				
	Debt securities – at amortised cost:				
	– Treasury bills with maturity of less than 90 days	2,112	5,581	-	1,466
	– Treasury bills with maturity of more than 90 days	7,894	7,845	-	-
	– Bonds	96,617	145,059	-	-
		106,623	158,485	-	1,466
	Current	10,006	13,426	-	1,466
	Non Current	96,617	145,059	-	-
		106,623	158,485	-	1,466
25.3	**Loans and receivables**				
	Investment in commercial papers	3,955	-	-	-
	Investment in promissory notes	3,351	-	-	-
		7,306	-	-	-
	Current	3,351	-	-	-
	Non Current	3,955	-	-	-
		7,306	-	-	-
	Total investment securities	913,779	711,639	7,019	4,272

26 Asset pledged as collateral

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

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

		GROUP	
		31 December 2015	31 December 2014
		N 'million	N 'million
	Available for sale debt securities (note 26.1)	23,626	19,203
	Held to maturity debt securities (note 26.2)	82,020	49,280
		105,646	68,483
26.1	**Assets pledged as collateral (available for sale)**		
	Debt securities - at fair value		
	– Treasury bills	22,033	19,203
	– Bonds	1,593	-
		23,626	19,203
26.2	**Assets pledged as collateral (held to maturity)**		
	Debt securities - at amortised cost		
	– Treasury bills	1,602	3,963
	– Bonds	80,418	45,317
		82,020	49,280
	The related liability for assets held as collateral include:		
	Bank of Industry	44,477	14,791
	Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	11,998	15,624
	Borrowings from Deustche Bank	6,224	6,731

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N20.2 billion (2014: N40.24bn) for which there is no related liability.

	2015	2014
Current	23,635	23,166
Non current	82,011	45,317
	105,646	68,483

27 Other assets

	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N 'million	N 'million	N 'million	N 'million
Financial assets:				
Premium debtors	132	578	-	-
Accounts receivable	23,567	27,379	4,454	14,111
	23,699	27,957	4,454	14,111
Less specific allowances for impairment	(2,629)	(1,408)	-	-
	21,070	26,549	4,454	14,111
Non financial assets:				
Stock of consumables	2,253	1,884	-	-
Prepayments	12,160	12,207	216	250
	14,413	14,091	216	250
Net other assets balance	35,483	40,640	4,670	14,361

Reconciliation of impairment account	GROUP		COMPANY	
	2015	2014	2015	2014
	N 'million	N 'million	N 'million	N 'million
At start of period	1,408	1,533	-	-
Acquisition of subsidiary	-	11	-	-
Write off	(531)	(422)	-	-
Increase in impairment	1,752	286	-	-
At end of period	2,629	1,408	-	-

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

28 Inventory

	GROUP	
	2015	2014
	N 'million	N 'million
Work in progress	41,972	29,191
Stock of properties	7,677	8,614
	49,649	37,805
Current	7,677	8,614
Non-Current	41,972	29,191
	49,649	37,805

Inventory balance relates to carrying amount of the real estate development project of Rainbow Town Development Limited. The project is a Public Private Partnership (PPP) between FBN Holdings Plc. and Rivers State Government to develop housing units, ancillary commercial buildings and infrastructure in Trans Amadi Layout of Port Harcourt.

The information of the professional used to determine the net realisable value of the inventory is as follows:
Name of the professional: Wilson Momah
Name of the professional firm/ entity: WIM Associates
FRC registration number of the professional: FRC/2013/NIQS/00000003318

Also included is the stock of property of FBN Mortgages Limited.

29 Investment properties

At start of period	2,826	2,826
Acquisition of subsidiary	-	343
Addition and capital improvement	1	13
Net gains/ (losses) from fair value adjustment	198	(355)
	3,025	2,826

Included in investment properties are mainly land acquired by the Group for capital appreciation. As the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The investment properties fall into level 2 fair value hierarchy and the fair value is recurring.

No rental income (2014: N3.4 million) arose from the investment properties during the year. The rental income, as well as the fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties are as follows:

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	Lagos & Abuja	Lagos
Name of the professional:	Lawal Abdulfatai	Muritala Animasaun
Name of the professional firm/ entity:	Jide Taiwo & Co	Ubosi Eleh & Co
FRC registration number of the professional:	FRC/2015/NIESV/0000001146	FRC/2014/NIESV/0000000399

30 Investment in associates (equity method)

i. **Kakawa Discount House Limited (KDH)**
As at 1 January 2014, FBN Holdings Plc. and its subsidiaries had 46% shareholding in KDH. During 2014, the group acquired the balance 54% equity stake in KDH, thus becoming a fully owned subsidiary of FBN Holdings Plc. Consequently, equity accounting was discontinued and the investment in KDH classified as investment in subsidiaries and consolidated accordingly.

ii. **Seawolf Oilfield Services Limited (SOSL)**
FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBN Holdings Plc in the company.

SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital which are held directly by the group; the country of incorporation or registration is also their principal place of business. SOSL is not publicly traded and there is no published price information.

iii. **FBN Heritage Fund**
FBN Holdings Plc. and its subsidiaries have 62% shareholding in FBN Heritage Fund, with FBN Holdings Plc. alone owning 36% .

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. FBN Heritage Fund is not publicly traded. However, the fund manager publishes daily unit price of the fund on the memorandum listing section of the Nigerian Stock Exchange. The unit price of the fund as at reporting date was N108.51.

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	N 'million	N 'million	N 'million	N 'million
KDH				
Balance at beginning of year	-	7,029	-	-
Share of profit	-	599	-	-
Fair value loss from acquisition of control	-	(268)	-	-
Transfer to investment in subsidiaries	-	(7,360)	-	-
At end of year	-	-	-	-
SOSL				
Balance at beginning of year	-	-	-	7,781
Impairment loss	-	-	-	(7,781)
At end of year	-	-	-	-
FBN Heritage Fund				
Balance at beginning of year	-	-	1,500	1,500
At end of year	-	-	1,500	1,500
	-	-	**1,500**	**1,500**

31 Investment in subsidiaries

31.1 Principal subsidiary undertakings

	31 December 2015	31 December 2014
	N 'million	N 'million
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 31 (i))	205,557	205,557
FBN Capital Limited (Note 31 (ii))	4,300	4,300
FBN Insurance Limited (Note 31 (iii))	4,724	2,262
FBN Insurance Brokers Limited (Note 31 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	1,700	2,550
FBN Merchant Bank Limited (Note 31 (vi))	17,206	16,000
	233,512	230,694
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBN Trustees Limited (Note 31 (vii))	25,533	25,533
FBN Funds Limited (Note 31 (viii))	4,550	4,550
	30,083	30,083
	263,595	**260,777**

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit, FBN Insurance Limited, New Villa Limited (Rainbow Town Development Limited) and FBN General Insurance Limited (formerly Oasis Insurance Plc.) in which it owned 75%, 65%, 55% and 65% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is N3.68 billion (2014: N4.03billion).

31 Investment in subsidiaries continued

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

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

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

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

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

v New Villa Limited (Rainbow Town Development Limited)
New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include investments and general trading.

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

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

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

31.2 Condensed results of consolidated entities from continuing operations

31 December 2015	FBN Holdings Plc. N'million	FBN Limited N'million	FBN Capital Limited N'million	FBN Merchant Bank Limited N'million	FBN Insurance Limited N'million	FBN Insurance Brokers Limited N'million	FBN Microfinance Bank Limited N'million	NSIA II Fund N'million	FBN Heritage Fund N'million	Rainbow Town Development Limited N'million	Total N'million	Adjustments N'million	Group N'million
Summarized Income Statement													
Operating income	6,795	336,386	14,729	6,380	9,829	671	876	34	225	(2,875)	373,050	(8,609)	364,441
Operating expenses	(4,615)	(200,262)	(7,521)	(2,233)	(7,750)	(471)	(923)	30	(71)	(266)	(224,082)	475	(223,607)
Impairment charge for credit losses	-	(125,943)	(939)	(282)	-	(14)	(276)	-	-	(257)	(127,711)	8,389	(119,322)
Operating profit	2,180	10,181	6,269	3,865	2,079	186	(323)	64	154	(3,398)	21,257	255	21,512
Associate	-	-	280	-	-	-	-	-	-	-	280	(280)	-
Profit before tax	2,180	10,181	6,549	3,865	2,079	186	(323)	64	154	(3,398)	21,537	(25)	21,512
Tax	-	(7,235)	(1,549)	2,701	(219)	(61)	-	-	-	-	(6,364)	-	(6,364)
Profit/ (Loss) for the year	2,180	2,946	5,000	6,566	1,860	125	(323)	64	154	(3,398)	15,173	(25)	15,148
Other comprehensive income	(17)	38,667	(1,304)	4,194	236	(49)	-	(1,060)	86	-	40,753	11	40,764
Total comprehensive income	2,163	41,613	3,696	10,760	2,096	76	(323)	(996)	240	(3,398)	55,926	(14)	55,912
Total comprehensive income allocated to non controlling interest	-	-	-	-	83	-	-	(1,060)	33	-	(944)		
Dividends paid to non controlling interest	-	-	-	-	183	-	-	-	161	-	344		
Summarized Financial Position													
Assets													
Cash and balances with central bank	0	715,092	1	277	500	0	-	-	-	-	715,871	-	715,871
Loans and advances to banks	4,792	374,511	11,820	7,962	1,971	797	-	332	668	327	403,180	(17,411)	385,769
Loans and advances to customers	63	1,816,045	6,314	36,650	159	76	-	-	349	-	1,859,656	(42,385)	1,817,271
Financial assets at fair value through profit or loss	-	5,049	7,305	10,696	2,157	-	-	-	1,219	-	26,426	-	26,426
Investment securities	7,019	830,586	10,328	41,042	14,138	80	-	8,239	2,347	-	913,779	-	913,779
Assets pledged as collateral	-	102,218	3,428	-	-	-	-	-	-	-	105,646	-	105,646
Other assets	4,670	26,802	2,406	866	1,156	92	-	-	1	538	36,531	(1,048)	35,483
Inventory	-	7,677	-	-	-	-	-	-	-	48,249	55,926	(6,277)	49,649
Investment properties	-	-	2,705	-	320	-	-	-	-	-	3,025	-	3,025
Investment in associates accounted for using the equity method	1,500	-	1,191	-	-	-	-	-	-	-	2,691	(2,691)	-
Investment in subsidiaries	263,595	-	(0)	-	-	-	-	-	-	-	263,595	(263,595)	-
Property, plant and equipment	1,192	82,351	1,712	964	1,741	81	-	-	-	7	88,048	350	88,398
Intangible assets	-	9,274	100	20	284	2	-	-	-	7	9,687	-	9,687
Deferred tax assets	-	2,923	1,180	8,083	-	34	-	-	-	-	12,220	2,395	14,615
Assets held for sale	-	570	-	-	-	-	-	-	-	-	570	-	570
	282,831	3,973,098	48,490	106,560	22,426	1,162	-	8,571	4,584	49,128	4,496,848	(330,659)	4,166,189
Financed by													
Deposits from banks	-	139,052	-	5,600	-	-	-	-	-	-	144,652	-	144,652
Deposits from customers	-	2,905,070	11,475	71,631	-	-	-	-	-	-	2,988,176	(17,254)	2,970,922
Financial liabilities at fair value through profit or loss	-	12,121	-	367	-	-	-	-	-	-	12,488	-	12,488
Current income tax liability	-	5,789	2,500	128	259	90	-	-	-	6	8,773	-	8,773
Other liabilities	5,751	152,877	5,700	901	636	181	-	150	39	3,208	169,442	(1,001)	168,441
Liability on investment contracts	-	-	-	-	-	-	-	10,157	-	-	10,157	-	10,157
Liability on insurance contracts	-	-	-	-	11,837	-	-	-	-	-	11,837	-	11,837
Borrowings	-	249,891	6,224	-	-	-	-	-	-	51,115	307,230	(51,114)	256,116
Retirement benefit obligations	-	3,709	0	-	-	55	-	-	-	-	3,764	-	3,764
Deferred tax liabilities	-	64	-	89	86	-	-	-	-	-	239	-	239
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
	5,751	3,468,573	25,899	78,716	12,818	326	-	10,307	39	54,329	3,656,756	(69,367)	3,587,389
Equity and reserves	277,080	504,525	22,591	27,844	9,608	836	-	(1,736)	4,545	(5,201)	840,093	(261,293)	578,800
Summarized Cash Flows													
Operating activities													
Interest received	604	369,734	4,571	14,105	197	116	0	777	0	0	390,104	(1,520)	388,584
Interest paid	-	(118,133)	0	(9,853)	-	0	0	(569)	0	0	(128,555)	0	(128,555)
Income tax paid	-	(11,157)	(1,590)	(50)	(214)	(72)	0		0	0	(13,083)	816	(12,267)
Cash flow generated from operations	(1,533)	218,150	(2,052)	(13,154)	4,344	139	(748)	138	(65)	(1,292)	203,928	30,876	234,804
Net cash generated from operating activities	(929)	458,593	929	(8,952)	4,327	183	(748)	346	(65)	(1,292)	452,394	30,172	482,566
Net cash used in investing activities	4,257	(190,405)	(21,359)	14,369	(1,101)	(39)	(3,067)	(8,239)	0	1	(205,583)	(8,448)	(214,031)
Net cash used in financing activities	(3,263)	(113,753)	(5,538)	0	(522)	(234)	(41)	8,226	22	1,409	(113,694)	(25,193)	(138,887)
Increase in cash and cash equivalents	65	154,435	(25,968)	5,417	2,704	(91)	(3,856)	333	(42)	118	133,116	(3,468)	129,648
Cash and cash equivalents at start of year	4,727	486,279	38,535	5,854	6,389	881	3,856	0	711	208	547,440	(14,984)	532,456
Effect of exchange rate fluctuations on cash held	-	4,259	-	-	-	6	-	-	-	-	4,265	(1)	4,264
Cash and cash equivalents at end of year	4,792	644,973	12,567	11,271	9,094	797	0	332	668	325	684,819	(18,451)	666,368

31.2 Condensed results of consolidated entities from continuing operations

31 December 2014	FBN Holdings Plc. N'million	FBN Limited N'million	FBN Capital Limited N'million	FBN Merchant Bank Limited N'million	FBN Insurance Limited N'million	FBN Insurance Brokers Limited N'million	FBN Microfinance Bank Limited N'million	Ivory Trust	FBN Heritage Fund	Rainbow Town Development Limited N'million	Total N'million	Adjustments N'million	Group N'million
Summarized Income Statement													
Operating income	16,969	338,593	12,230	1,594	4,704	792	1,202	1,431	216	(1,123)	376,609	(20,366)	356,243.17
Operating expenses	(11,286)	(218,631)	(9,123)	(781)	(3,371)	(553)	(913)	(1,359)	(187)	(339)	(246,542)	9,698	(236,844)
Impairment charge for credit losses	-	(25,730)	(240)	(310)	(3)	(4)	(6)	-	-	-	(26,293)	351	(25,942)
Operating profit	5,683	94,232	2,867	503	1,330	234	283	72	29	(1,462)	103,774	(10,317)	93,457
Associate	-	136	-	-	-	-	-	-	-	-	136	463	599
Profit before tax	5,683	94,368	2,867	503	1,330	234	283	72	29	(1,462)	103,910	(9,854)	94,056
Tax	-	(9,526)	(2,727)	2,580	(242)	46	(176)	-	-	-	(10,045)	-	(10,045)
Profit/ (Loss) for the year	5,683	84,842	140	3,083	1,088	280	108	72	29	(1,462)	93,862	(9,851)	84,011
Other comprehensive income	291	4,818	(1,101)	(1,681)	(88)	(1)	-	(1,716)	(26)	-	495	2,082	2,577
Total comprehensive income	5,974	89,660	(961)	1,402	1,000	279	108	(1,644)	3	(1,462)	94,358	(7,770)	86,588
Total comprehensive income allocated to non controlling interest	-	15	-	-	381	-	-	-	1	(657)	(260)		
Dividends paid to non controlling interest	-	-	-	-	107	-	-	-	-	-	107		
Summarized Financial Position													
Assets													
Cash and balances with central bank	0	697,601	1	1	500	0	90	-	-	-	698,194	(90)	698,104
Loans and advances to banks	3,261	430,053	34,991	1,896	755	881	3,619	24,452	711	209	500,827	(39,916)	460,911
Loans and advances to customers	80	2,193,563	1,872	26,867	-	74	1,594	-	-	0	2,224,050	(45,065)	2,178,986
Financial assets at fair value through profit or loss	-	10,708	7,897	7,366	48	-	-	5,718	1,582	-	33,320	(5,718)	27,601
Investment securities	4,272	598,904	44,613	50,641	11,903	107	149	29,083	2,375	-	742,047	(30,408)	711,639
Assets pledged as collateral	-	64,527	3,956	-	-	-	-	-	-	-	68,483	-	68,483
Other assets	14,361	39,457	7,509	525	1,484	114	158	239	57	1,325	65,229	(24,590)	40,640
Inventory	-	-	-	-	-	-	-	-	-	40,775	40,775	(2,970)	37,805
Investment properties	-	-	2,504	-	322	-	-	-	-	-	2,826	-	2,826
Investment in associates accounted for using the equity method	1,500	-	990	-	-	-	-	-	-	-	2,490	(2,490)	-
Investment in subsidiaries	260,777	-	(0)	-	-	-	-	-	-	-	260,777	(260,777)	-
Property, plant and equipment	1,518	83,404	505	1,001	1,687	78	284	-	-	16	88,492	65	88,557
Intangible assets	-	8,104	125	27	301	3	2	-	-	9	8,572	(2)	8,569
Deferred tax assets	-	2,384	1,391	5,185	-	32	-	-	-	-	8,992	2,293	11,285
Assets held for sale	2,000	2,931	-	-	-	-	-	-	-	-	4,931	3,400	8,331
	287,769	4,131,636	106,355	93,509	17,000	1,289	5,896	59,492	4,725	42,334	4,750,005	(406,268)	4,343,737
Financed by													
Deposits from banks	-	163,710	1,212	6,229	-	-	1,950	-	-	-	173,101	(1,950)	171,151
Deposits from customers	-	2,989,735	1,133	68,819	-	-	1,291	-	-	-	3,060,979	(10,126)	3,050,853
Financial liabilities at fair value through profit or loss	-	9,915	-	1,002	-	-	-	-	-	-	10,917	(0)	10,917
Current income tax liability	-	8,529	2,836	85	271	100	69	-	-	7	11,898	(69)	11,829
Other liabilities	9,590	131,702	10,749	1,415	4,154	178	163	656	32	2,216	160,855	(28,221)	132,633
Liability on investment contracts	-	-	60,703	-	-	-	-	60,703	-	-	121,406	(60,789)	60,617
Liability on insurance contracts	-	-	-	-	8,260	-	-	-	-	-	8,260	-	8,260
Borrowings	-	362,976	6,731	-	-	-	-	-	-	41,913	411,620	(41,913)	369,707
Retirement benefit obligations	-	2,012	0	-	-	17	-	-	-	-	2,029	-	2,029
Deferred tax liabilities	-	38	-	81	68	-	29	-	-	-	216	(130)	87
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	1,592	1,592
	9,590	3,668,617	83,365	77,632	12,753	295	3,502	61,359	32	44,136	3,788,182	31,493	3,819,675
Equity and reserves	278,179	463,017	22,990	15,877	4,247	996	2,393	(1,866)	4,692	(1,802)	788,722	(264,661)	524,062
Summarized Cash Flows													
Operating activities													
Interest received	1,917	342,481	9,633	13,584	1,060	114	0	7,554	268	15	376,628	(24,587)	352,041
Interest paid	-	(96,306)	(7,116)	(8,918)	-	0	0	(6,136)	0	0	(118,475)	25,159	(93,316)
Income tax paid	-	(30,276)	(764)	(104)	(63)	(98)	(88)	0	0		(31,393)	64	(31,329)
Cash flow generated from operations	(4,023)	(676,144)	(4,606)	2,247	6,943	(133)	(2,357)	(12,969)	(322)	(6,405)	(697,769)	(18,509)	(716,279)
Net cash generated from operating activities	(2,106)	(460,245)	(2,853)	6,809	7,941	(117)	(2,445)	(11,551)	(54)	(6,390)	(471,010)	(17,873)	(488,883)
Net cash used in investing activities	41,210	(14,290)	21,465	(2,161)	(2,093)	(30)	(84)	23,873	776	5	68,671	(81,498)	(12,827)
Net cash used in financing activities	(35,895)	198,831	(3,911)	1,206	(305)	(188)	(31)	0	(58)	5,653	165,302	33,534	198,836
Increase in cash and cash equivalents	3,210	(275,704)	14,701	5,854	5,542	(335)	(2,560)	12,322	664	(731)	(237,036)	(65,838)	(302,874)
Cash and cash equivalents at start of year	1,476	762,421	23,833	0	846	1,209	6,416	12,130	47	940	809,318	25,373	834,691
Effect of exchange rate fluctuations on cash held	42	(438)	0			7		-			(389)	1,028	639
Cash and cash equivalents at end of year	4,728	486,279	38,534	5,854	6,389	881	3,856	24,452	711	208	571,893	(39,437)	532,456

32 Acquisition of Subsidiary

The Group did not conclude any new acquisitions during the year. However, the final acquisition accounting for Kakawa Discount House Limited (now FBN Merchant Bank Limited) was concluded in 2015.

	Kakawa Discount House Limited September 30 2014 N'million
Consideration	
Cash	8,640
Total consideration transferred	8,640
Fair value of equity interest in KDH held before the business combination	7,360
Total consideration	16,000

Recognised amounts of identifiable assets acquired and liabilities assumed	**Final Fair value**	**Provisional Fair value**	**Changes**
Cash and balances with central banks	2,407	2	2,405
Investment securities	60,389	88,008	(27,619)
Loans and advances to banks	6,072	799	5,273
Loans and advances to customers	41,401	16,869	24,532
Deferred tax asset	4,816	2,523	2,293
Other assets	204	2,908	(2,704)
Property, plant and equipment	1,359	1,006	353
Intangible assets	26	30	(4)
Deposits	(97,504)	(95,841)	(1,663)
Derivative financial instrument	(324)	-	(324)
Current income tax liability	(74)	-	(74)
Deferred tax liability	-	(101)	101
Other liabilities	(1,600)	(1,728)	128
Total identifiable net assets	17,172	14,475	2,697
(Gain on bargain purchase)/ Goodwill	(1,172)	1,525	(2,697)
Cash and cash equivalents acquired from Kakawa Discount House Limited is made up of the following:			
Cash and balances with central banks	2,407	2	2,405
Treasury bills	18,563	26,241	(7,678)
Loans and advances to banks	6,072	799	5,273
	27,042	**27,042**	-
Net cash on acquisition of subsidiary	**18,402**	**18,402**	-

Total cash and cash equivalents acquired from subsidiaries in 2014	
Kakawa Discount House Limited	18,402
ICB entities	190
Oasis Insurance Plc	(1,658)
	16,935

In 2014, the management account of Kakawa Discount House Limited was used for provisional accounting of the business combination due to the closeness of the acquisition completion date to the year end. In 2015, the fair values of identifiable assets and liabilities were determined. The identifiable assets and liabilities whose values changed from the provisional numbers are detailed in the table above. The resultant impact of these changes in value of the identifiable net assets and liabilities at date of acquisition have been adjusted in the 2014 numbers and detailed in note 57.

33 Asset Held for Sale: Discontinued operations

The assets classified as held for sale in 2014 included the assets and liabilities of FBN Microfinance Bank Limited (FBN MFB) and the Property Development Portfolio of FBN Mortgages Limited ("FBNM"). The assets and liabilities of FBN MFB were classified as such following the decision and resolution of the Board of Directors of FBN Holdings Plc. ("the company" "FBNH" or "Holdco") to divest from FBN MFB. The property development portfolio of FBN Mortgages Limited ("FBNM") was classified as held for sale following the commitment to sell the assets in compliance with the Central Bank of Nigeria's (CBN) regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which requires banks in Nigeria to concentrate on banking businesses.

The sale of FBN MFB was concluded in 2015, and its assets and liabilities previously classified as held for sale were transferred to the buyer (Letshego Holdings Limited). The net asset transferred was used in determining the gain on sale of subsidiary as presented in note 34.

On the other hand, some of the inventory balance of the property development portfolio of FBN Mortgages Limited which was previously classified as held for sale was reclassified to Inventory. During the year, subscribers who purchased some of the properties in prior periods subsequently defaulted in their payment obligation to Group and opted to exchange the properties for the outstanding balance due from them.

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 28). The reclassification was necessitated by the general economic slowdown and failure to conclude their sale for over twelve months.

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

33 Asset Held for Sale: Discontinued operations

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

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Assets classified as held for sale				
Cash and balances with central banks	-	90	-	-
Loans and advances to banks	-	3,124	-	-
Loans and advances to customers	-	1,594	-	-
Investment securities	-	149	-	-
Other assets	-	157	-	-
Inventory	570	2,931	-	-
Investment in subsidiaries	-	-	-	2,000
Property, plant and equioment	-	284	-	-
Intangible assets	-	2	-	-
	570	8,331	-	2,000
Liabilities classified as held for sale				
Deposit from banks	-	46	-	-
Deposit from customers	-	1,291	-	-
Company income tax liability	-	69	-	-
Other liabilities	-	157	-	-
Deferred tax	-	29		
	-	1,592	-	-
Net Asset	570	6,739	-	2,000

33b The analysis of inventory balance relating to the Property Development Portfolio of FBN Mortgages is detailed below:

	N'million
Balance as at 31 December 2014	2,931
Addition (recovery due to payment default)	5,930
Reclass to Inventory (note 28)	(7,677)
Disposal during the year	(614)
Balance as at 31 December 2015	570

The fair value of the asset held for sale was determined using the sales comparison approach where the key input is price per square meter 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.

34 Disposal of subsidiary/ loss of control in subsidiary

Following the board's approval to dispose the Group's interest in FBN Microfinance Bank Limited on August 12, 2014, the Group's interest was classified as asset held for sale, having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount was expected to be recovered principally by a sale rather than through continuing use. The sale was completed in December 2015. The operating results of FBN Microfinance Bank Limited from January 1, 2015 to date of disposal is included in the Group's operating results from continuing operations because the disposal group does not meet the definition of discontinued operations.

Also, in accordance with the requirements of IFRS 10, the Group re-assessed its control of Ivory Trust Fund (comprising of Liquidity Management Fund, Private Banking Fund, Africa Bond, Eurostructured Bond, NSIA I and NSIA II) and concluded that it no longer controls all the funds in Ivory Trust except NSIA II. In view of this loss of control, the Group discontinued consolidation of the affected entity effective January 2015.

The aggregate book value of the net assets for the subsidiaries disposed at the date of disposal is as follows:

	FBN Microfinance Bank Limited	Ivory Trust Fund (excluding NSIA II)	Total
GROUP			
Cash and balances with central banks	98	-	98
Loans and advances to banks	2,916	24,304	27,220
Loans and advances to customers	1,449	-	1,449
Financial assets at fair value through profit or loss	0	5,718	5,718
Investment securities	149	21,401	21,550
Other assets	117	240	357
Property, plant and equipment	244	-	244
Intangible assets	1	-	1
Deferred tax assets	-	-	-
Total assets	4,974	51,663	56,637
Deposits from banks	(1,379)	-	(1,379)
Deposits from customers	(1,430)	-	(1,430)
Current income tax liability	(11)	-	(11)
Other liabilities	(97)	(598)	(695)
Liability on investment contracts	-	(52,192)	(52,192)
Deferred tax liabilities	(29)	-	(29)
Total liabilities	(2,946)	(52,790)	(55,736)

34 **Disposal of subsidiary/ loss of control in subsidiary**

Net assets of disposal group	**2,028**	**(1,127)**	**901**
Net assets of disposal group attributable to NCI	-	1,127	1,127
Net assets of disposal group attributable to parent	**2,028**	**-**	**2,028**
Proceeds on disposal	3,800	-	3,800
Less:			
Incidental cost (severance cost and professional fees)	(200)	-	(200)
Net proceeds on disposal	**3,600**	**-**	**3,600**
Gain from disposal of subsidiary	**1,572**	**-**	**1,572**
COMPANY			
Net proceeds on disposal	3,600	-	3,600
Cost of investment	(2,000)	-	(2,000)
Gain from disposal of subsidiary	**1,600**	**-**	**1,600**
Cash and cash equivalent lost on disposal of subsidiary/ loss of control in subsidiary, Net			
Cash and balances with central banks	98	-	98
Treasury bills	149	13,169	13,318
Loans and advances to banks	2,916	24,305	27,221
Less: net proceeds on disposal	(3,600)	-	(3,600)
	(437)	37,474	37,037

35 Property, plant and equipment
GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Plant & machinery N million	Work in progress* N million	Total N million
Cost									
At 1 January 2014	37,799	18,199	9,177	29,808	8,172	7,066	58	7,117	117,396
Additions	1,557	2,658	2,484	4,728	2,333	782	13	2,361	16,916
Acquisition of new subsidiary	1,716	223	439	144	176	158	19	-	2,875
Reclassifications	1,773	456	0	1,669	173	377	-	(4,448)	-
Reclassification to assets held for sale	(125)	(58)	(64)	(120)	(92)	(39)	-	-	(498)
Disposals	-	(601)	(1,064)	(49)	(10)	(10)	(2)	(41)	(1,777)
Write Offs	-	-	(32)	(4)	(3)	(3)	-	(344)	(386)
Exchange difference	490	37	142	140	234	80	2	160	1,285
At 31 December 2014 (as previously reported)	43,210	20,914	11,082	36,316	10,983	8,411	90	4,805	135,811
Effect of final accounting of business combination (Note 57)	349	-	-	-	-	-	-	-	349
At 31 December 2014 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Accumulated depreciation									
At 1 January 2014	5,028	1,414	4,289	19,671	5,822	3,376	(10)	(3,493)	36,097
Charge for the year	1,143	6	2,152	4,944	1,884	1,233	13	-	11,375
Acquisition of new subsidiary	100	-	290	97	151	87	15	-	740
Reclassifications	(59)	(1,410)	(5)	(1,814)	(124)	(119)	37	3,493	-
Reclassification to assets held for sale	(13)	-	(32)	(68)	(74)	(27)	-	-	(214)
Disposals	-	-	(799)	(49)	(9)	(8)	-	-	(865)
Exchange differences	70	-	94	61	192	53	1	-	471
At 31 December 2014	6,269	10	5,989	22,842	7,842	4,595	56	(0)	47,603
Net book amount at 31 December 2014	36,941	20,904	5,093	13,474	3,141	3,816	34	4,805	88,208
Net book amount at 31 December 2014 (revised)	37,290	20,904	5,093	13,474	3,141	3,815	35	4,805	88,557
Cost									
At 1 January 2015 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Additions	1,070	184	2,832	2,790	1,115	655	34	2,914	11,594
Reclassifications	397	52	-	1,157	404	115	-	(2,145)	(20)
Disposals	(34)	-	(1,843)	(79)	(15)	(104)	(3)	-	(2,078)
Write Offs	-	-	(12)	-	-	-	(2)	(180)	(194)
Exchange difference	380	(141)	54	67	125	43	28	189	745
At 31 December 2015	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Accumulated depreciation									
At 1 January 2015	6,269	10	5,989	22,842	7,842	4,595	56	(0)	47,603
Charge for the year	1,216	2	2,329	4,827	1,976	1,150	16	-	11,516
Reclassifications	(1)	-	-	-	(1)	1	-	-	(1)
Disposals	(26)	-	(1,354)	(56)	(15)	(93)	(1)	-	(1,545)
Write Offs	-	-	-	-	-	-	(2)	-	(2)
Exchange differences	53	(10)	39	22	97	15	22	-	238
At 31 December 2015	7,511	2	7,003	27,635	9,899	5,668	91	(0)	57,809
Net book amount at 31 December 2015	37,861	21,007	5,110	12,616	2,713	3,452	56	5,583	88,398

* Work in progress refers to capital expenditures incurred on items of property, plant and equipment which are however not ready for use and as such are not being depreciated.

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

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

35 Property, plant and equipment
COMPANY

	Improvement & buildings N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Work in progress* N million	Total N million
Cost							
At 1 January 2014	-	169	20	1	212	717	1,119
Additions	-	87	2	2	7	578	676
Reclassifications	615	-	428	-	252	(1,295)	-
At 31 December 2014	615	256	450	3	471	-	1,795
Accumulated depreciation							
At 1 January 2014	-	19	4	-	24	-	47
Charge for the year	61	52	47	1	68	-	229
At 31 December 2014	61	71	51	1	92	-	276
Net book amount at 31 December 2014	**554**	**185**	**399**	**2**	**379**	**-**	**1,519**
Cost							
At 1 January 2015	615	256	450	3	471	-	1,795
Additions	-	112	1	2	1	-	115
Disposal	-	(94)	(5)	(0)	(17)	-	(116)
At 31 December 2015	615	274	446	5	455	-	1,794
Accumulated depreciation							
At 1 January 2015	61	71	51	1	92	-	276
Charge for the year	123	76	90	1	94	-	384
Disposal	-	(46)	(3)	(0)	(9)	-	(58)
At 31 December 2015	184	101	138	2	177	-	602
Net book amount at 31 December 2015	**431**	**173**	**308**	**3**	**278**	**-**	**1,192**

* Work in progress refers to capital expenditures incurred on items of property, plant and equipment which are however not ready for use and as such are not being depreciated.

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

36 Intangible assets

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer Software	Total
Cost						
At 1 January 2014	7,138	-	-	-	4,073	11,211
Additions	-	-	-	-	2,208	2,208
Write off	-	-	-	-	(732)	(732)
Other changes	(1,081)	52	330	699	-	-
Acquisition of subsidiary	2,133	-	-	-	461	2,594
Exchange difference	(996)	-	-	-	126	(870)
At 31 December 2014 (as previously reported)	**7,194**	**52**	**330**	**699**	**6,136**	**14,411**
Effect of final accounting of business combination (Note 57)	(1,525)	-	-	-	-	(1,525)
At 31 December 2014 (revised)	**5,669**	**52**	**330**	**699**	**6,136**	**12,886**
Additions	-	-	-	-	4,371	4,371
Exchange difference	(141)	-	(4)	(11)	5	(151)
At 31 December 2015	**5,528**	**52**	**326**	**688**	**10,512**	**17,106**
Amortisation and impairment						
At 1 January 2014	552	-	-	-	1,911	2,463
Amortisation charge	-	20	207	139	1,018	1,384
Impairment charge	501	-	-	-	-	501
Write off	-	-	-	-	(512)	(512)
Acquisition of subsidiary	-	-	-	-	393	393
Exchange difference	-	-	-	-	88	88
At 31 December 2014	**1,053**	**20**	**207**	**139**	**2,898**	**4,317**
Amortisation charge	-	26	61	144	1,926	2,157
Impairment charge	872	6	58	9	-	945
At 31 December 2015	**1,925**	**52**	**326**	**292**	**4,824**	**7,419**
Net book value						
At 31 December 2015	3,603	-	-	396	5,688	9,687
At 31 December 2014	6,141	32	123	560	3,238	10,094
At 31 December 2014 (revised)	4,616	32	123	560	3,238	8,569

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

The goodwill balance of N3.60 billion includes N0.55 billion attributable to the acquisition of FBN Bank DRC in the Democratic Republic of Congo concluded in 2013; N2.79 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and N0.26 billion attributable to the acquisitin of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014.

Brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straightline method over 3 years, 5 years and 2 years respectively. The Brand and Customer relationship intangible assets were written off due to a change in the name of the acquired entities.

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognized as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business and Insurance Business Groups.

In prior year, the value of goodwill in FBN Bank Guinea (formerly ICB Guinea) was reduced to the recoverable amount by an impairment charge which was recognized in operating expenses in the income statement. The impairment in FBN Bank 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 Bank Senegal (formerly ICB Senegal) and FBN Bank Gambia (ICB Gambia) has been fully impaired and the impairment recognized 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 projection covering five years. The discount rate used is pre-tax.

36 Intangible assets continued

Impairment testing on cash generating units containing goodwill

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

	2015		2014	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank 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: (N' million)	11,173	10,259	12,983	8,776

Management determined deposits to be the key value driver in each of the entities above.

	2015		2014	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (N' million)	552	2,345	1,104	2,285
Net Asset (N' million)	7,771	5,826	6,158	5,272
Total carrying amount (N' million)	8,323	8,172	7,262	7,557
Excess of recoverable amount over carrying amount	2,850	2,087	5,721	1,219

37 Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2014: 30%, 2013: 30%).

	GROUP	
	31 December 2015	**31 December 2014**
	N 'million	**N 'million**
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(7,842)	(8,219)
Allowance for loan losses	3,676	3,426
Tax losses carried forward	20,276	17,871
Other assets	1,472	1,318
Other liabilities	(7,491)	(7,488)
Defined benefit obligation	3,265	3,265
Prior year adjustment	987	987
Effect of changes in exchange rate	231	125
Borrowings	40	-
	14,614	11,285
Deferred tax liabilities		
Property and equipment	149	15
Other assets	7	7
Other liabilities	83	65
	239	87
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	13,123	9,794
- Deferred tax asset to be recovered within 12 months	1,491	1,491
	14,614	11,285
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	129	86
- Deferred tax liability to be recovered within 12 months	110	1
	239	87

Group	**1 Jan 2015**	**Adjustment on acquired entities**	**Recognised in P&L**	**Recognised in OCI**	**Assets classified as held for sale**	**31 Dec 2015**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Movements in Deferred tax assets during the year:						
Property and equipment	(8,219)	-	377	-	-	(7,842)
Allowance for loan losses	3,426	-	250	0	-	3,676
Tax losses carried forward	17,871	-	2,405	-	0	20,276
Other assets	1,318	-	154	-	-	1,472
Other liabilities	(7,488)	-	(3)	-	-	(7,491)
Defined benefit obligation	3,265	-	0	-	-	3,265
Prior year adjustment	987	-	-	-	-	987
Effect of changes in exchange rate	125	-	106	-	-	231
Borrowings	-	-	40	-	-	40
	11,285	-	3,329	-	-	14,614

37 Deferred tax assets and liabilities continued

Group	1 Jan 2014 N 'million	Adjustment on acquired entities N 'million	Recognised in P&L N 'million	Recognised in OCI N 'million	Assets classified as held for sale N 'million	Revised 31 Dec 2014 N 'million
Movements in Deferred tax assets during the year:						
Property and equipment	(500)	-	(7,719)	-	-	(8,219)
Allowance for loan losses	3,631	-	(205)	-	-	3,426
Tax losses carried forward	419	5,145	12,307	-	-	17,871
Other assets	(405)	-	1,723	-	-	1,318
Other liabilities	(629)	-	(6,859)	-	-	(7,488)
Defined benefit obligation	3,145	-	(2)	122	-	3,265
Prior year adjustment	1,459	-	(471)	-	-	987
Effect of changes in exchange rate	0	-	125	-	-	125
	7,120	5,145	(1,101)	122	-	11,285

	1 Jan 2015 N 'million	Adjustment on acquired entities N 'million	Recognised in P&L N 'million	Recognised in OCI N 'million	Liabilities classified as held for sale N 'million	31 Dec 2015 N 'million
Movements in Deferred tax liabilities during the year:						
Property and equipment	15	0	134	-	-	149
Other assets	7	-	-	-	-	7
Other liabilities	65	0	18	-	-	83
	87	-	152	-	-	239

	1 Jan 2014 N 'million	Adjustment on acquired entities N 'million	Recognised in P&L N 'million	Recognised in OCI N 'million	Liabilities classified as held for sale N 'million	Revised 31 Dec 2014 N 'million
Movements in Deferred tax liabilities during the year:						
Property and equipment	-	(0)	15	-	-	15
Other assets	-	-	36	-	(29)	7
Other liabilities	37	34	(6)	-	-	65
	37	34	45	-	(29)	87

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 profit is probable. Temporary difference relating to the Group's investment in subsidiaries is N79.0 billion (2014: N89.5 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

38 Deposits from banks

	GROUP 31 December 2015 N 'million	GROUP 31 December 2014 N 'million
Due to banks within Nigeria	121,378	78,859
Due to banks outside Nigeria	23,274	92,292
	144,652	171,151

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

39 Deposits from customers

	GROUP 31 December 2015 N 'million	GROUP 31 December 2014 N 'million
Current	732,615	747,627
Savings	829,809	728,728
Term	970,418	1,049,023
Domiciliary	429,360	515,476
Electronic purse	8,720	9,999
	2,970,922	3,050,853
Current	2,822,847	2,891,164
Non-current	148,075	159,689
	2,970,922	3,050,853

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

40 Other liabilities

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Customer deposits for letters of credit	46,844	34,264	-	-
Accounts payable	66,117	52,313	-	-
Creditors	19,817	16,457	380	7,950
Bank cheques	15,290	14,964	-	-
Collection on behalf of third parties	4,621	7,759	-	-
Unclaimed dividend	4,187	-	4,187	-
Accruals	11,565	6,876	1,184	1,640
	168,441	132,633	5,751	9,590

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

41 Liability on investment contracts

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Long term clients	10,157	-
Short term clients	-	60,617
	10,157	60,617
Current	-	60,617
Non-current	10,157	-
	10,157	60,617

42 Liability on insurance contracts

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Outstanding claims	757	556
Unearned premium	1,235	917
Short term insurance contract - Claims incurred but not reported (IBNR)	502	264
Liability on annuity fund	2	-
Liability on long term insurance contract - Life fund	9,341	6,523
	11,837	8,260
Current	2,494	1,737
Non-current	9,343	6,523
	11,837	8,260

43 Borrowings

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	152,434	141,819
Due to European Investment Bank (ii)	-	565
Due to Deutsche Bank (iii)	6,224	6,731
On-lending facilities from financial institutions (iv)	83,332	32,449
Borrowing from correspondence banks (v)	14,126	188,143
	256,116	369,707
Current	36,125	206,299
Non-current	219,991	163,408
	256,116	369,707
At start of the year	369,707	126,302
Acquisition of subsidiary	-	2,497
Proceeds of new borrowings	75,961	315,792
Finance cost	15,273	17,995
Foreign exchange losses/ (gains)	7,722	(9,721)
Repayment of borrowings	(200,445)	(71,308)
Interest paid	(12,102)	(11,850)
At end of year	256,116	369,707

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2014: Nil).

43 Borrowings continued

(i) FBN Eurobond:

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

(ii) Due to European Investment Bank:

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

(iii) Due to Deutsche Bank:

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

(iv) On-lending Facilities:

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

a. CBN/BOI facilities

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

b. CBN/CACS Intervention funds

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

c. CBN on-lending bail out fund

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

(v) Borrowings from correspondence banks:

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

44 Retirement benefit obligations

	GROUP	
	31 Dec 2015 N 'million	31 Dec 2014 N 'million
Defined Benefits Plan		
Gratuity Scheme (i)	55	17
Defined Benefits - Pension (ii)	3,083	1,636
Gratuity Scheme (iii)	626	376
	3,764	2,029

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.

Gratuity scheme (i)

This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the enity.

44 Retirement benefit obligations continued: Gratuity Scheme (i)

Movement in the present value of the defined benefit obligation (gratuity scheme 1) in the current year is as follows:

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations/ value of plan assets at 1 January 2014	535	(55)	480
Transfer to Defined benefits - Pension (ii)	(343)	-	(343)
Service cost	45	-	45
Interest cost	8	(7)	1
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	0	2	2
- change in demographic assumptions	(12)	-	(12)
Contributions:			
- Employer	0	(72)	(72)
Payments:			
- Benefit payment	(85)	1	(84)
Defined benefit pension obligations/ value of plan assets at 31 December 2014	**148**	**(131)**	**17**
Transfer to Defined benefits - Pension (ii)	0	-	0
Service cost	46	-	46
Interest cost	17	(15)	2
Remeasurment			
- Return on plan asset not included in net interest cost on pension scheme	-	(28)	(28)
- change in demographic assumptions	50	-	50
Contributions:			
- Employer		(32)	(32)
Payments:			
- Benefit payment	(20)	20	0
Defined benefit pension obligations/ value of plan assets at 31 December 2015	**241**	**(186)**	**55**

Composition of Plan assets		**2015**			**2014**	
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Debt Instruments			186			131
Government	-	144		-	103	
Money market investments	-	42		-	27	
Others	-	0	0	-	1	
Total	**-**	**186**	**186**	**-**	**131**	**131**

The weighted average duration of the defined benefit obligation is 11.81 years

Defined benefit - Pension (ii)
First Bank of Nigeria Limited has an old Defined Benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit.

In addition, First Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for staff and directors. Staff who have spent a minimum number of 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years.The company discontinued the staff scheme in 2014 and individual memebers benefit were calculated on a discontinuance basis. The Directors' scheme is on a continuing basis.

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

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2014	11,801	(10,690)	1,111
Transfer from gratuity scheme (1)	343	-	343
Interest expense/(income)	1,255	(1,190)	65
Service cost	69	-	69
Curtailment losses	23	-	23
Remeasurement:			
- Return on plan asset 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	43		43
Remeasurement:			
- Return on plan asset 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	**12,034**	**(8,949)**	**3,085**

44 Retirement benefit obligations continued: Pension

GROUP

Composition of Plan assets	**2015** N 'million Quoted	N 'million Unquoted	N 'million Total	**2014** N 'million Quoted	N 'million Unquoted	N 'million Total
Equity Instruments			949			1,556
Banking	805			1,470		
Oil Service	6			53		
Real Estate	21			33		
Manufacturing	117					
Debt Instruments			7,738			7,179
Government	5,616				5,737	
Corporate Bond	884				466	
Money market investments		1,238			976	
Money on call		252	252		67	67
Others		10	10		-	0
Total	7,449	1,500	8,949	1,556	7,246	8,802

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

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

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the group intends to reduce the level of investment risk by investing more in asset that better match the liabilities. In equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long term objectives of the fund whilst 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 the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6yrs and retirement age of 60yrs.

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

The weighted average duration of the defined benefit obligation is 6.58 years

	31 Dec 2015 N 'million	**31 Dec 2014** N 'million
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11%	14%
Inflation rate	9%	9%
Future pension increases	0%	0%

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

	Assumption	Benefit Obligation N'm	Impact on Liability
	14%	11,807	0.0%
	15.0%	11,137	-5.7%
Discount rate	13.0%	12,562	12.8%
	Base	11,807	0.0%
	Improved by 1 year	11,926	1.0%
Life expectancy	Decreased by 1 year	11,683	-2.0%

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

44 **Retirement benefit obligations continued: gratuity scheme**

Gratuity scheme (iii)

This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:

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

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

Defined benefit cost, charged to income statement **(refer note 17)**	**GROUP**	
	31 Dec 2015	**31 Dec 2014**
	N 'million	**N 'million**
Gratuity Scheme (i)	48	45
Defined Benefits - Pension (ii)	255	134
Gratuity Scheme (iii)	-	32
	303	211
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	50	(12)
Defined Benefits - Pension (ii)	1,756	(1,445)
Gratuity Scheme (iii)	(402)	1,821
	1,404	364

The information of the professionals engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited	FBN Insurance Broker Limited
Name of the professional:	O. O. Okpaise	O. O. Okpaise
Name of the professional firm/ entity:	HR Nigeria Limited	HR Nigeria Limited
FRC registration number of the professional:	FRC/2012/NAS/00000000738	FRC/2012/NAS/00000000738

45 **Share capital**

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

Issued and fully paid

Movements during the period:	**Number of shares In millions**	**Ordinary shares N 'million**
At 31 December 2014	32,632	16,316
Issue during the year (Bonus)	3,263	1,632
At 31 December 2015	35,895	17,948

46 **Share premium and reserves**

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

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

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

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

Capital reserve: Reserve arising from business restructuring

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

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

46 Share premium and reserves continued

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

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

Treasury share: This represents the purchase consideration of the shares of FBN Holdings Plc. held by one of its subsidiaries as at 31 December 2015 (2014: N0.18 billion) entities within the Group. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

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

47 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Profit before tax from continuing operations	21,512	94,056	2,180	5,683
Adjustments for:				
– Depreciation and amortisation	13,673	12,758	384	229
– Impairment of intangible assets (note 36)	945	501	-	-
– Loss/ (profit) from disposal of property and equipment	186	(435)	7	-
– Foreign exchange gains	7,443	(9,721)	-	(42)
– Profit from disposal of subsidiaries	(1,572)	-	(1,600)	-
– Gain on bargain purchase	-	(1,172)	-	-
– (Profit)/ loss from disposal of investment securities	(6,666)	230	(36)	-
– Net (gains)/ losses from financial assets at fair value through profit or loss	(2,055)	1,262	-	-
– Impairment on loans and advances	119,858	27,917	-	-
– Write off of PPE and intangible assets	212	606	-	-
– Change in provision in other assets	1,752	286	-	-
– Change in provision for impairment of investments	-	-	850	7,781
– Change in retirement benefit obligations	331	(258)	-	-
– Share of profit from associates	-	(599)	-	-
– Dividend income	-	(1,469)	(4,493)	(13,747)
– Interest income	(396,190)	(362,580)	(614)	(2,886)
– Interest expense	131,167	118,725	-	-
Increase/(decrease) in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	86,420	(222,526)	-	-
– Inventories	(4,167)	(7,551)	-	-
– Loans and advances to banks	110,004	(38,269)	-	-
– Loans and advances to customers	249,462	(406,121)	17	(8)
– Financial assets at fair value through profit or loss	(5,744)	(11,773)	-	-
– Other assets	(8,261)	12,464	(420)	210
– Pledged assets	(37,163)	(14,833)	-	-
– Assets held for sale	2,787	1,618	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	(26,499)	54,031	-	-
– Deposits from customers	(67,270)	50,199	-	-
– Financial liabilities	1,571	9,217	-	-
– Liability on investment contracts	1,732	(8,106)	-	-
– Liability on insurance contracts	3,577	3,776	-	-
– Liability held for sale	1,354	-	-	-
– Other liabilities	36,405	(18,510)	2,192	(1,244)
Cash flow generated from/ (used in) operations	234,804	(716,277)	(1,533)	3,758

48 Commitments and Contingencies

48.1 Capital commitments

At the balance sheet date, the company had no capital commitments (2014: Nil) in respect of authorized and contracted capital projects.

	GROUP	
	31 December 2015 N 'million	31 December 2014 N 'million
Authorised and contracted		
Group	527	375
Company	-	-

48.2 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	
	31 December 2015	31 December 2014
	N 'million	N '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

48.3 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 N542.81 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 crystalise from these cases beyond the provision made in the financial statements

48.4 Other contingent commitments

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

	GROUP	
	31 December 2015	31 December 2014
	N 'million	N 'million
Performance bonds and guarantees	295,469	429,279
Letters of credit	126,227	272,718
	421,696	701,997

48.5 Loan Commitments

	GROUP	
	31 December 2015	31 December 2014
	N 'million	N 'million
Undrawn irrevocable loan commitments	33,342	90,379

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 3.7.3b.

48.6 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 Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited is 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 First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2015 and 31 December 2014.

49 Offsetting Financial Assets and Financial Liabilities

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

GROUP

31 December 2015	Gross amount before offsetting in the statement of financial position (a) N'million	Gross amounts set off in the statement of financial position (b) N'million	Net amounts after offsetting in the statement of financial position (c) = (a) - (b) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collaterals received (e) N'million	Net amounts of exposure (f) = (c)-(d)-(e) N'million
ASSETS						
Financial assets at fair value through profit or loss	5,049	-	5,049	-	2,306	2,743
Reinsurance receivables	663	-	663	43	-	620
Total Assets subject to offsetting, master netting and similar arrangements	5,712	-	5,712	43	2,306	3,363
LIABILITIES						
Financial derivatives	2,658	-	2,658	-	-	2,658
Trade payables	43	-	43	43	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	2,701	-	2,701	43	-	2,658

GROUP

31 December 2014	Gross amount before offsetting in the statement of financial position (a) N'million	Gross amounts set off in the statement of financial position (b) N'million	Net amounts after offsetting in the statement of financial position (c) = (a) - (b) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collaterals received (e) N'million	Net amounts of exposure (f) = (c)-(d)-(e) N'million
ASSETS						
Financial assets at fair value through profit or loss	9,258	-	9,258	-	5,983	3,275
Reinsurance receivables	558	-	558	28	-	530
Total Assets subject to offsetting, master netting and similar arrangements	9,816	-	9,816	28	5,983	3,805
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Trade payables	28	-	28	28	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	7,974	-	7,974	28	-	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. The Group also made Margin deposits with ICBC Standard Bank (2014: Merril 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.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

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

50 Related party transactions

The Group is controlled by FBN Holdings Plc. which is the parent company, whose shares are widely held. FBN Holdings Plc, is a financial holding company licensed by the Central Bank of Nigeria. In 2015, there were no related-party transactions other than loan granted to a director.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

50.1 Loans and advances to related parties

The company did not grant credit facilities to other companies that have common directors with the company and those that are members of the group.

COMPANY

	Directors and other key management personnel and close family members N 'million	Subsidiaries N 'million
31 December 2015		
Loans and advances to customers		
Loans outstanding at 1 January	37	-
Loans issued during the year	-	-
Loan repayments during the year	(37)	-
Loans outstanding at 31 December	-	-
31 December 2014		
Loans and advances to customers		
Loans outstanding at 1 January	52	7,332
Loans issued during the year	-	969
Loan repayments during the year	(15)	(8,301)
Loans outstanding at 31 December	37	-

No impairment loss has been recognised in respect of loans given to related parties

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 5% to 24%.

50.2 Deposits from related parties

The company had no deposits from related parties in 2015 (2014: Nil).

50.3 Other transactions with related parties

	Subsidiaries N 'million
31 December 2015	
Interest income	-
Intercompany payable	-
Intercompany receivable	-
31 December 2014	
Interest income	969
Intercompany payable	7,844
Intercompany receivable	(571)

50.4 Key management compensation

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

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Salaries and other short-term employee benefits	1,043	1,007	251	208
Post-employment benefits	931	389	190	6
	1,974	1,396	441	214

51 Directors' emoluments

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

	31 December 2015 N 'million	31 December 2014 N 'million
Fees	68	49
Sitting allowances	11	8
Executive compensation	90	83
Retirement benefit costs	184	-
Other directors' costs and expenses	694	611
	1,047	751
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	48	45
Highest paid director	90	83

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 December 2015	31 December 2014
N3,000,001 and above	10	8
	10	8

52 Compliance with regulations

No penalty was paid by the company during the year.

53 Events after statement of financial position date

No significant event occurred after the reporting date.

54 Dividends per share

A cash dividend of N3.26 billion at N0.10 per share (2013: N35.9 billion) that relates to the period to 31 December 2014 was paid in May 2015. In addition, bonus share of 1 for every 10 held was issued.

55 Earnings per share

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

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

	GROUP		COMPANY	
	31 December 2015 N 'million	31 December 2014 N 'million	31 December 2015 N 'million	31 December 2014 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	15,406	84,231	2,180	5,683
Weighted average number of ordinary shares in issue (in	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	0.43	2.35	0.06	0.16

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares.

In line with the requirements of IAS 33, earnings per share (EPS) for the year ended 31 December 2014 has been recalculated to account for the effect of bonus issue during the year ended 31 December 2015.

56 Non-audit services

The external auditors of FBN Holdings Plc., PricewaterhouseCoopers, rendered services in respect of review of the financial statement of Kakawa Discount House Limited as at 30 September 2014 (acquisition date) and valuation of financial instruments. Payments made in respect of these services, amounting to N10.5million, were included in professional and legal fees.

57 Effect of final accounting for business combination

The Group has revised its previously issued Consolidated Statements of Financial Position as at 31 December 2014 and the Consolidated Income Statement for the year ended 31 December 2014 to recognise the impact of final accounting for the acquisition of 100% shareholdings in FBN Merchant Bank Limited (formerly Kakawa Discount House Limited). In accordance with IFRS 3, the final accounting for the acquisition results in changes in the identifiable assets and liabilities acquired, hence the retrospective adjustment.

The retrospective adjustment impacts the following balances:
i. Loans and advances to customers;
ii. Other assets;
iii. Intangible assets
iv. Property, plant and equipment;
v. Deferred tax assets;
v. Deferred tax liabilities;
vi. Retained earnings.

This application of IFRS 3 did not have an impact on the Statement of Cash Flows

(i) Impact on consolidated statement of financial position

	As at 31 December 2014 Previouly reported N 'million	Adjustment N 'million	As at 31 December 2014 Revised N 'million
ASSETS			
Loans and advances to customers	2,178,980	6	2,178,986
Other assets	40,692	(52)	40,640
Intangible assets	10,094	(1,525)	8,569
Property, plant and equipment	88,208	349	88,557
Deferred tax assets	8,992	2,293	11,285
LIABILITIES			
Deferred tax liabilities	188	(101)	87
EQUITY			
Retained earnings	108,637	1,172	109,809

(ii) Impact on the consolidated income statement

	As at 31 December 2014 Previouly reported N 'million	Adjustment N 'million	As at 31 December 2014 Revised N 'million
Gain from bargain purchase	-	1,172	1,172

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2015
Statement of Value Added - Group

	31 December 2015 N'million	%	31 December 2014 N'million	%
Gross income	**505,191**		481,774	
Interest and fee expense	**(140,750)**		(124,930)	
	364,441		356,844	
Administrative overheads	**(129,518)**		(145,416)	
Value added	**234,923**	**100**	211,428	100
Distribution				
Employees				
- Salaries and benefits	**80,416**	**34**	79,843	38
Government				
- Taxation	**6,364**	**3**	10,045	5
The future				
- Asset replacement (depreciation)	**11,516**	**5**	11,375	5
- Asset replacement (amortisation)	**2,157**	**1**	1,384	1
- Asset replacement (provision for losses)	**119,322**	**51**	25,942	11
- Expansion (transfers to reserves)	**15,148**	**6**	84,011	36
	234,923	**100**	211,428	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2015
Statement of Value Added - Company

	31 December 2015 N'million	%	31 December 2014 N'million	%
Gross income	6,794		16,969	
Interest and fee expense	-		-	
	6,794		16,969	
Administrative overheads	(2,695)		(2,117)	
Value added	4,099	100	14,852	100
Distribution				
Employees				
- Salaries and benefits	685	17	1,159	8
Government				
- Company income tax	-	-	-	-
The future				
- Asset replacement (depreciation)	384	9	229	2
- Asset replacement (amortisation)	-	-	-	-
- Asset replacement (provision for losses)	850	21	7,781	52
- Expansion (transfers to reserves)	2,180	53	5,683	38
	4,099	100	14,852	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million	31 December 2011 N'million
Assets:					
Cash and balances with central bank	**715,871**	698,104	594,234	300,532	199,228
Loans and advances to banks	**385,769**	460,911	430,586	439,853	463,328
Loans and advances to customers	**1,817,271**	2,178,986	1,769,130	1,541,377	1,252,154
Financial assets at fair value through profit or loss	**26,426**	27,601	10,287	6,112	5,964
Investment securities	**913,779**	711,639	824,064	718,040	694,826
Assets pledged as collateral	**105,646**	68,483	53,650	50,109	72,129
Other assets	**35,483**	40,640	45,640	45,992	63,061
Inventory	**49,649**	37,805	30,253	21,676	25,609
Investment in associates	**-**	-	7,029	6,321	7,489
Investment properties	**3,025**	2,826	2,413	4,003	4,055
Property, plant and equipment	**88,398**	88,557	81,299	75,407	65,889
Intangible assets	**9,687**	8,569	8,748	3,523	1,008
Deferred tax	**14,615**	11,285	7,120	8,201	6,954
Assets held for sale	**570**	8,331	4,549	5,221	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693
Financed by:					
Share capital	**17,948**	16,316	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524	254,524
Reserves	**304,285**	249,190	196,432	167,927	96,251
Non controlling interest	**3,675**	4,033	4,505	2,548	964
Deposits from banks	**144,652**	171,151	82,032	89,430	183,500
Deposits from customers	**2,970,922**	3,050,853	2,929,081	2,395,148	1,951,011
Financial liabilities at fair value through profit or los	**12,488**	10,917	1,701	1,796	2,857.00
Liabilities on investment contracts	**10,157**	60,617	68,723	54,995	49,440
Liabilities on insurance contracts	**11,837**	8,260	3,651	2,127	824.00
Borrowings	**256,116**	369,707	126,302	75,541	106,204
Retirement benefit obligations	**3,764**	2,029	1,924	19,380	15,081
Current income tax	**8,773**	11,829	34,167	23,389	24,328
Other liabilities	**168,441**	132,633	149,606	122,202	159,325
Deferred income tax liabilities	**239**	87	37	225	1,069
Liabilities held for sale	**-**	1,592	-	819	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	As reported under IFRS				
	12 months ended 31 Dec 2015 N'million	12 months ended 31 Dec 2014 N'million	12 months ended 31 Dec 2013 N'million	12 months ended 31 Dec 2012 N'million	12 months ended 31 Dec 2011 N'million
Gross Earnings	**505,191**	481,774	396,235	370,167	273,811
Net operating income	**362,868**	356,243	296,426	301,072	237,027
Gain from disposal of subsidiary	**1,572**	-	-	-	-
Insurance claims	**(3,306)**	(1,043)	(488)	(498)	(81)
Operating expenses	**(220,300)**	(235,801)	(185,298)	(193,513)	(146,064)
Group's share of associate's results	**-**	599	1,006	(592)	(1,507)
Impairment charge for credit losses	**(119,322)**	(25,942)	(20,309)	(12,549)	(38,011)
(Loss) on sale of assets to AMCON	**-**	-	-	-	(15,501)
Profit before taxation	**21,512**	94,056	91,337	93,920	35,863
Taxation	**(6,364)**	(10,045)	(20,706)	(17,120)	(17,227)
Profit from continuing operations	**15,148**	84,011	70,631	76,800	18,636
Profit from discontinuing operations	**-**	-	-	-	-
Profit for the year	**15,148**	84,011	70,631	76,800	18,636
Profit attributable to:					
Owners of the parent	**15,406**	84,231	70,135	77,020	19,520
Non controlling interest	**(258)**	(220)	496	(220)	(884)
	15,148	84,011	70,631	76,800	18,636
Earnings per share in kobo (basic/diluted)	**43**	**235**	216	237	57

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million
Assets:				
Loans and advances to banks	**4,792**	3,261	1,477	-
Loans and advances to customers	**63**	80	72	-
Investment securities	**7,019**	4,272	9,847	15,771
Investment in associates	**1,500**	1,500	9,281	11,875
Investment in subsidiaries	**263,595**	260,777	246,777	243,065
Other assets	**4,670**	14,361	43,285	236
Property, plant and equipment	**1,192**	1,519	1,072	30
Assets held for sale	**-**	2,000	-	-
	282,831	287,770	311,811	270,977
Financed by:				
Share capital	**17,948**	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524
Reserves	**6,240**	7,340	37,261	(947)
Other liabilities	**5,751**	9,590	3,710	1,084
	282,831	287,770	311,811	270,977

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2015	12 month ended 31 Dec 2014	12 month ended 31 Dec 2013	1 month ended 31 Dec 2012
Gross Earnings	**6,794**	**16,969**	**74,988**	**1**
Net operating income	**5,195**	7,800	72,289	-
Gain from disposal of subsidiary	**1,600**	-	-	-
Operating expenses	**(4,615)**	(2,117)	(1,658)	(819)
Profit before taxation	**2,180**	5,683	70,631	(819)
Taxation	**-**	-	-	-
Profit after taxation	**2,180**	5,683	70,631	(819)
Earnings per share in kobo (basic)	**6**	16	216	(3)