FBN Holdings Plc.
Consolidated Financial Statements
for the year ended 31 December 2016

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for the year ended 31 December 2016

FBN Holdings Plc.

DIRECTORS AND ADVISORS

DIRECTORS

Dr. Oba A. Otudeko, CFR	Non-Executive Director (Group Chairman)
U. K. Eke, MFR	Group Managing Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Chidi Anya	Non-Executive Director
Dr. Sule Hamza Wuro Bokki	Non-Executive Director
Debola Osibogun	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Muhammad K. Ahmad, OON	Non-Executive Director - Resigned July 19, 2016
Dr. Adesola Adeduntan	Non-Executive Director
Cecilia Akintomide, OON	Non-Executive Director - Appointed July 19, 2016*
Oluwande Muoyo	Non-Executive Director - Appointed July 19, 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

*Awaiting the approval of the Central Bank of Nigeria.

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FBN HOLDINGS PLC

Directors' Report
For the year ended 31 December 2016

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, 2016.

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 three groups namely:

- Commercial Banking Group made up of First Bank of Nigeria Limited, FBNBank (UK) 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.
- Merchant 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.

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:

DIRECTORS' SHAREHOLDING

S/N	Name	Direct holding	Indirect holding
1.	Dr Oba Otudeko, CFR	5,895,264	532,375,839
2.	Mr. Oye Hassan-Odukale, MFR	1,854,003	262,979,141
3.	Mr. Chidi Anya	-	52,168
4.	Dr. Hamza Sule Wuro Bokki	3,327,000	-
5.	Otunba (Mrs) Adebola Osibogun	595,968	-
6.	Mr. Omatseyin Akene Ayida	1,100,000	-
7.	Mr. Urum Kalu Eke, MFR	14,575,178	-
8.	Dr. Adesola Kazeem Adeduntan	52,189	-
9.	Mr. Muhammad K. Ahmad, OON (resigned w.e.f. 19.07.2016)	218,686	-
10.	Mrs Oluwande Muoyo (appointed w.e.f. 19.07.2016)	581,748	-
11.	Ms. Cecilia Akintomide, OON (appointed w.e.f 19.07.2016)	5,500	-

d. ***Operating Results***

The Directors recommend for approval a dividend of 20kobo per share, amounting to N7,179,058,558.40. Highlights of the operating results for the period under review are as follows:

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	N' million	**N' million**	**N' million**	**N' million**
Gross Earnings	581,831	502,691	12,715	6,794
Profit Before Tax	22,948	21,581	7,611	2,180
Taxation	(5,807)	(6,042)	(104)	-
Profit for the year from continuing operations	17,141	15,539	7,507	2,180
Total Profit for the year	12,243	15,148	7,507	2,180
Appropriation:				
Transfer to statutory reserves	9,579	1,369	-	-
Transfer from statutory credit reserve	(332)	(44,240)	-	-
Transfer to contingency reserves	289	221	-	-
Transfer to retained earnings reserve	2,707	57,799	7,507	2,180

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.

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f. ***Property and equipment***

Information relating to changes in property and equipment is given in Note 34 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 Analysis***

Shareholding Range Analysis as at 31 December, 2016

RANGE	No of Holders	% Holders	Units	% Units
1 - 1000	286,357	23.44	211,227,795	0.59
1001 - 5000	496,169	40.62	1,195,037,992	3.33
5001 - 10000	174,493	14.28	1,200,109,346	3.34
10001 - 50000	216,760	17.74	4,418,065,544	12.31
50001 - 100000	22,991	1.88	1,601,203,765	4.46
100001 - 500000	19,745	1.62	3,942,990,334	10.98
500001 - 1000000	2,450	0.20	1,704,917,011	4.75
1000001 - 5000000	2,094	0.17	3,951,834,964	11.01
5000001 - 10000000	242	0.02	1,681,557,393	4.68
10000001 - 50000000	194	0.02	3,867,901,072	10.78
50000001 - 100000000	26	0.00	1,800,718,487	5.02
100000001 - 35895292791	34	0.00	10,319,729,088	28.75
	1,221,555	**100.00**	**35,895,292,791**	**100.00**

Shareholdings Class Analysis as at 31 December, 2016

Shareholder analysis as at 31 December 2016		
Type of shareholding	Holdings	Holdings %
Retail	20,108,129,749	56.11
Domestic Institutional	12,066,311,329	33.67
Foreign Institutional	2,999,555,266	8.37
Government- related holdings	662,984,139	1.85
	35,836,980,483	100

h. ***Substantial interest in shares***

According to the register of members as at 31 December, 2016, 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.

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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 Group 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 of 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
Group Chairman
FRC/2013/ICAN/00000002365

Tijjani M. Borodo
Company Secretary
FRC/2013/NBA/00000002367

Independent auditor's report

To the members of FBN Holdings Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

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

What we have audited

FBN Holdings Plc's consolidated and separate financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers – N 311 billion (refer to notes 5 and 23)	
Impairment of loans and advances to customers is a highly subjective area due to the level of judgement applied by management in the identification of impairment events and the measurement of impairment provisions. The nature and materiality of the loans and advances balance requires significant auditor's attention. The gross amount of loans and advances from customers in the financial statements at year end amounted to N 2.4 trillion which is material to the financial statements. This matter is considered a key audit matter in the consolidated financial statements only.	We understood and evaluated the design effectiveness of controls, and tested the operating effectiveness of the controls over loan loss impairment assessment across the Group to determine the extent of substantive testing required. We understood and tested the basis for management's classification of loans and advances to customers into performing and non-performing in the significant and non-significant portfolio. For significant loans which management had not identified as impaired, we applied a risk-based target testing approach in selecting a sample of customers for detailed checking of customer information and account history, and assessing whether events or changes have occurred that may affect the performance and classification of the loans. We assessed the reasonableness of the discount rate and discount period applied by management in the determination of the impairment for significant loans which were identified by management as impaired. We reviewed the collateral valuations provided by management to support the calculation of the impairment. We also assessed the competence, independence and objectivity of management valuation experts used for the valuation of collaterals. Where the fair value of the collateral of significant impaired loans exceeded the carrying value of the loan, we reviewed the impairment computation to determine that this category of facilities was assessed for collective impairment. We understood and assessed the collective impairment model used by management for non-significant facilities assessed for impairment on a portfolio modelled basis. We specifically focused on the principal assumptions such as the probability of default and the Loss Given Default (LGD). We evaluated the reasonableness of the LGD and probability of default by comparing it with the bank's historical data and supporting documents. We also checked the accuracy of the inputs into the model and recalculated the collective impairment amount based on the incurred loss model.

Valuation of goodwill- N 4.6 billion (refer to notes 5 and 35)

Goodwill had arisen from a number of historical acquisitions. An assessment is required annually to determine if the goodwill balance is impaired. Goodwill impairment reviews require significant use of judgement because they involve inherently uncertain estimation of future cash flows and determination of the levels to which the cash flows are discounted. The recoverable value of the cash generating units (CGU) to which the goodwill is allocated, was determined using the value-in-use method. The most significant assumptions in the value-in-use calculation relate to the discount rates and long term growth rates applied to future cash flow forecast of the CGU. Due to the level of judgement involved in the goodwill impairment assessment, this is considered to be a key audit matter in the consolidated financial statements only.	We obtained the goodwill impairment models for the CGUs with material goodwill balances. We assessed the principal assumptions underlying the goodwill impairment models. These principal assumptions are the discount rates applied in determining the recoverable value of the CGU and the long term growth rates applied in the determination of the future cash flows. We tested the assumptions and methodologies used in the impairment models, in particular those relating to the discount rate and long term growth rates. To do this: • Our valuation experts evaluated these key assumptions and compared them to externally derived data where possible, including market expectations of investment return and projected economic growth. • We assessed the reasonableness of the cash flow forecasts. • We checked the mathematical accuracy of the models. • We assessed the adequacy of the Group's disclosure in respect of impairment assessment of goodwill.

Valuation of insurance contract liabilities – N 10.3 billion (refer to note 41)

We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management makes in determining the balance. This estimate relies on the quality of the underlying data and involves complex and subjective judgements about future events, both internal and external to the business, for which minor changes in assumptions can result in material impacts to the estimates. This matter is considered a key audit matter in the consolidated financial statements only.	Our audit procedures involved evaluating the design effectiveness of key controls put in place by management in addressing the risk identified. We tested the design and implementation of the relevant controls identifying relevant inputs, review procedures and outputs generated during the management review process of the insurance contract liabilities. We reviewed management's in-house actuary process and the relevant controls in the actuary process. We performed relevant inquiries of the in-house actuary on how the insurance contract liabilities are determined on a monthly basis. We involved the use of specialists in testing the relevant assumptions adopted by management experts. They tested the completeness and accuracy of the data provided to the management expert by performing relevant substantive procedures on the data provided to the actuary.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Responsibility for the annual financial statements, Statement of compliance with NSE listing rule on Securities Trading Policy, Report of the Statutory Audit Committee, Statement of value added and Five year financial summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the reports on Group overview, Group approach, Group performance, Group corporate governance and risk factors which are expected to be made available to us after that date.

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

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

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

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

ii) the 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 49 to the financial statements;

v) except for the contraventions disclosed in Note 51 to the financial statements, the group and company have complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1250467

Tola Ogundipe

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

24 April 2017

FBN Holdings

REPORT OF THE STATUTORY AUDIT COMMITTEE

In compliance with Section 359 of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended December 31, 2016 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, 2017

Mr. Lateef Ayodeji Shonubi
Chairman, Audit Committee
FRC/2013/ICAN/00000001532

Members of the Committee

Mr. Lateef Ayodeji Shonubi
Mr. Ismail Adamu
Dr. Christopher Okereke
Mr. Oye Hassan-Odukale, MFR
Mr. Chidi Anya
Ms. Cecilia Akintomide, OON

FBN Holdings Plc.

INCOME STATEMENT

	Note	GROUP 31 December 2016 N 'million	GROUP 31 December 2015 N 'million	COMPANY 31 December 2016 N 'million	COMPANY 31 December 2015 N 'million
Continuing operations					
Interest income	7	405,281	395,162	885	614
Interest expense	8	(100,839)	(129,997)	-	-
Net interest income		**304,442**	**265,165**	**885**	**614**
Impairment charge for credit losses	9	(226,037)	(118,794)	-	-
Net interest income after impairment charge for credit losses		**78,405**	**146,371**	**885**	**614**
Insurance premium revenue	10	9,606	8,448	-	-
Insurance premium revenue ceded to reinsurers		(1,175)	(1,107)	-	-
Net insurance premium revenue		**8,431**	**7,341**	**-**	**-**
Fee and commission income	11	71,360	63,860	-	-
Fee and commission expense	11b	(11,073)	(9,583)	-	-
Net gains on foreign exchange	12	89,077	22,226	105	31
Net gains/(losses) on sale of investment securities	13	3,930	6,666	(12)	35
Net (losses)/gains from financial instruments at fair value through profit or loss	14	(6)	2,055	-	-
(Loss)/gain from disposal of subsidiary	33	(8)	1,572	-	1,600
Gain from disposal of investment in associates	30	-	-	144	-
Dividend income	15	897	1,531	11,559	4,493
Other operating income	16	2,868	2,277	34	22
Insurance claims		(2,190)	(3,306)	-	-
Personnel expenses	17	(83,805)	(80,057)	(702)	(685)
Depreciation of property, plant and equipment	34	(11,584)	(11,479)	(381)	(384)
Amortisation of intangible assets	35	(3,324)	(2,154)	-	-
Impairment loss on investment		-	-	(1,700)	(850)
Operating expenses	18	(120,030)	(125,739)	(2,321)	(2,696)
Profit before tax		**22,948**	**21,581**	**7,611**	**2,180**
Income tax expense	19a	(5,807)	(6,042)	(104)	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**17,141**	**15,539**	**7,507**	**2,180**
Discontinued operations					
Loss for the year from discontinued operations	32	(4,898)	(391)	-	-
PROFIT FOR THE YEAR		**12,243**	**15,148**	**7,507**	**2,180**
Profit/(loss) attributable to:					
Owners of the parent		14,122	15,406	7,507	2,180
Non-controlling interests		(1,879)	(258)	-	-
		12,243	**15,148**	**7,507**	**2,180**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/ loss per share (in Naira):	54				
From continuing operations		0.53	0.44	0.21	0.06
From discontinued operations		(0.14)	(0.01)	-	-
From profit for the year		0.39	0.43	0.21	0.06

FBN Holdings Plc.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	GROUP 31 December 2016 N 'million	GROUP 31 December 2015 N 'million	COMPANY 31 December 2016 N 'million	COMPANY 31 December 2015 N 'million
PROFIT FOR THE YEAR		**12,243**	**15,148**	**7,507**	**2,180**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
-Unrealised net (losses)/gains arising during the year		(17,800)	43,154	2	(17)
-Net reclassification adjustments for realised net gains		(13,517)	(1,616)	-	-
Exchange difference on translation of foreign operations		26,724	630	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme	43	1,494	(1,404)	-	-
Other comprehensive (loss)/income for the year		**(3,099)**	**40,764**	**2**	**(17)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,144**	**55,912**	**7,509**	**2,163**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,630	58,341	7,509	2,163
Non-controlling interests		(4,486)	(2,429)	-	-
		9,144	**55,912**	**7,509**	**2,163**
Total comprehensive income/(loss) attributable to owners of the parent arises from :					
Continuing operations		16,505	57,203	7,509	2,163
Discontinued operations		(2,875)	1,138	-	-
		13,630	**58,341**	**7,509**	**2,163**

FBN Holdings Plc.

STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2016 N 'million	GROUP 31 December 2015 N 'million	COMPANY 31 December 2016 N 'million	COMPANY 31 December 2015 N 'million
ASSETS					
Cash and balances with central banks	20	690,165	715,871	-	-
Loans and advances to banks	22	444,871	385,769	645	4,792
Loans and advances to customers	23	2,083,894	1,817,271	65	63
Financial assets at fair value through profit or loss	24	46,711	26,426	-	-
Investment securities					
-Available-for-sale investments	25	921,753	799,850	12,350	7,019
-Held to maturity investments	25	108,479	106,623	-	-
-Loans and receivables	25	20,356	7,306	-	-
Asset pledged as collateral	26	197,420	105,646	-	-
Other assets	27	47,786	35,483	10,599	4,670
Inventory	28	-	49,649	-	-
Investment properties	29	3,003	3,025	-	-
Investments in associates accounted for using the equity method	30	1,114	-	-	1,500
Investment in subsidiaries	31	-	-	242,395	263,595
Property, plant and equipment	34	88,315	88,398	849	1,192
Intangible assets	35	15,328	9,687	-	-
Deferred tax assets	36	17,278	14,615	-	-
		4,686,473	4,165,619	266,903	282,831
Assets held for sale	32	50,332	570	-	-
Total assets		**4,736,805**	**4,166,189**	**266,903**	**282,831**
LIABILITIES					
Deposits from banks	37	416,078	144,652	-	-
Deposits from customers	38	3,104,221	2,970,922	-	-
Financial liabilities at fair value through profit or loss	24a	37,137	12,488	-	-
Current income tax liability	19b	8,897	8,773	84	-
Other liabilities	39	235,388	168,441	7,114	5,751
Liability on investment contracts	40	9,440	10,157	-	-
Liability on insurance contracts	41	10,287	11,837	-	-
Borrowings	42	316,792	256,116	-	-
Retirement benefit obligations	43	2,662	3,764	-	-
Deferred tax liabilities	36	813	239	-	-
		4,141,715	3,587,389	7,198	5,751
Liabilities held for sale	32	12,515	-	-	-
Total liabilities		**4,154,230**	**3,587,389**	**7,198**	**5,751**
EQUITY					
Share capital	44	17,948	17,948	17,948	17,948
Share premium	45	233,392	252,892	233,392	252,892
Retained earnings	45	161,631	163,198	8,008	5,885
Other reserves					
Statutory reserve	45	76,226	66,647	-	-
Capital reserve	45	1,223	1,223	10	10
SSI Reserve	45	6,076	6,076	-	-
AFS fair value reserve	45	27,507	56,241	347	345
Contingency reserve	45	727	438	-	-
Statutory credit reserve	45	23,640	2,433	-	-
Foreign currency translation reserve	45	34,753	8,029	-	-
		583,123	575,125	259,705	277,080
Non-controlling interest		(548)	3,675	-	-
Total equity		**582,575**	**578,800**	**259,705**	**277,080**
Total equity and liabilities		**4,736,805**	**4,166,189**	**266,903**	**282,831**

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2017 and signed on its behalf by:

Dr. Oba Otudeko, CFR	U. K. Eke, MFR	Oyewale Ariyibi
Group Chairman	Group Managing Director	Chief Financial Officer
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												Non-controlling interest	Total equity
	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		
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2015	16,316	254,524	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 tax	-	-	-	-	-	-	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)	-	-	-	-	-	-	-	-	-	0	-	-
Changes in treasury shares	-	-	-		-	-	-	-	-	18	-	18	-	18
Loss of control in Ivory Trust Fund (excluding NSIA II)	-	-	-		-	-	-	-	-	-	-	0	1,127	1,127
Additional investment in FBN Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	0	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
Profit/(loss) for the year	-	-	14,122	-	-	-	-	-	-	-	-	14,122	(1,879)	12,243
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	26,724	26,724	-	26,724
Fair value movements on available for sale financial assets, net of tax	-	-	-	-	-	-	(28,710)	-	-	-	-	(28,710)	(2,607)	(31,317)
Remeasurement of defined benefit pension scheme, net of tax	-	-	1,494	-	-	-	-	-	-	-	-	1,494	-	1,494
Total comprehensive income	-	-	15,616		-	-	(28,710)	-	-	-	26,724	13,630	(4,486)	9,144
Transactions with owners														
Dividends	-	-	(5,384)		-	-	-	-	-	-	-	(5,384)	(1,243)	(6,627)
Loss of control in NSIA II and FBN Heritage Fund	-	-	(224)	-	-	-	(24)	-	-	-	-	(248)	1,558	1,310
Business restructuring**	-	(19,500)	19,500	-	-	-	-	-	-	-	-	-	-	-
Other Changes*	-	-	-		-	-	-	-	-	-	-	-	(52)	(52)
Transfer between reserves	-	-	(31,075)	-	9,579	-	-	289	21,207	-	-	-	-	-
Total transactions with Owners	-	(19,500)	(17,183)	-	9,579	-	(24)	289	21,207	-	-	(5,632)	263	(5,369)
At 31 December 2016	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	-	34,753	583,123	(548)	582,575

*Other changes represent the change in non-controlling interest arising from acquisition or disposal of unit holdings in FBN Heritage Fund. FBN Heritage Fund is an open-ended mutual fund, which allows unit holders to buy and sell holdings, resulting in changes in value of non-controlling interest.

**Pursuant to the approval of the shareholders at the Annual General Meeting of FBN Holdings Plc. (FBNH) on May 25, 2016 and the approvals of the relevant regulatory bodies, the Group concluded the restructuring of N19.5billion convertible loan in FBN Trustees Limited (FTNL). The impact of the restructuring on the company was the write down of the investment against the share premium of FBNH.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	AFS Fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2015	16,316	254,524	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
Profit for the year	-	-	7,507	-	-	7,507
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	2	2
Total comprehensive income	-	-	7,507	-	2	7,509
Transactions with owners						
Dividends	-	-	(5,384)	-	-	(5,384)
Bonus issue	-	-	-	-	-	-
Business restructuring*	-	(19,500)	-	-	-	(19,500)
Total transactions with Owners	0	(19,500)	(5,384)	-	-	(24,884)
At 31 December 2016	17,948	233,392	8,008	10	347	259,705

*Pursuant to the approval of the shareholders at the Annual General Meeting of FBN Holdings Plc. (FBNH) on May 25, 2016 and the approvals of the relevant regulatory bodies, the Group concluded the restructuring of N19.5billion convertible loan in FBN Trustees Limited (FTNL). The impact of the restructuring on the company was the write down of the investment against the share premium of FBNH.

FBN Holdings Plc.

STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2016 N 'million	GROUP 31 December 2015 N 'million	COMPANY 31 December 2016 N 'million	COMPANY 31 December 2015 N 'million
Operating activities					
Cash flow (used in)/generated from operations	46	(64,780)	234,804	(1,728)	(1,533)
Income taxes paid	19	(7,889)	(12,267)	(20)	-
Interest received		388,128	388,584	538	604
Interest paid		(84,173)	(128,555)	-	-
Net cash flow generated from/(used in) operating activities		231,285	482,566	(1,209)	(929)
Investing activities					
Acquisition/ additional investment in subsidiary		-	-	-	(6,400)
Disposal of subsidiaries, net of cash disposed		801	(37,037)	3,420	380
Disposal of associates		1,644	-	1,644	-
Purchase of investment securities		(1,536,213)	(997,897)	(16,441)	(9,762)
Proceeds from the sale of investment securities		1,339,055	834,991	11,439	5,578
Dividends received		897	1,531	2,319	14,525
Purchase of investment properties		(12)	(1)	-	-
Proceeds from the disposal of investment property		265			
Purchase of property, plant and equipment	34	(12,844)	(11,594)	(39)	(115)
Purchase of intangible assets	35	(6,161)	(4,371)	-	-
Proceeds on disposal of property, plant and equipment		857	347	-	51
Proceeds on disposal of intangible assets		55	-	-	-
Net cash flow (used in)/generated from investing activities		(211,656)	(214,031)	2,341	4,257
Financing activities					
Proceeds from sale of treasury shares		-	18	-	-
Dividend paid		(5,986)	(3,607)	(5,384)	(3,263)
Proceeds from new borrowings	42	34,516	75,961	-	-
Repayment of borrowings	42	(59,306)	(200,445)	-	-
Interest paid on borrowings	42	(15,879)	(12,102)	-	-
Additional investment/(disposal) by NCI		(52)	1,288	-	-
Net cash flow used in financing activities		(46,707)	(138,887)	(5,384)	(3,263)
Increase/(decrease) in cash and cash equivalents		(27,078)	129,648	(4,252)	65
Cash and cash equivalents at start of year		666,368	532,456	4,792	4,727
Effect of exchange rate fluctuations on cash held		106,941	4,264	105	-
Cash and cash equivalents at end of year	21	746,231	666,368	645	4,792

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 2016 were approved and authorised for issue by the Board of Directors on 6 April 2017.

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 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

The consolidated 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 consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, modified to include fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The preparation of the consolidated 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 consolidated financial statements in the period the assumptions changed.

The Directors believe that the underlying assumptions are appropriate and that the Group's consolidated 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 consolidated 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 2016.

(i) **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)**
These amendments 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).

The amendments did not have any impact on the consolidated financial statements of the Group, as the Group did not acquire any interest in joint operations.

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

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(iii) **Amendments to IAS 27 - Separate financial statements (effective 1 January 2016)**
These amendments 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.

The amendments did not have any impact on the separate or consolidated financial statements of the Group, as the entities within the Group continues to measure investments in subsidiaries, joint ventures and associates at cost in their separate financial statements.

(iv) **Amendments to IAS 16 – Property, Plant and Equipment (effective 1 January 2016)**
These amendments 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.

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(v) **Amendments to IAS 38 – Intangible Assets (effective 1 January 2016)**
These amendments 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.

The amendments did not have a significant impact on the consolidated financial statement for the Group.

(vi) **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 rate-regulated 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 did not have an impact on the Group as it is not a first time preparer of IFRS financial statements.

(vii) **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 did not have a significant impact on the Group.

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.

(i) **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.

(ii) **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).

(iii) **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).

(iv) **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.

(v) **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.

(vi) **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. This requirement of IFRS 9 is expected to significantly impact the banking businesses in the Group. The relevant businesses within the Group are 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 Group is making consultations to assess the full impact of the adoption of IFRS 9.

(vii) **IFRS 16 – Leases (effective 1 January 2019)**
IFRS 16 has been issued to replace IAS 17.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

The Group will apply the IFRSs that are yet to be effective in the preparation of its consolidated financial statements on the effective dates as stipulated by the respective accounting 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.

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the elements of control.

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.

e. Investment entities
Some of the entities within the Group are investment entities. Equity investments held by these entities in the investee companies are carried in the balance sheet at fair value through profit or loss even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, `Investment in associates', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised in the income statement in the period of the change.

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 Executive Committee.

All transactions between business segments are conducted at arm's length, with inter-segment revenue and expenditure eliminated at the Group. Income and expenses directly associated with each segment is included in determining the segment's performance.

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 tax
Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred 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 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 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 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 at fair value through profit or loss'. 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

Derivative financial instruments include swaps, forward rate agreements, futures, options and combinations of these instruments, and they primarily affect the Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. All derivative financial instruments are held at fair value through profit or loss.

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.

Transfer to, or from, investment property is recognized only when there is a change in use, evidenced by one or more of the following:
i. commencement of owner-occupation (transfer from investment property to owner-occupied property)
ii. commencement of development with the view to sale (transfer from investment property to inventories)
iii. end of owner-occupation (transfer from owner-occupied property to investment property)
iv. commencement of an operating lease to another party (transfer from inventories to investment property)
v. end of construction or development (transfer from property in the course of construction/ development to investment property)

Investment properties are derecognized on disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal.

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 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
Land	Not depreciated

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 disposal 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.

The company and all entities within the Group make contributions in line with relevant pension laws in their jurisdiction. In Nigeria, the company contributes 16.5% of each employee's monthly emoluments (as defined by the Pension Act 2014) to the employee's Retirement Savings Account. The Act stipulates a minimum contribution of 10%.

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 liability. 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 guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the 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 (CRR) grid indicates the acceptable collateral types rated 1–8 from best to worst in order of liquidity.

CRR (rating bucket)	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 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 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 (FIRSTBANK)			
	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	Board of Directors	>25,000, 000 but not more than 15% of SHF or 75% of SOL/legal lending limit	>10,000,000 but not more than 5% of SHF
2	Board Credit Committee	25,000,000	10,000,000
3	Management Credit Committee	10,000,000	5,000,000
4	Managing Director + Chief Risk Officer + Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	5,000,000	2,000,000
5	Chief Risk Officer + Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	1,000,000	500,000
6	Risk Senior Credit Officer 1 + SCO2 + Business Senior Credit Officer 1/SCO2	250,000	100,000
7	Risk Senior Credit Officer 2 + SCO3 + Business Senior Credit Officer 1/SCO2	100,000	50,000
8	Risk Senior Credit Officer 3 + SCO4 + Group Head + Business Development Manager	50,000	25,000

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

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	Fair Value through OCI Available for sale	Amortised cost Loans and Receivables	Amortised cost Held to maturity	Total
	N'million	N'million	N'million	N'million	N'million
31 December 2016					
Financial assets					
Cash and balances with central banks	-	-	690,165	-	690,165
Loans and advances to banks	-	-	444,871	-	444,871
Loans and advances to customers:					
- Overdrafts	-	-	282,687	-	282,687
- Term loans	-	-	1,687,703	-	1,687,703
- Staff loans	-	-	7,417	-	7,417
- Project finance	-	-	104,783	-	104,783
- Advances under finance lease	-	-	1,304	-	1,304
Financial assets at fair value through profit or loss	46,711	-	-	-	46,711
Investment securities:					
- Available-for-sale investments	-	921,753	-	-	921,753
- Held to maturity investments	-	-	-	108,479	108,479
- Loans and receivables	-	-	20,356	-	20,356
Asset pledged as collateral	10,412	103,328	-	83,680	197,420
Other assets	-	-	34,602	-	34,602
Total Financial Assets	57,123	1,025,081	3,273,887	192,159	4,548,251

	Fair Value through P/L	Amortised cost	Total
	N'million	N'million	N'million
Financial liabilities			
Deposits from banks	-	416,078	416,078
Deposits from customers	-	3,104,221	3,104,221
Financial liabilities at fair value through profit or loss	37,137	-	37,137
Other liabilities	-	235,388	235,388
Liability on investment contracts	-	9,440	9,440
Borrowings	-	316,792	316,792
Total Financial Liabilities	37,137	4,081,919	4,119,056

	Fair Value through P/L Held for trading	Fair Value through OCI Available for sale	Amortised cost Loans and Receivables	Amortised cost Held to maturity	Total
	N'million	N'million	N'million	N'million	N'million
GROUP					
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	Amortised cost	Total
	N'million	N'million	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

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 2016					
Financial assets					
Loans and advances to banks	-	-	645	-	645
Loans and advances to customers					
- Staff loans	-	-	65	-	65
Investment securities:					
- Available-for-sale investments	-	12,350	-	-	12,350
- Held to maturity investments					-
Other assets	-	-	10,260	-	10,260
Total Financial Assets	-	12,350	10,970	-	23,320

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Other liabilities	-	7,114	7,114
Total Financial Liabilities	-	7,114	7,114

	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					
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
Asset pledged as collateral					-
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

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 31 Dec 2016 N'million	GROUP 31 Dec 2015 N'million	COMPANY 31 Dec 2016 N'million	COMPANY 31 Dec 2015 N'million
Balances with central banks	588,910	639,561	-	-
Loans and advances to banks	444,871	385,769	645	4,792
Loans and advances to customers				
- Overdrafts	282,687	316,571	-	-
- Term loans	1,687,703	1,402,123	-	-
- Staff loans	7,417	8,330	65	63
- Project finance	104,783	88,280	-	-
- Advances under finance lease	1,304	1,967	-	-
Financial assets at fair value through profit or loss	41,183	19,220	-	-
Investment securities - Debt				
-Available-for-sale investments	862,009	741,966	9,516	4,183.42
-Held to maturity investments	108,479	106,623	-	-
-Loans and receivables	20,356	7,305.88	-	-
Asset pledged as collateral	197,420	105,646	-	-
Other assets	34,602	21,070	10,260	4,454
	4,381,723	3,844,432	20,486	13,492
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	14,203	33,342	-	-
Letter of credit and other credit related obligations	470,624	421,696	-	-
	484,827	455,038	-	-
TOTAL MAXIMUM EXPOSURE	4,866,550	4,299,470	20,486	13,492

3.2.11 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2016 and 31 December 2015. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial 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	573,072	-	-	15,526	312	-	588,910
Loans and advances to banks	178,607	0	0	40,494	168,388	57,382	444,871
Loans and advances to customers							
- Overdrafts	153,687	67,650	19,408	40,457	620	865	282,687
- Term loans	1,212,318	190,685	57,318	102,969	13,180	111,233	1,687,703
- Staff loans	5,324	-	20	2,030	43	-	7,417
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets at fair value through p	39,148	-	-	449	1,586	-	41,183
Investment securities							
- Available-for-sale investments	592,323	3,953	1,950	16,170	18,486	229,127	862,009
- Held to maturity investments	87,479	3,184	-	17,816	-	-	108,479
- Loans and receivables	20,356	-	-	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	10,043	-	-	197,420
Other assets	21,303	3,746	919	5,100	3,534	-	34,602
31 December 2016	3,129,244	269,825	95,493	276,162	212,393	398,607	4,381,723

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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
Loan commitments	8,116	2,939	6	3,142	-	-	14,203
Letters of credit and other credit related obligations	300,439	122,341	15,410	6,931	11,736	13,767	470,624
31 December 2016	308,555	125,280	15,416	10,073	11,736	13,767	484,827

	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	0.08	3,350	40,679	158,277	62,868	385,769
Loans and advances to customers		-	-	-	0	0	
- 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 profit or loss	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	0	-	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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
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	3,936.44	421,696
31 December 2015	365,076	52,068	19,440	8,290	6,228	3,936	455,038

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	645	-	-	-	-	-	645
Loans and advances to customers							
- Staff loans	65	-	-	-	-	-	65
Investment securities							
- Available-for-sale investments	9,516	-	-	-	-	-	9,516
Other assets	10,260	-	-	-	-	-	10,260
31 December 2016	20,486	-	-	-	-	-	20,486

	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

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	-	-	-	104	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	588,910	444,871	7,107	274,324	5,280	20,356	10,043
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	34,076	587,581	103,199	-	187,377
Total at 31 December 2016	588,910	444,871	41,183	862,009	108,479	20,356	197,420

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	2,285	7,632	108,397	-	-	1	116,030
Oil and gas	-	78,915	569,995	-	50,415	-	699,325
Consumer credit	-	5,964	112,932	5,410	-	-	124,306
Manufacturing	-	45,797	308,501	-	18,304	179	372,781
Real estate	-	29,630	117,349	1,717	-	-	148,696
Construction	968	40,246	18,376	-	15,859	9	74,490
Finance and insurance	24,917	638	7,922	-	4,121	-	12,681
Transportation	-	1,818	11,833	-	9,080	13	22,744
Communication	-	12,790	62,388	-	6,185	-	81,363
General commerce	2,687	25,501	27,282	-	-	3	52,786
Utilities	2,790	4,392	99,573	-	-	-	103,965
Retail services	457	29,173	44,031	290	-	1,099	74,593
Public sector	500	191	199,124	-	819	-	200,134
Total at 31 December 2016	34,602	282,687	1,687,703	7,417	104,783	1,304	2,083,894

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities- Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	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

	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	3206	123,098	432,616	20	34,748	197	590,679
Consumer credit	0	5,220	134,776	5,830	-	-	145,826
Manufacturing	0	51,381	296,766	-	18,486	298	366,931
Real estate	0	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

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	-	645	-	-	-	-	10,260
Public sector	-	-	9,517	-	-	-	-
Total at 31 December 2016	-	645	9,517	-	-	-	10,260

	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	-	-	19	-	-	19
Real estate	-	-	46	-	-	46
Total at 31 December 2016	-	-	65	-	-	65

	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	-	-	-	-	4,454
Public sector	-	-	4,183	-	-	-	-
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

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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015
	N 'million	N 'million	N 'million	N 'million
		GROUP		
Agriculture	-	11,331	-	4,056
Oil and gas	8,539	44,141	10,026	46,212
Consumer credit	-	118	-	10
Manufacturing	3,437	116,774	6,290	77,589
Real estate	157	878	891	1,079
Construction	-	76,244	13	63,956
Finance and insurance	30	113,326	0	120,593
Transportation	522	444	564	1,068
Communication	618	1,880	74	1,862
General commerce	879	55,379	8,249	37,183
Utilities	-	24,295	6,619	45,592
Retail services	21	25,814	577	21,419
Public sector	-	-	39	1,077
TOTAL	14,203	470,624	33,342	421,696

3.2.12 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 2016						
Neither past due nor impaired	201,193	1,278,563	7,436	83,040	1,059	1,571,291
Past due but not impaired	38,489	191,541	6	8,998	256	239,290
Individually impaired	152,773	393,568	15	23,885	497	570,738
Collectively impaired	1,415	11,972	45	-	27	13,459
Gross	393,870	1,875,644	7,502	115,923	1,839	2,394,778
Less: allowance for impairment (note 23)	(111,183)	(187,941)	(85)	(11,140)	(535)	(310,884)
Net	282,687	1,687,703	7,417	104,783	1,304	2,083,894
Individually impaired	106,323	156,756	3	10,837	497	274,416
Portfolio allowance	4,860	31,185	82	303	38	36,468
Total	111,183	187,941	85	11,140	535	310,884

	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 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
COMPANY						
December 2016						
Neither past due nor impaired	-	-	65	-	-	65
Net	-	-	65	-	-	65
December 2015						
Neither past due nor impaired	-	-	63	-	-	63
Net	-	-	63	-	-	63

GROUP

December 2016

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

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Grades:						
AAA	860	5,241	587	-	-	6,688
AA	2,227	59,787	80	-	-	62,094
A	3	59,359	41	-	-	59,403
BBB	8,919	102,409	131	-	-	111,459
BB	71,884	501,917	2,145	16,840	679	593,465
B	83,832	259,627	2,855	4,429	380	351,123
CCC	11,982	25,902	1,554	-	-	39,438
CC	-	1,700	-	-	-	1,700
C	21,486	262,621	43	61,771	-	345,921
	201,193	1,278,563	7,436	83,040	1,059	1,571,291

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	16,112	143,171	4	8,581	186	168,054
Past due by 30 - 60 days	18,175	25,850	2	-	70	44,097
Past due 60-90 days	4,202	22,520	-	417	-	27,139
Gross amount	38,489	191,541	6	8,998	256	239,290
(c) Collectively impaired loans						
	1,415	11,972	45	-	27	13,459
(d) Loans and advances individually impaired						
Gross amount	152,773	393,568	15	23,885	497	570,738
Specific impairment	(106,323)	(156,756)	(3)	(10,837)	(497)	(274,416)
Net amount	46,450	236,812	12	13,048	-	296,322

December 2015

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

a) 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
(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	63.56	12,098	0	99,418
(c) Collectively impaired loans These represent insignificant impaired loans which are assessed on a collective basis.						
	2,941	12,430	1	-	11	15,383
(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	0	10	231,457

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

3.2.13 Loans and advances to banks

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 2016 and 31 December 2015.

	Group
31 December 2016	**Loans to banks**
	N'million
A+ to A-	112,514
B+ to B-	69,709
Unrated	262,646
	444,871
31 December 2015	
A+ to A-	85,279
B+ to B-	18,706
Unrated	281,784
	385,769

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

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

Group

31 December 2016	Treasury bills as reported in the AFS portfolio N'million	Bonds as reported in the AFS portfolio N'million	Treasury bills as reported in the HTM portfolio N'million	Bonds as reported in the HTM portfolio N'million	Loans and receivables N'million	Other assets N'million
A+ to A-	257,808	69,976	-	16,994	-	10,952
B+ to B-	513,163	122,326	-	138,545	-	715
Unrated	2,064	-	31,387	5,233	20,356	22,936
	773,035	192,302	31,387	160,772	20,356	34,602
31 December 2015						
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	-	7,306	16,098
	498,768	266,825	11,608	177,035	7,306	21,070

Company

31 December 2016	Treasury bills as reported in the AFS portfolio N'million	Bonds as reported in the AFS portfolio N'million	Treasury bills as reported in the HTM portfolio N'million	Bonds as reported in the HTM portfolio N'million	Loans and receivables N'million	Other assets N'million
A+ to A-	8,862	654	-	-	-	-
Unrated	-	-	-	-	-	10,260
	8,862	654	-	-	-	10,260
31 December 2015						
A+ to A-	3,532	651	-	-	-	-
Unrated	-	-	-	-	-	4,454
	3,532	651	-	-	-	4,454

3.2.15 Collaterized Assets

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

GROUP	Over-collaterised assets		Under-collaterised assets	
31 December 2016	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	-	-	444,871	24,552
Financial assets at fair value through profit or loss	-	-	46,711	1,596
Total Financial Assets	-	-	491,582	26,148

GROUP	Over-collaterised assets		Under-collaterised 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

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 2016							
Financial liabilities							
Deposits from banks	321,275	78,833	638	15,417	-	-	416,163
Deposits from customers	2,288,499	324,768	156,242	120,199	198,247	24,038	3,111,993
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	72,930	112,112	3,469	2,754	5,812	-	197,076
Investment contracts	-	-	-	-	9,440	-	9,440
Total financial liabilities	2,690,038	528,661	162,548	153,243	558,300	48,477	4,141,265
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,021	200,236	470,624
Total commitments	20,560	42,575	80,551	72,295	68,601	200,246	484,827
Assets held for managing liquidity risk	756,315	330,440	188,456	388,002	339,075	125,890	2,128,177
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
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	2,328,767	529,436	173,712	160,690	286,238	144,661	3,623,504
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	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

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 2016							
Financial liabilities							
Other liabilities	-	-	-	7,114	-	-	7,114
Total financial liabilities	-	-	-	7,114	-	-	7,114
Assets held for managing liquidity risk	645	-	-	10,260	-	-	10,906
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

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 2016							
Financial liabilities							
Deposits from banks	256,830	78,838	65,078	15,417	-	-	416,163
Deposits from customers	304,971	379,190	265,423	289,409	578,608	1,276,844	3,094,445
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	72,930	109,269	7,874	2,754	5,812	-	198,638
Investment contracts	9,440	-	-	-	-	-	9,440
Total financial liabilities	651,505	580,245	340,573	322,453	929,221	1,301,283	4,125,279
Loan commitments	145	60	2,371	1,039	10,580	9	14,203
Letters of credit and other credit related obligations	20,419	42,515	78,180	71,256	58,017	200,236	470,624
Total commitments	20,564	42,574	80,551	72,295	68,597	200,246	484,827
Assets held for managing liquidity risk	756,315	330,440	188,456	388,002	339,075	125,890	2,128,177

	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

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

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. 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, the bank's demand deposits exhibit much longer duration, with 75.53% of the bank's current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the bank typically holds significant short term liquidity in currency placements or taps the repo markets to raise short term funding as is required. To grow local currency liquidity, the bank has also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid shorter dated treasury bills over longer term bonds, to allow more flexibility in managing liquidity. Whilst on the foreign currency side, the bank has 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 2016							
Derivative liabilities							
Put Options	(295)	(364)	(468)	(917)	(1,458)	-	(3,502)
	(295)	(364)	(468)	(917)	(1,458)	-	(3,502)
Derivative assets							
Forward Contract	286	350	436	865	1,457	-	3,394
	286	350	436	865	1,457	-	3,394
	(9)	(14)	(32)	(52)	(1)	-	(108)
At 31 December 2015							
Derivative liabilities							
Put Options	(522)	(222)	-	-	(2,645)	-	(3,389)
	(522)	(222)	-	-	(2,645)	-	(3,389)
Derivative assets							
Cross-Currency Swap	367	-	-	-	-	-	367
Forward Contract	571	235	-	-	2,958	-	3,764
	937	235	-	-	2,958	-	4,130
	415	13	-	-	313	-	741

(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 2016 (N' million)							
Liabilities held for trading							
FX Swap - Payable	(10,675)	(4,575)	(21,350)	-	-	-	(36,600)
FX Swap - Receivable	11,177	4,995	23,182	-	-	-	39,354
Forward Contract - Payment	(120,887)	(115,327)	(103,918)	(120,978)	-	-	(461,111)
Forward Contract - Receipt	-	28,640	2,211	-	-	-	30,851
	(120,385)	(86,267)	(99,875)	(120,978)	-	-	(427,506)
At 31 December 2015							
Liabilities held for trading							
FX Swap - Payable	(2,985)	(24,285)	(12,994)	-	-	-	(40,264)
FX Swap - Receivable	3,132	23,876	12,920	-	-	-	39,928
Forward Contract - Payment	-	(4,433)	(218,574)	(98,944)	-	-	(321,951)
Forward Contract - Receipt	-	-	-	-	-	-	-
Put option	-	-	-	-	46	-	46
	147	(4,842)	(218,648)	(98,944)	46	-	(322,241)

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

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

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

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 2016 and 31 December 2015. 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 2016						
Financial assets						
Cash and balances with Central Banks	631,916	5,476	610	16,115	36,048	690,165
Loans and advances to banks	85,874	43,650	16,028	281,821	17,497	444,871
Loans and advances		-	-	-	-	
- Overdrafts	163,822	105,351	1,102	7,128	5,283	282,687
- Term loans	580,231	1,009,017	56,769	30,563	11,123	1,687,703
- Staff loans	5,345	1,489	43	8	532	7,417
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities		-	-	-	-	
- Available-for-sale investments	626,686	295,067	-	-	-	921,753
- Held to maturity investments	90,662	-	-	-	17,816	108,479
- Loans and receivables	19,898	458	-	-	-	20,356
Asset pledged as collateral	187,377	-	-	-	10,043	197,420
Financial assets at fair value through profit or loss	31,534	15,177	-	-	-	46,711
Other assets	21,690	4,625	1,567	1,618	5,102	34,602
	2,466,627	1,560,659	76,119	341,401	103,445	4,548,251
Financial liabilities						
Customer deposits	2,083,708	552,946	381,545	35,679	50,342	3,104,221
Deposits from banks	34,568	352,217	17,387	8,142	3,763	416,078
Financial liabilities at fair value through profit or loss	(0)	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	102,446	116,512	1,727	9,202	5,501	235,388
Investment contracts	9,440	-	-	-	-	9,440
	2,283,890	1,318,209	400,659	53,231	63,067	4,119,056

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 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

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

The following table details the Group's sensitivity to a 25% increase and decrease in Naira against the US dollar and EURO. In view of the significant devaluation experienced in 2016, management believe that a 25% 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 25% against the US dollar and EURO. For a 25% strengthening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2016	**31 Dec 2015**
Naira strengthens by 25% against the US dollar (2015:10%)	(60,613)	(37,511)
Profit/(loss)		
Naira weakens by 25% against the US dollar (2015:10%)	60,613	37,511
Profit/(loss)		
Naira strengthens by 25% against the EURO (2015:10%)	(72,043)	(7,304)
Profit/(loss)		
Naira weakens by 25% against the EURO (2015:10%)	72,043	7,304
Profit/(loss)		

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 2016				
Financial assets				
Cash and balances with central banks	690,165	15,255	8,000	666,910
Loans and advances to banks	444,871	192,410	67,121	185,340
Loans and advances to customers				
- Overdrafts	282,687	282,687	-	-
- Term loans	1,687,703	1,673,368	14,335	-
- Staff loans	7,417	1	7,416	-
- Project finance	104,783	104,783	-	-
- Advances under finance lease	1,304	1,304	-	-
Financial assets at fair value through profit or loss	46,711	-	31,534	15,177
Investment securities:				
- Available-for-sale investments	921,753	-	862,007	59,746
- Held to maturity investments	108,479	-	108,479	-
- Loans and receivables	20,356	-	20,356	-
Assets pledged as collateral	197,420	-	197,420	-
Other assets	34,602	-	-	34,602
	4,548,250	**2,269,808**	**1,316,669**	**961,773**
Financial liabilities				
Deposits from customers	3,104,221	1,520,178	1,107,766	476,277
Deposits from banks	416,078	263,854	151,943	281
Financial liabilities at fair value through profit or loss	37,137	0	-	37,137
Other liabilities	235,388	-	-	235,388
Liability on investment contracts	9,440	9,440	-	-
Borrowings	316,792	5,824	310,968	-
	4,119,056	**1,799,296**	**1,570,678**	**749,083**
Interest rate mismatch		**470,512**	**(254,009)**	**212,692**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
31 December 2015				
Financial assets				
Cash and balances with Central Banks	715,871	15,255	8,000	692,616
Loans and advances to banks	385,769	247,947	78,802	59,020
Loans and advances				
- Overdrafts	316,571	316,571	-	-
- Term loans	1,402,123	1,356,123	46,000	-
- Staff loans	8,330	20	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	46	16,208	10,172
Investment securities:				
- Available-for-sale investments	799,850	4,634	737,874	57,342
- Held to maturity investments	106,623	-	106,620	3
- Loans and receivables	7,306	-	7,306	-
Assets pledged as collateral	105,646	-	105,646	-
Other assets	21,070	-	-	21,070
	3,985,832	**2,030,843**	**1,114,766**	**840,223**
Financial liabilities				
Customer deposits	2,970,922	1,378,045	1,080,460	512,417
Deposits from banks	144,652	86,864	53,061	4,727
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	13,139	242,977	-
	3,562,776	**1,488,205**	**1,376,498**	**698,073**
Interest rate mismatch		**542,638**	**(261,732)**	**142,151**

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 2016. 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	14	37	63	321	-	-	435
Government Bonds	-	-	24	5	8	62	98
Corporate Bonds	-	-	-	-	-	1	1
Loans and advances to banks	24	-	-	-	-	-	24
Project Finance	16	-	-	-	-	11	26
Term Loans	234	27	11	74	210	865	1,422
Overdraft	105	57	14	58	1	3	238
Equipment on Lease	-	-	-	-	1	-	1
Staff Loans	-	-	-	-	1	3	5
TOTAL ASSETS	394	121	113	459	220	945	2,251
Deposits from customers	330	215	143	218	328	456	1,689
Deposits from banks	25	-	-	15	-	-	40
Medium term loan	27	26	9	-	-	-	62
TOTAL LIABILITIES	381	241	153	234	327	456	1,792
	13	(120)	(40)	225	(107)	489	459

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 2016			31 December 2015		
	Gross liability N'million	Reinsurance N'million	Net Liability N'million	Gross liability N'million	Reinsurance N'million	Net Liability N'million
Individual traditional	5,702	-	5,702	8,554	-	8,554
Individual linked contracts	9,440	-	9,440	-		-
Group credit life	481	-	481	560	-	560
Group Life – UPR incl AURR	152	(13)	139	725	(1)	724
General business – UPR incl AURR	751	(308)	443	515	-	515
Group Life - IBNR	362	(21)	341	251	(1)	249
Annuity	1,519		1,519			
Additional reserves	94	0	94	852	(350)	502
Claims reserve - Life business	363	(37)	326	382	(36)	345
General business - IBNR	252	(104)	148	252	(105)	146
Claims reserve - General business	611	(406)	205	376	(244)	132
Total	**19,727**	**(889)**	**18,838**	**12,465**	**(738)**	**11,727**

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

	31 December 2016			31 December 2015		
	Gross liability N'million	Reinsurance N'million	Net Liability N'million	Gross liability N'million	Reinsurance N'million	Net Liability N'million
Group Life	694	(130)	565	1,271	(108)	1,163
Group Credit Life	208	-	208	339	-	339
Annuity	108		108			
Individual Life	1,184	-	1,184	1,640	-	1,640
Bancassurance	2		2			
General business	917	(647)	270	569	(364)	205
Total	**3,113**	**(776)**	**2,336**	**3,819**	**(472)**	**3,347**

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
Individual deposit based business	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
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 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 14.65% pa was adopted for all long term business excluding annuity and 14.6% per annum for annuity business, which has been applied as a single long term rate of return. As at 31 December 2016, the average yield on 20 year FGN bond yield was 15.85%. By comparison long term bonds were yielding 11.5% at December 2015.

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 15.6%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	**Annuity**
Long Term FGN bond yield	15.80%	16.00%
Less 0.25% risk adjustment	-0.25%	-0.25%
Less reinvestment risk margin	0.00%	-0.25%
Less 0.65% tax	-0.93%	-0.93%
Net valuation rate	14.62%	14.57%
Rates adopted	14.65%	14.60%

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

Type of Business	**Current Valuation**	**Previous valuation**
Risk products	14.65%	10.25%
Risk reserves for deposit-based policies	14.65%	10.25%
Pension Annuity	14.60%	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: N4,200 per policy
(2) Credit life: N550 per policy
(3) Family shield: N770 per policy

The Group adopted a valuation expense assumption of N4,200 per policy on risk policies excluding family shield and N550 per policy for credit life while expense per policy for family shield is set at N770. 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	N4,200 pp	N4,300 pp
Credit Life	N550 pp	N600 pp
Family Shield	N770 pp	N500 pp

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2016 was 18.5%. We do not expect the current high inflation levels to persist, moreso, we expect internal efficiencies to be put in place - hence our assumed low inflation rate.

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.

Annuity valuation and Future mortality improvements

We have strengthened the annuitant mortality basis to PA90 with an age rating of -1 (previously no age adjustment). We recently carried out a longevity study based on Nigerian pensioners data. Although its early days, the data indicates that pensioners are living longer than expected.

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	-	10.0%
Year 3	-	5.0%
Year 4	-	5.0%
Year 5+	-	5.0%

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.

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	2016	2015
Expense overrun	0%	0%
Worsening of mortality experience	0%	0%

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)

2016	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	6,207	5,147	7,700	6,494	5,860	7,007	5,864
PRA Regulated Annuities	1,519	1,441	1,607	1,522	1,517	1,526	1,515
Investment linked contracts	9,440	9,440	9,440	9,440	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003	1,003	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152	152	152	152	152
Group Life - IBNR	362	362	362	362	362	0	362
Additional reserves	0	0	0	0	0	0	0
Reinsurance	35	35	35	35	35	35	35
Net Liability	18,719	17,580	20,299	19,008	18,368	19,163	18,371
% change in Net Liability		-6.4%	8.9%	1.6%	-2.0%	4.6%	-2.0%
Assets	26,769	26,773	26,773	26,773	26,773	26,773	26,773
Surplus	8,051	9,193	6,474	7,765	8,405	7,611	8,402

3.5.5 Insurance and Market risk sensitivities continued

2016	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	6,207	6,282	6,134
PRA Regulated Annuities	1,519	1,524	1,515
Investment linked contracts	9,440	9,440	9,440
General business – UPR incl AURR	1,003	1,003	1,003
Group life – UPR incl AURR	152	152	152
Group Life - IBNR	362	362	362
Additional reserves	0	0	0
Reinsurance	35	35	35
Net Liability	18,718	18,798	18,642
% change in Net Liability		0.4%	-0.4%
Assets	26,769	26,773	26,773
Surplus	8,051	7,975	8,132

2015	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual traditional	8,552	7,476	10,105	8,876	8,116	9,853	7,858
Individual savings	560	560	560	568	551	560	560
Group credit life	725	725	725	725	725	725	725
Group Life – 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

2015	Base	Mortality	
N'million		5%	-5%
Individual traditional	8,552	8,607	8,498
Individual savings	560	560	560
Group credit life	725	725	725
Group Life – 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

The expense sensitivity result shows the impact of reducing and increasing maintenance & acquisition expenses rates to 90% and 110% respectively of the base rates. Valuation interest rate sensitivity result shows the impact of reducing and increasing valuation interest rate to 99% and 101% respectively of the base rates.

3.5.6 Solvency

The solvency level at the valuation date was 115% (2015: 121%). That is, assets representing life and non-life fund on the Group's balance sheet (N22.9b) were 115% of the value of the actuarially calculated net liabilities (N19.7b).

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

	2016 N'million	2015 N'million
Government Bonds	7,955	1,386
Treasury Bills	13,984	9,055
Cash and bank balances	766	1,970
Commercial papers	33	1,075
Investment properties	-	80
Investment in quoted equity	162	217
Total	22,900	13,783

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 N2.8billion (2015: N1.6billion), while life and non-life shows a surplus of N3.7billion (2015: N1.9billion).

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 2016, the market value of quoted securities held by the Group is N1.65 billion (2015: N3.73 billion). If the all share index of the NSE moves by 1600 basis points from the 26,874.62 position at 31 December 2016, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N264 million.

The Group holds a number of investments in unquoted securities with a market value of N63.46 billion (2015: N61.37 billion) of which investments in Airtel Nigeria Ltd (44%), and African Finance Corporation (AFC) (54%) are the significant holdings. 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 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	24,522	1,484	-	26,006
Equity	286	1,761	3,481	5,528
Derivatives	-	15,177	-	15,177
Available-for-sale financial assets				
Investment securities - debt	813,286	48,195	527	862,008
Investment securities - unlisted equity	-	3,262	55,120	58,382
Investment securities - listed equity	1,362	-	-	1,362
Assets pledged as collateral	103,329	-	-	103,329
Financial liabilities at fair value through profit or loss				
Derivatives	-	37,137	-	37,137

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 2015				
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 debt	-	-	-	-
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
COMPANY				
31 December 2016				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	9,517	-	-	9,517
Investment securities - unlisted equity	-	2,834	-	2,834
31 December 2015				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	4,183	-	-	4,183
Investment securities - unlisted equity	-	2,836	-	2,836

(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 properties 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 and equity derivatives 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 2015	48,035
Sales	(21)
Realised gain on sale	(3,709)
Total Gains/(losses) recognised through OCI	5,012
Transfer out of Level 3 due to change in observability of market data	(100)
At 31 December 2015	49,217
Acquisitions	1,026
Total Gains/(losses) recognised through profit/loss	653
Total Gains/(losses) recognised through OCI	8,199
Transfer into Level 3 due to change in observability of market data	33
At 31 December 2016	59,128

During the year ended 31 December 2016, there was no transfers between level 1 and 2 fair value measurements. Although there was no transfer out of level 3 fair value measurements, there was an immaterial transfer between level 3 and level 1 during the year.

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	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC	P/E multiples	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LTD	P/B multiples	15% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFRICA FINANCE CORPORATION	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
VT LEASING LIMITED (Ordinary shares)	EV/EBITDA	14.9% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC (Ordinary shares)	EV/Revenue	15% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC (Convertible notes)	Income Approach (Discounted Cashflow)	18.5% cost of capital	the higher the cost of capital the lower the fair value

EV/EBITDA, P/B valuation or P/E valuation multiple - the group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The group 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 group'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 2016				
Financial assets				
Cash and balances with central banks	-	690,165	-	690,165
Loans and advances to banks	-	444,870	-	444,870
Loans and advances to Customers:	-	-	-	
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,687,703	1,687,703
- Staff loans	-	-	7,417	7,417
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,913	43,566	-	108,479
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	34,603	-	34,603

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2016				
Financial liabilities				
Deposit from customers	-	3,104,220	-	3,104,220
Deposit from bank	-	416,078	-	416,078
Borrowing	-	316,792	-	316,792
Other liabilities	-	235,388	-	235,388
Investment contracts	-	9,440	-	9,440
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	-	-	1,402,124	1,402,123
- Staff loans	-	-	8,330	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	2,131.80	-	82,020
Other assets	-	21,070	-	21,070
Financial liabilities				
Deposit from customers	-	2,970,921	-	2,970,921
Deposit from bank	-	144,652	-	144,652
Borrowing	-	256,116	-	256,116
Other liabilities	-	168,441	-	168,441
Investment contracts	-	10,157	-	10,157
COMPANY				
31 December 2016				
Financial assets				
Loans and advances to banks	-	645	-	645
Loans and advances to Customers:				
- Staff loans	-	-	65	65
Held to maturity investments				-
Other assets	-	10,260	-	10,260
Financial liabilities				
Other liabilities	-	7,114	-	7,114
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:				
Held to maturity investments	-	-	-	-
Other assets	-	4,454	-	4,454
Financial liabilities				
Other liabilities	-	5,751	-	5,751

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

	At 31st December 2016		At 31st December 2015	
	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	48,597	44,525	51,055	48,915
Variable rate loans	2,035,297	2,035,298	1,766,217	1,766,217
Investment securities (held to maturity)	108,479	93,472	106,624	104,094
Asset pledged as collateral	83,679	60,582	82,020	51,899
Loan commitments	14,203	14,203	33,342	33,342
Financial liability				
Borrowings	316,792	272,774	256,116	286,016

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

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
Liability on investment contracts
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 regulatory capital requirement of FBN Holdings Plc. and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement	Internal Target
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of subsidiaries	Same as regulatory requirement
First Bank of Nigeria Limited	Central Bank of Nigeria	N100billion Capital; and 15% Capital Adequacy Ratio	1% above regulatory CAR
FBN Merchant Bank Limited	Central Bank of Nigeria	N15billion Capital; and 10% Capital Adequacy Ratio	2.5% above regulatory CAR
FBN Capital Limited	Securities and Exchange Commission	Issuing House: N150million; Trustee: N300million; Broker-Dealer: N300million; Underwriter: N200million; and Fund Manager: N150million	Same as regulatory requirement
FBN Insurance Limited	National Insurance Commission	Life Business: N2billion; General Business: N3billion	Life: Higher of 17% of net premium or 200% regulatory capital; General: Higher of 20% of net premium or regulatory capital
FBN Insurance Brokers Limited	National Insurance Commission	N5million Capital	400% of regulatory capital

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-a-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 considers both equity and debt, subject to regulatory limits, as capital

During 2016, the Group's strategy, which remains significantly unchanged, was as contained in the table above. The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraph 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2016 and 2015 are as follows:

i. FBN Holdings Plc.	**Proportion of shares held (%)**	**31 December 2016 N 'million**	**31 December 2015 N 'million**
Subsidiary Paid-up Capital (FBNHoldings' proportion)			
First Bank of Nigeria Limited	100	205,557	205,557
FBN Merchant Bank Limited	100	8,206	8,206
FBN Capital Limited	100	4,300	4,300
FBN Insurance Limited	65	4,724	4,724
FBN Insurance Brokers Limited	100	25	25
Rainbow Town Development Limited	55	5,000	5,000
Aggregated Capital of Subcos		**227,812**	**227,812**
FBN Holdings Plc.'s Paid-up Capital		251,340	270,840
Excess of FBN Holdings' capital over aggregated capital of subcos		**23,528**	**43,028**

ii. First Bank of Nigeria Limited & FBN Merchant Bank Limited
The Banks' capital is divided into two tiers:

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

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

The Central Bank of Nigeria prescribed 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 2016 and 2015. It shows the composition of regulatory capital and ratios for the years. During those years, the Banks complied with all the regulatory capital requirements to which it was subjected.

	FBN MERCHANT BANK		FIRST BANK OF NIGERIA	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
Tier 1 capital				
Share capital	4,302	4,302	16,316	16,316
Share premium	3,905	3,905	189,241	189,241
Statutory reserve	6,561	5,827	70,748	63,237
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	14,014	9,235	153,924	130,787
Less: Goodwill/Deferred Tax	(9,774)	(8,083)	(6,890)	(5,386)
Less: Loan to subsidiary (excess over single obligor limit)	-	-	-	(29,181)
Less: Investment in subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 1 capital	19,008	15,184	393,766	333,883
Tier 2 capital				
Fair value reserve	(2,417)	319	29,102	54,090
Other borrowings	-	-	233,976	152,434
Total tier 2 capital	(2,417)	319	263,078	206,524
Tier 2 Capital Restriction	(2,417)	319	143,138	133,424
Less: Investment in subsidiaries	-	-	(35,649)	(37,208)
Total qualifying for tier 2 capital	(2,417)	319	107,490	96,216
Total regulatory capital	16,591	15,504	501,256	430,099
Total risk-weighted assets	73,431	67,313	2,818,158	2,518,285
Risk-weighted Capital Adequacy Ratio (CAR)	22.59%	23.03%	17.79%	17.08%
Tier 1 CAR	25.88%	22.56%	13.97%	13.26%

iii. Other Regulated Subsidiaries

	Regulatory Requirement N 'million	31 December 2016 N 'million	Excess/ (Shortfall) N 'million	31 December 2015 N 'million	Excess/ (Shortfall) N 'million
FBN Capital Limited	1,100	15,514	14,414	38,463	37,363
FBN Insurance Limited:					
Life Business	2,000	7,784	5,784	9,496	7,496
General Business	3,000	4,109	1,109	3,989	989
FBN Insurance Brokers Limited	5	331	326	836	831

All the regulated entities within the Group complied with all the regulatory capital requirements to which they were subjected.

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 43, "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 35 for detailed information on impairment assessment performed on the CGU.

There was no impairment charge during the year (2015: 872million). The 2015 impairment charges of N872million arose in FBN Gambia (N630million) and FBN Senegal (N242million), both part of the Commercial Banking Group segment.

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.

Merchant Banking and Asset Management Business Group (MBAM)
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.

Others
Others, previously referred to as Other Financial Services, comprises of FBN Holdings Plc., the parent company, and Rainbow Town Development Limited. Prior to 2016, this segment included FBN Microfinance Bank Limited which provided microfinance services to the mass-market retail segment. The FBN Holdings Plc.'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 transactions between segments are carried out at arm's length, which is consistent with the basis of transacting with external parties.

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 2016 is as follows:

	Commercial Banking Group	MBAM Group	Insurance Group	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2016					
Total segment revenue	535,539	37,653	12,483	10,905	**596,580**
Inter-segment revenue	(2,872)	(1,406)	(448)	(10,023)	**(14,749)**
Revenue from external customers	532,667	36,247	12,035	882	**581,831**
Interest income	381,672	18,890	3,955	764	**405,281**
Interest expense	(89,737)	(10,552)	(550)	-	**(100,839)**
Profit/(loss) before tax	8,276	13,708	3,414	(2,450)	**22,948**
Income tax expense	1,093	(3,380)	(1,021)	(2,499)	**(5,807)**
Profit/(loss) for the year from continuing operations	9,369	10,328	2,393	(4,949)	**17,141**
Impairment charge on credit losses	(220,681)	258	-	-	**(220,423)**
Impairment charge on doubtful receivables	(4,267)	(1,340)	(7)	-	**(5,614)**
Impairment charge on goodwill	-	-	-	-	**-**
Loss for the year from discontinued operations	(1,317)			(3,581)	**(4,898)**
Depreciation	(10,594)	(407)	(202)	(381)	**(11,584)**

6 Segment information continued

	Commercial Banking Group N 'million	MBAM Group N 'million	Insurance Group N 'million	Others N 'million	Total N 'million
At 31 December 2016					
Total assets	4,469,601	183,417	31,962	51,825	**4,736,805**
Other measures of assets:					
Loans and advances to customers	2,041,852	41,684	293	65	**2,083,894**
Expenditure on non-current assets	83,358	1,823	1,937	1,197	**88,315**
Investment securities	961,236	51,089	25,913	12,350	**1,050,588**
Total liabilities	3,992,998	129,286	22,691	9,255	**4,154,230**
At 31 December 2015					
Total segment revenue	463,272	32,976	10,500	7,730	**514,478**
Inter-segment revenue	(6,571)	(35)	(345)	(4,836)	**(11,787)**
Revenue from external customers	456,701	32,941	10,155	2,894	**502,691**
Interest income	371,579	20,520	2,113	950	**395,162**
Interest expense	(118,509)	(11,428)	0	(59)	**(129,997)**
Profit/(loss) before tax	12,095	10,346	2,163	(3,023)	**21,581**
Income tax expense	(6,913)	1,151	(280)	-	**(6,042)**
Profit/(loss) for the year from continuing operations	5,182	11,497	1,883	(3,023)	**15,539**
Loss for the year from discontinued operations	129	-	-	(520)	**(391)**
Impairment charge on credit losses	(116,766)	(257)	-	(19)	**(117,042)**
Impairment charge on doubtful receivables	(517)	(964)	(14)	(257)	**(1,752)**
Impairment charge on goodwill	(872)	-	-	-	**(872)**
Depreciation	(10,551)	(380)	(163)	(385)	**(11,479)**
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**

Geographical information

Revenues

	31 Dec 2016 N 'million	31 Dec 2015 N 'million
Nigeria	521,661	450,823
Outside Nigeria	60,170	51,868
Total	**581,831**	**502,691**

Non current asset

	31 Dec 2016 N 'million	31 Dec 2015 N 'million
Nigeria	79,425	80,865
Outside Nigeria	8,890	7,534
Total	**88,315**	**88,399**

7 Interest income

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Investment securities	115,355	100,979	753	306
Loans and advances to banks	18,317	23,123	121	292
Loans and advances to customer	271,609	271,060	11	16
	405,281	395,162	885	614

Interest income on loans and advances to customers for the group includes interest income on impaired financial assets of N30.77 billion (2015:N26.70 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 2016 N 'million	31 December 2015 N 'million
Deposit from customers	78,752	104,241
Deposit from banks	3,323	10,483
Borrowings	18,764	15,273
	100,839	129,997

9 Impairment charge for credit losses

	GROUP	
	31 December 2016 N 'million	31 December 2015 N 'million
Loans and advances to customers (refer note 23)		
Increase in collective impairment	16,224	24,184
Increase in specific impairment	206,684	95,403
	222,908	119,587
Net recoveries on loans previously written off	(2,485)	(2,288)
Other assets (refer note 27)		
Increase in impairment	5,614	1,495
	226,037	118,794

Included in the impairment charge in the income statement in 2015 was the impairment charge on loans and advances (collective: N67 million; specific: N210 million) in the books of FBN Microfinance Bank Limited, which was sold in 2015.

10 Insurance premium revenue

	GROUP	
	31 December 2016 N 'million	31 December 2015 N 'million
Gross premium written	11,922	11,848
Unearned premium	(1,174)	(538)
	10,748	11,310
Change in insurance contract liabilities	(1,142)	(2,862)
	9,606	8,448

11 Fee and commission income

	GROUP	
	31 December 2016 N 'million	31 December 2015 N 'million
Credit related fees (i)	4,707	5,529
Letters of credit commissions and fees	1,998	3,826
Electronic banking fees	21,837	15,371
Money transfer commission	5,178	3,154
Commission on bonds and guarantees	1,277	1,488
Commission on bills and ancilliary services	495	1,057
Funds transfer and intermediation fees	5,364	4,530
Account maintenance (ii)	15,628	15,977
Brokerage and intermediations	1,953	1,909
Custodian fees	4,727	4,182
Financial advisory fees (iii)	7,116	5,338
Fund management fees (iii)	1,080	1,499
	71,360	63,860

(i) The credit related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.
(ii) The sum of N12.6billion in 2015 relates to COT which is no longer in existence.
(iii) Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activities.

11b Fees and commission expense

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
	11,073	9,583

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 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
Revaluation gain (unrealised) on foreign currency balances	80,232	10,910	105	31
Foreign exchange trading income (realised)	8,845	11,316	-	-
	89,077	22,226	105	31

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 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
Equity securities	56	5,935	-	-
Debt securities	4,188	7,882	(12)	35
Impairment of available for sale financial assets	(314)	(7,151)	-	-
	3,930	6,666	(12)	35

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

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Fair value gain on derivatives	1,815	830
Trading gain on debt securities	1,213	1,059
Fair value (loss)/gain on debt securities	(3,034)	166
	(6)	2,055

15 Dividend income

	GROUP		COMPANY	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
FBN Capital Limited	-	-	8,000	4,852
FBN Merchant Bank Limited	-	-	1,048	-
FBN Insurance Limited	-	-	1,851	339
FBN Insurance Brokers Limited	-	-	600	235
Other entities within the group	-	-	60	206
Entities outside the group	897	1,531	-	-
Withholding tax on dividend	-	-	-	(1,139)
	897	1,531	11,559	4,493

16 Other operating income

	GROUP		COMPANY	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
VAT Recovered	311	291	-	-
Gain on sale of properties	43	0	-	-
Net gain from fair value adjustment on investment properties (refer note 29)	188	198	-	-
Others*	2,326	1,788	34	22
	2,868	2,277	34	22

*Included in Others for the Group is income from private banking services

17 Personnel expenses

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Wages and salaries	78,828	77,115	687	671
Pension costs:				
- Defined contribution plans	4,241	2,639	15	14
- Defined benefit cost **(refer note 43)**	736	303	-	-
	83,805	80,057	702	685

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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Executive director	1	1	1	1
Management	191	214	5	5
Non-management	9,057	9,641	25	21
	9,249	9,856	31	27

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	435	912	6	3
N2,000,001 - N2,800,000	309	214	1	1
N2,800,001 - N3,500,000	1,035	897	4	2
N3,500,001 - N4,000,000	169	96	-	1
N4,000,001 - N5,500,000	1,948	2,114	3	2
N5,500,001 - N6,500,000	1,893	1,963	2	1
N6,500,001 - N7,800,000	1,350	1,363	-	2
N7,800,001 - N9,000,000	843	935	3	-
N9,000,001 and above	1,271	1,364	16	17
	9,253	9,858	35	29

18 Operating expenses

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Auditors' remuneration*	803	731	25	25
Directors' emoluments	3,483	6,333	459	1,047
Loss on sale of property, plant and equipment	12	189	-	7
Deposit insurance premium	12,128	12,438	-	-
AMCON resolution cost	16,697	17,591	-	-
Maintenance	22,812	19,270	111	176
Insurance premium	1,212	1,212	29	26
Rent and rates	4,317	4,024	115	143
Advert and corporate promotions	6,257	8,381	200	77
Legal and other professional fees	4,925	6,134	670	585
Donations & subscriptions	914	1,418	6	6
Stationery & printing	1,865	2,433	44	73
Communication, light and power	6,864	6,940	20	5
Cash handling charges	2,345	3,508	-	-
Operational and other losses	6,028	2,194	-	-
Passages and travels	5,687	6,002	338	345
Outsourced cost	15,621	15,824	19	10
Statutory fees	55	153	36	44
Underwriting expenses	2,453	1,462	-	-
WHT on retained dividend	-	1,139	-	-
Fines and penalties	102	1,901	21	-
Other operating expenses	5,450	6,462	228	127
	120,030	125,739	2,321	2,696

*Auditors' remuneration for the group represents the fees paid by the various entities in the group to their respective auditors.

19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
a Income tax expense				
Corporate tax	5,838	7,629	84	-
Education tax	136	160	-	-
Technology tax	723	180	20	-
Under provision in prior years	1,659	1,250	-	-
Current income tax - current period	8,356	9,219	104	-
Origination and reversal of temporary deferred tax differences	(2,549)	(3,177)	-	-
Income tax expense	**5,807**	**6,042**	**104**	**-**

GROUP	**2016**		**2015**	
Profit before income tax	22,948		21,582	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	6,884	30%	6,475	30%
Effect of tax rates in foreign jurisdictions	13,717	60%	370	2%
Non-deductible expenses	19,788	86%	38,713	182%
Effect of education tax levy	254	1%	160	1%
Effect of Information technology	741	3%	180	1%
Effect of capital gains tax	6	0%	0	0%
Effect of minimum tax	3,052	13%	2,984	14%
Effect of excess dividend tax	1,372	6%	767	4%
Effect of National fiscal levy	15	0%	82	0%
Tax exempt income	(38,992)	-170%	(46,313)	-215%
Tax incentives	9	0%	(109)	-1%
Tax loss effect	2,224	10%	1,719	8%
(Over) / under provided in prior years	49	0%	1,250	6%
Effect of prior period adjustment on deferred tax	(3,312)	-14%	(237)	-1%
Total income tax expense in income statement	5,807	25%	6,042	30%
Income tax expense	5,807	25%	6,042	30%

COMPANY	**2016**		**2015**	
Profit before income tax	7,611		2,180	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%)	2,283	30%	654	30%
Non-deductible expenses	671	9%	410	19%
Effect of Information technology	20	0%	-	0%
Effect of minimum tax	84	1%	-	0%
Tax exempt income	(3,768)	-50%	(1,940)	-89%
Tax loss effect	814	11%	876	40%
Total income tax expense in income statement	104	1%	-	0%
Income tax expense	104	1%	-	0%

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
b Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of the period	8,773	11,829	-	-
Effect of adjustment on discontinued operations	(6)	322		
Tax paid	(7,889)	(12,267)	(20)	-
Withholding tax credit utilised	(490)	(379)	-	-
Income tax charge	8,356	9,219	104	-
Effect of Changes in Exchange Rate	153	49		
At 31 December	8,897	8,773	84	-
Current	8,897	8,773	84	-

20 Cash and balances with central banks

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Cash	101,255	76,310
Balances with central banks excluding mandatory reserve deposits	46,108	162,145
	147,363	238,455
Mandatory reserve deposits with Central Banks	542,802	477,416
	690,165	715,871

Included in balances with central bank is a call placement of N7.5 billion for Group (31 December 2015: 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 N536.95 billion with Central Bank of Nigeria (CBN) as at 31st December 2016 (December 2015: N473.12 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2015: 20%) 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 N2.035 billion and N2.273 billion (December 2015: N1.090 billion and N1.878 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 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
Cash (Note 20)	101,255	76,310	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	46,108	162,145	-	-
Loans and advances to banks excluding long term placements (Note 22)	377,500	356,782	645	4,792
Treasury bills included in financial assets at FVTPL (Note 24)	5,671	3,985	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1&25.2)	215,697	67,146	-	-
	746,231	666,368	645	4,792

22 Loans and advances to banks

	GROUP		COMPANY	
Current balances with banks within Nigeria	105,532	130,017	18	3,097
Current balances with banks outside Nigeria	148,719	117,664	-	-
Placements with banks and discount houses (short term)	123,249	109,101	627	1,695
	377,500	356,782	645	4,792
Long term placement	67,371	28,987	-	-
Carrying amount	444,871	385,769	645	4,792

Included in loans to banks is non current placement of N67.37 billion for Group (31 December 2015: N28.99 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	Specific impairment	Collective impairment	Total impairment	Carrying amount
	N 'million	N 'million	N 'million	N 'million	N 'million
31 December 2016					
Overdrafts	393,870	(106,323)	(4,860)	(111,183)	282,687
Term loans	1,875,644	(156,756)	(31,185)	(187,941)	1,687,703
Staff loans	7,502	(3)	(82)	(85)	7,417
Project finance	115,923	(10,837)	(303)	(11,140)	104,783
	2,392,939	(273,919)	(36,430)	(310,349)	2,082,590
Advances under finance lease	1,839	(497)	(38)	(535)	1,304
	2,394,778	(274,416)	(36,468)	(310,884)	2,083,894
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

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 2016					
Staff loans	65	-	-	-	65
	65	-	-	-	65
31 December 2015					
Staff loans	63	-	-	-	63
	63	-	-	-	63

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Current	1,090,599	860,104	12	12
Non-current	993,295	957,167	53	51
	2,083,894	1,817,271	65	63

CBN/Bank of Industry facilities

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

CBN/Commercial Agriculture Credit (CACS)

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

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

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

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 January 2016					
Specific impairment	39,089	67,275	322	-	106,686
Collective impairment	2,798	29,999	32	207	33,036
	41,887	97,274	354	207	139,722
Additional provision/ (writeback)					
Specific impairment	84,260	112,100	175	10,149	206,684
Collective impairment	2,803	13,250	6	165	16,224
Loan write off					
Specific impairment	(17,451)	(35,706)	-	-	(53,157)
Collective impairment	(873)	(7,420)	-	-	(8,293)
Exchange difference					
Specific impairment	442	13,360	-	692	14,494
Collective impairment	132	(4,604)	-	15	(4,457)
Effect of adjustment on discontinued operations					
Specific impairment	(17)	(272)	-	(2)	(291)
Collective impairment	-	(41)	-	(1)	(42)
	111,183	187,941	535	11,225	310,884
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
At 31 December 2016	111,183	187,941	535	11,225	310,884

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 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*					
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)
	41,887	97,274	354	207	139,722
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

*Included in 2015 additional provision was impairment charge on loans and advances (collective: N16 million; specific: N255 million) for FBN Mortgages Limited. In 2016, the subsidiary was classified as discontinued operations, hence results of operations of prior period has been represented.

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

GROUP	31 December 2016 N 'million	31 December 2015 N 'million
Gross investment in finance lease, receivable		
- No later than 1 year	6	12
- Later than 1 year and no later than 5 years	1,928	2,632
- Later than 5 years	-	-
	1,934	2,644
Unearned future finance income on finance leases	(95)	(323)
Impairment allowance on leases	(535)	(354)
Net investment in finance lease, receivable	1,304	1,967
Net investment in finance lease, receivable is analysed as follows		
- No later than 1 year	6	12
- Later than 1 year and no later than 5 years	1,298	1,955
	1,304	1,967

Nature of security in respect of loans and advances:
GROUP

	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,161,781	470,279	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	645,621	902,208	-	-
Domiciliation of receivables	400,418	386,217	-	-
Clean/Negative Pledge	109,953	100,725	-	-
Marketable Securities/Shares	29,425	16,348	-	-
Otherwise Secured	27,293	65,776	65	63
Cash/Government Securities	20,287	15,440	-	-
	2,394,778	1,956,993	65	63

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 2016	31 December 2015
	N 'million	N 'million
Treasury bills with maturity of less than 90 days	5,671	3,985
Treasury bills with maturity over 90 days	5,866	10,243
Bonds	14,469	1,763
Total debt securities	26,006	15,991
Listed equity securities	286	1,438
Unlisted equity securities	5,242	5,768
Total equity securities	5,528	7,206
Derivative assets (refer note 24a)	15,177	3,229
Total assets at fair value through profit or loss	46,711	26,426
Current	35,364	15,195
Non Current	11,347	11,231
	46,711	26,426

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 2016		
	Notional contract amount	Fair values Asset	Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	554,263	8,092	(32,347)
Currency swap	36,600	865	(123)
Put options	151,472	6,220	(4,667)
	742,335	15,177	(37,137)
Current	608,161	9,358	(32,825)
Non Current	134,174	5,819	(4,312)
	742,335	15,177	(37,137)

	GROUP 31 Dec 2015		
	Notional contract amount	Fair values Asset	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		COMPANY	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
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	212,755	65,034	-	-
	– Treasury bills with maturity of more than 90 days	456,952	411,700	8,862	3,532
	– Bonds	192,302	265,232	654	651
	Equity securities – at fair value:				
	– Listed	1,362	2,288	-	-
	Equity securities – at fair value:				
	– Unlisted	58,382	55,596	2,834	2,836
		921,753	799,850	12,350	7,019
	Current	770,766	547,193	8,862	4,183
	Non current	150,987	252,657	3,488	2,836
		921,753	799,850	12,350	7,019
25.2	**Held to maturity investments**				
	Debt securities – at amortised cost:				
	– Treasury bills with maturity of less than 90 days	2,942	2,112	-	-
	– Treasury bills with maturity of more than 90 days	18,401	7,894	-	-
	– Bonds	87,136	96,617	-	-
		108,479	106,623	-	-
	Current	48,675	10,006	-	-
	Non Current	59,804	96,617	-	-
		108,479	106,623	-	-
25.3	**Loans and receivables**				
	Investment in commercial papers	16,153	3,955	-	-
	Investment in promissory notes	4,203	3,351	-	-
		20,356	7,306	-	-
	Current	7,252	3,351	-	-
	Non Current	13,104	3,955	-	-
		20,356	7,306	-	-
	Total investment securities	1,050,588	913,779	12,350	7,019

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 2016	31 December 2015
		N 'million	N 'million
	Financial assets at fair value through profit or loss (note 26.1)	10,412	-
	Available for sale debt securities (note 26.2)	103,328	23,626
	Held to maturity debt securities (note 26.3)	83,680	82,020
		197,420	105,646
26.1	**Assets pledged as collateral (FVTPL)**		
	Debt securities - at fair value		
	– Treasury bills	10,412	-
		10,412	-
26.2	**Assets pledged as collateral (available for sale)**		
	Debt securities - at fair value		
	– Treasury bills	103,328	22,033
	– Bonds	-	1,593
		103,328	23,626
26.3	**Assets pledged as collateral (held to maturity)**		
	Debt securities - at amortised cost		
	– Treasury bills	10,044	1,602
	– Bonds	73,636	80,418
		83,680	82,020
	The related liability for assets held as collateral include:		
	Bank of Industry	41,357	44,477
	Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	12,165	11,998
	Due to Other Banks	57,162	-
	Borrowings from Deustche Bank	-	6,224

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

Current	135,346	23,635
Non current	62,075	82,011
	197,421	105,646

27 Other assets

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Financial assets:				
Premium debtors	24	132	-	-
Accounts receivable	41,598	22,877	10,260	4,454
Reinsurance assets	890	690	-	-
	42,512	23,699	10,260	4,454
Less specific allowances for impairment	(7,910)	(2,629)	-	-
	34,602	21,070	10,260	4,454
Non financial assets:				
Stock of consumables	1,610	2,253	-	-
Prepayments	11,442	12,009	339	215.54
Deferred insurance acquisition costs	132	151		
	13,184	14,413	339	216
Net other assets balance	47,786	35,483	10,599	4,670

Reconciliation of reinsurance assets and deferred insurance acquisition costs

	2016 Reinsurance assets					
	Claims recoverable N'million	Reinsurer's share of IBNR claims N'million	Prepaid reinsurance N'million	Minimum & deposit premium N'million	Total N'million	Deferred insurance acquisition costs N'million
At 1 January 2016	281	106	276	27	690	151
Addition	757	-	1,194	26	1,977	2,344
Receipt from reinsurers	(595)	-	-	-	(595)	-
Amortisation for the year	-	-	(1,175)	(27)	(1,202)	(2,363)
Changes during the year	-	20	-	-	20	-
At 31 December 2016	443	126	295	26	890	132

	2015 Reinsurance assets					
	Claims recoverable N'million	Reinsurer's share of IBNR claims N'million	Prepaid reinsurance N'million	Minimum & deposit premium N'million	Total N'million	Deferred acquisition costs N'million
At 1 January 2015	146	4	408	27	585	111
Addition	471	-	975	27	1,473	1,695
Receipt from reinsurers	(336)	-	-	-	(336)	-
Amortisation for the year	-	-	(1,107)	(27)	(1,134)	(1,655)
Changes during the year	-	102	-	-	102	-
At 31 December 2015	281	106	276	27	690	151

Reconciliation of impairment account

	GROUP		COMPANY	
	2016 N 'million	2015 N 'million	2016 N 'million	2015 N 'million
At start of period	2,629	1,408	-	-
Write off	(333)	(531)	-	-
Increase in impairment*	5,614	1,752	-	-
At end of period	7,910	2,629	-	-

*Included in 2015 impairment was impairment charge on other asset of N257 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

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	
	2016 N 'million	2015 N 'million
Work in progress	-	41,972
Stock of properties	-	7,677
	-	49,649
Current	-	7,677
Non-Current	-	41,972
	-	49,649

Inventory balance in 2015 relates to carrying amount of the real estate development project of Rainbow Town Development Limited and stock of property of FBN Mortgages Limited. The Boards of Directors of FBN Holdings Plc. and First Bank of Nigeria Limited resolved to sell their respective investments in Rainbow Town Development Limited and FBN Mortgages Limited. As a result, all assets (including inventory) and liabilities of Rainbow Town Development Limited are presented as Assets and Liabilities held for sale.

29 Investment properties

At start of period	3,025	2,826
Addition and capital improvement	12	1
Disposal	(222)	-
Net gains from fair value adjustment	188	198
	3,003	3,025

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 (2015: Nil) 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. **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.

ii. **FBN Heritage Fund**

During the year, FBN Holdings Plc. sold 15million units of its interest in FBN Heritage Fund. This sale reduced the Group's interest in the fund to 37.9%, indicating a loss of control.

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. 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 N111.58 (Cost: N100). The 15m units held by FBNHoldings was sold at an average price of N109.6 per units, resulting in gain on disposal of N144million.

Due to the loss of control, FBN Holdings Plc. deconsolidated the fund from the effective date of loss of control, December 31, 2016, and accounted for the remaining holdings as associate using equity method. See detailed disclosure on loss of control in note 33.

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	N 'million	**N 'million**	**N 'million**	**N 'million**
FBN Heritage Fund				
Balance at beginning of year	-	-	1,500	1,500
Reclassification due to loss of control	900	-	-	-
Fair value gain	214	-	-	-
Disposal of investment	-	-	(1,500)	-
At end of year	1,114	-	-	1,500

31 Investment in subsidiaries

31.1 Principal subsidiary undertakings

	31 December 2016	**31 December 2015**
	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	4,724
FBN Insurance Brokers Limited (Note 31 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	-	1,700
FBN Merchant Bank Limited (Note 31 (vi))	17,206	17,206
	231,812	233,512
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBN Trustees Limited (Note 31 (vii))	6,033	25,533
FBN Funds Limited (Note 31 (viii))	4,550	4,550
	10,583	30,083
	242,395	**263,595**

As at 31 December 2016, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount, resulting in additional impairment charge of N1.7billion (Cost: N5billion; Total Impairment: N5billion).

31 Investment in subsidiaries continued

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except FBNBank Congo DRC, 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 as at the end of the year N(548) million (2015: N3.68billion).

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by the parent/group	Statutory year end
First Bank of Nigeria Limited (Note 31 (i))	Banking	Nigeria	100	31 December
FBN Capital Limited (Note 31 (ii))	Investment Banking & Asset Management	Nigeria	100	31 December
FBN Insurance Limited (Note 31 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (Note 31 (iv))	Insurance	Nigeria	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 31 (v))	Investment and General Trading	Nigeria	55	31 December
FBN Merchant Bank Limited (Note 31 (vi)	Merchant Banking	Nigeria	100	31 December
FBN Trustees Limited (Note 31 (vii))	Trusteeship	Nigeria	100	31 December
FBN Funds Limited (Note 31 (viii))	Investment Banking & Asset Management	Nigeria	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
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
FBN Merchant Bank Limited (formerly 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
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
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 2016	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 Heritage Fund N'million	Rainbow Town Development Limited N'million	Total N'million	Adjustments N'million	Group N'million
Summarized Income Statement											
Operating income	12,715	434,663	16,961	8,115	11,362	572	456	(4,313)	480,529	(10,611)	469,918
Operating expenses	(5,103)	(199,039)	(7,267)	(3,289)	(7,988)	(534)	(310)	(182)	(223,711)	2,778	(220,933)
Impairment charge for credit losses	-	(224,948)	(1,173)	90	(7)	0	-	-	(226,038)	1	(226,037)
Operating profit	7,611	10,676	8,521	4,916	3,367	38	146	(4,494)	30,780	(7,832)	22,948
Associate	-	-	108	-	-	-	-	-	108	(108)	-
Profit before tax	7,611	10,676	8,630	4,916	3,367	38	146	(4,494)	30,888	(7,940)	22,948
Tax	(104)	1,093	(3,364)	(16)	(986)	(35)	-	-	(3,413)	(2,394)	(5,807)
Profit/(Loss) for the year from continuing operations	7,507	11,768	5,266	4,900	2,380	4	146	(4,494)	27,476	(10,336)	17,141
Loss for the year from discontinued operations		(1,317)						(4,495)	(5,812)	915	(4,898)
Other comprehensive income	2	3,136	(2,464)	(2,736)	(1,091)	91	(32)	-	(3,095)	(4)	(3,099)
Total comprehensive income	7,509	13,586	2,803	2,164	1,289	95	113	(8,989)	18,569	(9,425)	9,144
Total comprehensive income allocated to non controlling interest	-	(789)	(1,427)	-	451	-	42	(2,023)	(3,746)	(740)	(4,486)
Dividends paid to non controlling interest	-	174	-	-	996	-	72	-	1,243	-	1,243
Summarized Financial Position											
Assets											
Cash and balances with central bank	0	689,598	1	66	500	0	-	-	690,165	-	690,165
Loans and advances to banks	644	437,936	7,404	5,651	1,091	237	16	107	453,086	(8,215)	444,871
Loans and advances to customers	65	2,086,740	-	41,684	244	49	78	-	2,128,860	(44,966)	2,083,894
Financial assets at fair value through profit or loss	-	23,493	5,377	17,678	162	-	1,209	-	47,919	(1,208)	46,711
Investment securities	12,350	961,236	30,254	20,836	25,811	102	1,662	-	1,052,251	(1,663)	1,050,588
Assets pledged as collateral	-	161,134	-	36,286	-	-	-	-	197,420	-	197,420
Other assets	10,598	38,610	4,302	4,645	1,539	102	-	1,504	61,300	(13,514)	47,786
Inventory	-	-	-	-	-	-	-	44,204	44,204	(44,204)	-
Investment properties	-	-	2,898	-	105	-	-	-	3,003	-	3,003
Investment in associates accounted for using the equity method	-	-	1,258	-	-	-	-	-	1,258	(144)	1,114
Investment in subsidiaries	242,395	-	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	849	83,358	766	1,056	1,886	51	-	6	87,972	343	88,315
Intangible assets	-	11,913	2,057	973	382	3	-	6	15,334	(6)	15,328
Deferred tax assets	-	8,296	565	8,398	-	19	-	-	17,278	-	17,278
Assets held for sale	-	12,479	-	-	-	-	-	-	12,479	37,853	50,332
	266,902	4,514,792	54,882	137,272	31,720	563	2,966	45,826	5,054,921	(318,116)	4,736,805
Financed by											
Deposits from banks	-	377,214	-	38,864	-	-	-	-	416,078	-	416,078
Deposits from customers	-	3,030,091	17,547	64,728	-	-	-	-	3,112,366	(8,145)	3,104,221
Financial liabilities at fair value through profit or loss	-	37,137	-	-	-	-	-	-	37,137	0	37,137
Current income tax liability	84	4,805	3,164	364	426	53	-	6	8,902	(5)	8,897
Other liabilities	7,114	217,553	15,207	4,358	2,843	170	25	1,898	249,168	(13,780)	235,388
Liability on investment contracts	-	-	-	-	9,440	-	-	-	9,440	-	9,440
Liability on insurance contracts	-	-	-	-	10,287	-	-	-	10,287	-	10,287
Borrowings	-	316,792	0	-	-	-	-	53,619	370,411	(53,619)	316,792
Retirement benefit obligations	-	2,648	6	-	-	8	-	-	2,662	-	2,662
Deferred tax liabilities	-	2	138	-	673	-	-	-	813	-	813
Liabilities held for sale	-	10,611	-	-	-	-	-	-	10,611	1,904	12,515
	7,198	3,996,852	36,062	108,314	23,669	232	25	55,523	4,227,874	(73,644)	4,154,230
Equity and reserves	259,704	517,940	18,820	28,958	8,051	331	2,941	(9,697)	827,049	(244,474)	582,575
Summarized Cash Flows											
Operating activities											
Interest received	538	367,992	5,763	13,776	0	59	287	0	388,416	(287)	388,128
Interest paid	-	(89,410)	(2,383)	(8,259)	-	0	0	0	(100,052)	15,879	(84,173)
Income tax paid	(20)	(5,062)	(1,946)	(184)	(203)	(58)	0	0	(7,473)	(416)	(7,889)
Cash flow generated from operations	(1,728)	(106,622)	615	2,681	10,943	65	558	(217)	(93,705)	28,925	(64,780)
Net cash generated from operating activities	(1,210)	166,898	2,049	8,014	10,739	66	845	(217)	187,185	44,101	231,285
Net cash used in investing activities	2,341	(175,575)	(8,093)	(9,311)	(15,457)	(10)	58	0	(206,046)	(5,610)	(211,656)
Net cash used in financing activities	(5,384)	(18,740)	(3,061)	-	(1,014)	(600)	(1,554)	0	(30,353)	(16,355)	(46,707)
Increase in cash and cash equivalents	(4,252)	(27,417)	(9,104)	(1,297)	(5,732)	(543)	(651)	(217)	(49,213)	22,135	(27,078)
Cash and cash equivalents at start of year	4,792	644,973	12,567	11,271	9,094	797	332	668	684,495	(18,127)	666,368
Effect of exchange rate fluctuations on cash held	105	101,612	5,115	102	-	6	-	-	106,941	0	106,941
Cash and cash equivalents at end of year	645	719,168	8,579	10,077	3,363	259	(320)	449	742,220	4,011	746,231

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	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	6,795	335,060	14,729	6,380	9,829	671	876	34	225	-	374,599	(11,487)	363,112
Operating expenses	(4,615)	(199,657)	(7,521)	(2,233)	(7,750)	(471)	(923)	30	(71)	-	(223,212)	475	(222,738)
Impairment charge for credit losses	-	(125,672)	(939)	(282)	-	(14)	(276)	-	-	-	(127,183)	8,389	(118,794)
Operating profit	2,180	9,730	6,270	3,865	2,079	186	(323)	63	154	-	24,204	(2,623)	21,580
Associate	-	-	280	-	-	-	-	-	-	-	280	(280)	-
Profit before tax	2,180	9,730	6,549	3,865	2,079	186	(323)	63	154	-	24,483	(2,903)	21,580
Tax	-	(6,913)	(1,549)	2,701	(219)	(61)	-	-	-	-	(6,042)	-	(6,042)
Profit/(Loss) for the year from continuing operations	2,180	2,817	5,000	6,566	1,860	124	(323)	63	154	-	18,441	(2,903)	15,538
Loss for the year from discontinued operations		129								(3,399)	(3,270)	2,878	(392)
Other comprehensive income	(17)	38,667	(1,304)	4,194	236	(49)	-	(1,060)	86	-	40,754	11	40,765
Total comprehensive income	2,164	41,613	3,695	10,760	2,096	75	(323)	(996)	240	(3,399)	55,925	(14)	55,911
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	4,792	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	0	-	-	6	-	-	-	-	4,265	(1)	4,264
Cash and cash equivalents at end of year	4,856	644,973	12,567	11,271	9,094	797	0	332	668	325	684,819	(18,451)	666,368

32 Asset Held for Sale

(a) Discontinued operations:

The assets classified as held for sale in 2016 included Rainbow Town Development Limited and FBN Mortgages Limited.

(i) Rainbow Town Development Limited

The assets and liabilities of Rainbow Town Development Limited (RTDL) were classified as held for sale following the decision and resolution of the Board of Directors of FBN Holdings Plc. on October 21, 2016 to dispose the Group's interest in RTDL. The carrying amount of the investment is expected to the recovered principally by a sale rather than through continuing use. The expected completion date for the transaction is October 2017. The amount has been presented in note 6 as part of Others.

(ii) FBN Mortgages Limited

The assets and liabilities of FBN Mortgages Limited were classified as such following the decision and resolution of the Board of Directors of First Bank Limited, the immediate parent company, to divest from FBN Mortgages Limited. The Board of Directors demonstrated commitment to the sales in line with the requirements of IFRS 5 and as such the sales is expected to be completed before the end of the next financial year 2017. The amount has been presented in note 6 as part of the Commercial Banking Group.

The operating results and net cash flows are separately presented in the income statement and statement of cash flows respectively because the disposal group represents a separate line of buisness within the Group, and as such meets the definition of discontinued operation.

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

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Assets classified as held for sale		
Cash and balances with central banks	203	-
Loans and advances to banks	510	-
Loans and advances to customers	3,067	-
Investment securities	58	-
Other assets	2,036	-
Inventory	43,805	570
Investment in subsidiaries	-	-
Deferred tax assets	459	
Property, plant and equipment	67	-
Intangible assets	7	-
	50,212	570
Liabilities classified as held for sale		
Deposit from banks	-	-
Deposit from customers	10,039	-
Company income tax liability	25	-
Other liabilities	2,303	-
Borrowings	109	-
Retirement benefit obligations	39	
Deferred tax liabilities	-	-
	12,515	-
Net Asset	37,697	570

The 2015 balance in the Statement of Financial Position represents the inventory balance of the property development portfolio of FBN Mortgages Limited, which was classified as held for sale.

The operating results of the discontinued operations are as follows.

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Interest income	1,005	1,028
Interest expense	(2,517)	(1,170)
Net interest income	(1,512)	(142)
Impairment charge	(845)	(528)
Net interest income after impairment charge	(2,357)	(670)
Net fee and commission income	50	198
Other income	(1,626)	1,274
Operating expense	(1,010)	(871)
Loss before tax	(4,943)	(69)
Taxation	45	(322)
Loss after tax	(4,898)	(391)

The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	(2,877)	(2,744)
Net cash flow from/(used in) financing activities	278	(55)
Net cash flow (used in)/from investing activities	(17)	1,395
Net cash outflow	(2,616)	(1,404)

(b) Non current asset held for sale

FBN Senegal, a subsidiary of First Bank of Nigeria Limited, has classified a building from its Property, Plant and Equipment as held for sale, following management's decision to dispose the asset within 12 months in line with IFRS 5.

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Property, plant and equipment	120	-
Total Assets classified as held for sale	50,332	570

33 Disposal of subsidiary/Loss of control in subsidiary

In accordance with the requirements of IFRS 10, the Group re-assessed control of its subsidiaries and concluded that it no longer controls NSIA II and FBN Heritage Fund. The Group lost control of NSIA II and FBN Heritage Fund effective August 2016 and December 2016 respectively. The loss of control in NSIA II resulted in a complete deconsolidation of the fund, while FBN Heritage Fund was reclassified to Investment in associate as the Group has significant influence in the fund due to its 37.9% interest in the fund.

The aggregate book value of the net assets for the entities disposed as a result of loss of control are as follows:

	31 December 2016			31 December 2015		
	NSIA II	FBN Heritage Fund	Total	FBN Microfinance Bank Limited	Ivory Trust Fund (excluding NSIA II)	Total
	N'million	N'million	N'million	N'million	N'million	N'million
GROUP						
Cash and balances with central banks		-	-	98	-	98
Loans and advances to banks	416	16	432	2,916	24,304	27,220
Loans and advances to customers		78	78	1,449	-	1,449
Financial assets at fair value through profit or loss		1,209	1,209	-	5,718	5,718
Investment securities	12,734	1,662	14,396	149	21,401	21,550
Other assets		-	-	117	240	357
Property, plant and equipment		-	-	244	-	244
Intangible assets		-	-	1	-	1
Total assets	**13,150**	**2,966**	**16,116**	**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	(154)	(25)	(178)	(97)	(598)	(695)
Liability on investment contracts	(16,159)	-	(16,159)	-	(52,192)	(52,192)
Deferred tax liabilities	-	-	-	(29)	-	(29)
Total liabilities	**(16,313)**	**(25)**	**(16,337)**	**(2,946)**	**(52,790)**	**(55,736)**
Net assets of disposal group	**(3,163)**	**2,941**	**(222)**	**2,028**	**(1,127)**	**901**
Proceeds on disposal	-	1,644	1,644	3,800	-	3,800
Less:						
Incidental cost (severance cost and professional fees)	-	-	-	(200)	-	(200)
Net proceeds on disposal	**-**	**1,644**	**1,644**	**3,600**	**-**	**3,600**
Net assets of disposal group attributable to parent	**-**	**1,652**	**1,652**	**2,028**	**-**	**2,028**
(Loss)/gain on disposal of subsidiary	**-**	**(8)**	**(8)**	**1,572**	**-**	**1,572**

COMPANY

	31 December 2015		
	FBN Microfinance Bank Limited	Ivory Trust Fund (excluding NSIA II)	Total
	N'million	N'million	N'million
Net proceeds on disposal	3,600	-	3,600
Cost of investment	(2,000)	-	(2,000)
Gain on disposal of subsidiary	1,600	-	1,600

	31 December 2016			31 December 2015		
	NSIA II	FBN Heritage Fund	Total	FBN Microfinance Bank Limited	Ivory Trust Fund (excluding NSIA II)	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Cash and cash equivalent lost on loss of control in subsidiary, Net						
Cash and balances with central banks	-	-	-	98	-	98
Treasury bills	-	827	827	149	13,169	13,318
Loans and advances to banks	-	16	16	2,916	24,305	27,221
Less: net proceeds on disposal	-	(1,644)	(1,644)	(3,600)	-	(3,600)
	-	(801)	(801)	(437)	37,474	37,037

34 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 2015	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	-	2,331	4,827	1,976	1,150	16	-	11,516
Reclassifications	(1)	(10)	-	-	(1)	1	-	-	(11)
Disposals	(26)	-	(1,354)	(56)	(15)	(93)	(1)	-	(1,545)
Write Offs	-	-	-	-	-	-	(2)	-	(2)
Exchange differences	53	-	39	22	97	15	22	-	248
At 31 December 2015	7,511	-	7,005	27,635	9,899	5,668	91	(0)	57,809
Net book amount at 31 December 2015	**37,861**	**21,009**	**5,108**	**12,616**	**2,713**	**3,452**	**56**	**5,583**	**88,398**
Cost									
At 1 January 2016	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Additions	951	100	2,196	3,597	1,952	905	13	3,130	12,844
Reclassifications	24	-	(18)	1,471	40	308	4	(3,549)	(1,720)
Disposals	-	-	(2,017)	(750)	(77)	(44)	(0)	(169)	(3,057)
Write Offs	(8)	-	-	-	-	-	-	(92)	(101)
Discontinued Operations	(161)	-	(190)	(45)	(56)	(30)	(11)	-	(492)
Exchange difference	1,216	22	297	292	554	189	36	143	2,749
At 31 December 2016	47,394	21,131	12,381	44,816	15,025	10,448	189	5,046	156,430
Accumulated depreciation									
At 1 January 2016	7,511	-	7,005	27,635	9,899	5,668	91	(0)	57,809
Charge for the year	1,410	0	2,270	4,680	1,827	1,372	25	-	11,584
Reclassifications	0	-	-	31	(29)	(2)	-	-	0
Disposals	-	-	(1,556)	(566)	(26)	(40)	(0)	-	(2,188)
Discontinued Operations	(39)	-	(119)	(36)	(50)	(27)	(9)	-	(281)
Exchange differences	297	(0)	164	184	401	123	21	-	1,191
At 31 December 2016	9,179	0	7,764	31,928	12,022	7,094	128	(0)	68,115
Net book amount at 31 December 2016	**38,214**	**21,131**	**4,617**	**12,887**	**3,002**	**3,354**	**61**	**5,046**	**88,315**

* 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.

**Included in 2015 depreciation charge was N37 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

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).

34 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	Total N million
Cost						
At 1 January 2015	615	256	450	3	470	1,794
Additions	-	112	1	2	1	115
Disposal	-	(94)	(5)	(0)	(17)	(116)
At 31 December 2015	615	274	446	5	454	1,793
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**
Cost						
At 1 January 2016	615	274	446	5	454	1,793
Additions	-	29	1	3	6	39
Disposal	-	-	-	-	-	-
At 31 December 2016	615	303	447	8	460	1,832
Accumulated depreciation						
At 1 January 2016	184	101	138	2	177	601
Charge for the year	123	72	89	2	96	381
Disposal	-	1	-	-	-	1
At 31 December 2016	307	173	227	3	272	983
Net book amount at 31 December 2016	**308**	**129**	**220**	**5**	**188**	**849**

35 Intangible assets

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer Software	Total
Cost						
At 1 January 2015	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**
Additions	-	-	-	-	6,161	6,161
Reclassification	-	-	-	-	1,502	1,502
Disposals	-	-	-	-	(116)	(116)
Effect of adjustment from discontinued operations	-	-	-	-	(13)	(13)
Exchange difference	974	-	-	217	774	1,965
At 31 December 2016	**6,502**	**52**	**326**	**905**	**18,820**	**26,605**
Amortisation and impairment						
At 1 January 2015	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**
Amortisation charge	-	-	-	208	3,116	3,324
Effect of adjustment from discontinued operations	-	-	-	-	(6)	(6)
Disposals	-	-	-	-	(61)	(61)
Exchange difference	-	-	-	73	528	601
At 31 December 2016	**1,925**	**52**	**326**	**573**	**8,401**	**11,277**
Net book value						
At 31 December 2016	4,576	-	-	332	10,418	15,328
At 31 December 2015	3,603	-	-	396	5,688	9,687

*Included in 2015 amortisation charge was amortisation of intangible assets of N3 million for FBN Mortgages Limited and Rainbow Town Development Limited. In 2016, the subsidiaries were classified as discontinued operations, hence results of operations of prior period has been represented.

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

The goodwill balance of N4.58 billion includes N0.55 billion attributable to the acquisition of FBN Bank DRC in the Democratic Republic of Congo concluded in 2013; N3.77 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.

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

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

The recoverable amount of each CGU has been based on value in use. These calculations use pre-tax cash flow projection covering five years. The discount rate used is also pre-tax.

35 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:

	2016			2015		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Terminal growth rate: %	8%	5%	7%	6%	4%	9%
Discount rate: %	23%	34%	20%	24%	27%	11%
Deposit growth rate: %	12%	19%	0%	12%	6%	0%
Gross premium growth rate: %	0%	0%	25%	0%	0%	20%
Recoverable amount of the CGU: (N' million)	7,960	13,228	6,728	11,173	10,259	8,596

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

	2016			2015		
	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance	FBN Bank DRC	FBN Bank Ghana	FBN General Insurance
Goodwill (N' million)	552	3,243	262	552	2,345	262
Net Asset (N' million)	5,397	8,613	4,109	7,771	5,826	3,979
Total carrying amount (N' million)	5,949	11,856	4,371	8,323	8,172	4,241
Excess of recoverable amount over carrying amount	2,011	1,372	2,357	2,850	2,087	4,355

36 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% (2015: 30%).

	GROUP	
	31 December 2016 N 'million	**31 December 2015 N 'million**
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(7,512)	(7,842)
Allowance for loan losses	9,063	3,677
Tax losses carried forward	17,429	20,276
Other assets	1,497	1,472
Other liabilities	(7,494)	(7,491)
Defined benefit obligation	3,251	3,265
Prior year adjustment	987	987
Effect of changes in exchange rate	17	231
Borrowings	40	40
	17,278	14,614
Deferred tax liabilities		
Property and equipment	(13)	149
Allowance for loan losses	-	-
Tax losses carried forward	(7)	-
Other assets	197	7
Other liabilities	22	83
Excess dividend tax	614	-
	813	239
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	16,004	13,123
- Deferred tax asset to be recovered within 12 months	1,274	1,491
	17,278	14,614
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	481	129
- Deferred tax liability to be recovered within 12 months	332	110
	813	239

Group	**1 Jan 2016 N 'million**	**Recognised in P&L N 'million**	**Assets classified as held for sale N 'million**	**31 Dec 2016 N 'million**
Movements in Deferred tax assets during the year:				
Property and equipment	(7,842)	330	-	(7,512)
Allowance for loan losses	3,676	5,387	-	9,063
Tax losses carried forward	20,276	(2,388)	(459)	17,429
Other assets	1,472	25	-	1,497
Other liabilities	(7,491)	(3)	-	(7,494)
Defined benefit obligation	3,265	(14)	-	3,251
Prior year adjustment	987	-	-	987
Effect of changes in exchange rate	231	(214)	-	17
Borrowings	40	-	-	40
	14,614	3,123	(459)	17,278

36 Deferred tax assets and liabilities continued

Group	1 Jan 2015 N 'million	Recognised in P&L N 'million	31 Dec 2015 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	3,676
Tax losses carried forward	17,871	2,405	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	0	40	40
	11,285	3,329	14,614

	1 Jan 2016 N 'million	Recognised in P&L N 'million	31 Dec 2016 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	149	(162)	(13)
Tax losses carried forward	-	(7)	(7)
Other assets	7	190	197
Other liabilities	83	(61)	22
Excess dividend tax	-	614	614
	239	574	813

	1 Jan 2015 N 'million	Recognised in P&L N 'million	31 Dec 2015 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	15	134	149
Other assets	7	-	7
Other liabilities	65	18	83
	87	152	239

Deferred 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 N72.7 billion (2015: N79.0 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.

37 Deposits from banks

	GROUP 31 December 2016 N 'million	 31 December 2015 N 'million
Due to banks within Nigeria	372,079	121,378
Due to banks outside Nigeria	43,999	23,274
	416,078	144,652

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

38 Deposits from customers

	GROUP 31 December 2016 N 'million	 31 December 2015 N 'million
Current	735,325	732,615
Savings	952,689	829,809
Term	842,260	970,418
Domiciliary	564,679	429,360
Electronic purse	9,268	8,720
	3,104,221	2,970,922
Current	2,884,627	2,822,847
Non-current	219,595	148,075
	3,104,221	2,970,922

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

39 Other liabilities

	GROUP		COMPANY	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N 'million	N 'million	N 'million	N 'million
Customer deposits for letters of credit	112,492	46,844	-	-
Accounts payable	39,385	66,117	-	-
Creditors	17,660	19,817	237	380
Bank cheques	12,426	15,290	-	-
Collection on behalf of third parties	5,772	4,621	-	-
Unclaimed dividend	5,812	4,187	5,812	4,187
Accruals and provisions	41,841	11,565	1,065	1,184
	235,388	168,441	7,114	5,751

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

40 Liability on investment contracts

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Long term clients	9,440	10,157
Short term clients	-	-
	9,440	10,157
Non-current	9,440	10,157
	9,440	10,157

41 Liability on insurance contracts

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Outstanding claims	975	757
Unearned premium	891	1,235
Short term insurance contract - Claims incurred but not reported (IBNR)	614	502
Liability on annuity fund	1,519	2
Liability on long term insurance contract - Life fund	6,288	9,341
	10,287	11,837
Current	2,480	2,494
Non-current	7,807	9,343
	10,287	11,837

Reconciliation of changes in liability on insurance contracts

2016	Outstanding claims	Unearned premium	IBNR claims on short term insurance	Annuity fund	Life fund	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2016	757	1,235	502	2	9,341	11,837
Claims incurred	3,000	-	-	-	-	3,000
Claims paid	(2,782)	-	-	-	-	(2,782)
Change in the year	-	(344)	112	1,517	(3,053)	(1,768)
As at 31 December 2016	975	891	614	1,519	6,288	10,287

2015	Outstanding claims	Unearned premium	IBNR claims on short term insurance	Annuity fund	Life fund	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2015	556	917	264	0	6,523	8,260
Claims incurred	3,522	-	-	-	-	3,522
Claims paid	(3,321)	-	-	-	-	(3,321)
Change in the year	-	318	238	2	2,818	3,376
As at 31 December 2015	757	1,235	502	2	9,341	11,837

42 Borrowings

	GROUP	
	31 December 2016 N 'million	31 December 2015 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	233,976	152,434
Due to Deutsche Bank (ii)	-	6,224
Due to Proparco (iii)	19,968	
On-lending facilities from financial institutions (iv)	53,729	83,332
Borrowing from correspondence banks (v)	9,119	14,126
	316,792	256,116
Current	36,758	36,125
Non-current	280,034	219,991
	316,792	256,116
At start of the year	256,116	369,707
Liabilities held for sale	(109)	-
Proceeds of new borrowings	34,516	75,961
Finance cost	18,764	15,273
Foreign exchange losses	82,690	7,722
Repayment of borrowings	(59,306)	(200,445)
Interest paid	(15,879)	(12,102)
At end of year	316,792	256,116

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

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

(ii) Due to 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. The loan was fully repaid in June 2016.

(iii) Due to Proparco:
Facility represents the outstanding balance of the credit facility of US $65 million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2016. The facility is priced at 5.78%(Fixed) per annum and will mature in May 2024. Interest on this facility is payable semi-annually and there is 2 year moratorium on principal repayment.

(iii) 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, there was no additional disburement (2015: N31.6 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, additional disbursement to First Bank Nigeria Limited was N5.8 billion (2015: N4.2 billion). Loans granted under the scheme are for a 7 year period at an

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

43 Retirement benefit obligations

	GROUP	
	31 Dec 2016 N 'million	31 Dec 2015 N 'million
Defined Contribution Plan	6	-
Defined Benefits Plan		
Gratuity Scheme (i)	8	55
Defined Benefits - Pension (ii)	1,934	3,083
Gratuity Scheme (iii)	714	626
	2,662	3,764

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

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 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the enity. The balance on this scheme is deemed immaterial.

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 directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2016, the plan assets exceeded the defined benefit obligation by N22 million resulting in a net defined benefit asset.

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 2015	10,438	(8,802)	1,636
Transfer from gratuity scheme (1)			-
Interest expense/(income)	1,328	(1,116)	212
Service cost	41		41
Curtailment losses			-
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	(1,530)	1,530	0
Defined benefit pension obligations at 31 December 2015	**12,033**	**(8,950)**	**3,083**
Interest expense/(income)	1,226	(1,068)	158
Service cost	21	-	21
Curtailment losses	(1)	-	(1)
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	(34)	1,430	1,396
- change in demographic assumptions	(2,681)	-	(2,681)
Contributions:			
- Employer	-	(42)	(42)
Payments:			
- Benefit payment	(1,553)	1,553	-
Defined benefit pension obligations at 31 December 2016	**9,011**	**(7,077)**	**1,934**

43 Retirement benefit obligations continued: Pension

GROUP

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

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

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

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

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

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

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 5 years

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

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

	Assumption	Benefit Obligation N'm	Impact on Liability
	16%	8,882	0.0%
	17%	8,499	-4.3%
Discount rate	15%	9,302	9.5%
	Base	8,882	0.0%
	Improved by 1 year	8,936	0.6%
Life expectancy	Decreased by 1 year	8,827	-1.2%

The above sensitivity 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.

43 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 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 2016 N 'million	**31 Dec 2015 N 'million**
Gratuity Scheme (i)	79	48
Defined Benefits - Pension (ii)	179	255
Gratuity Scheme (iii)	478	-
	736	303
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	(74)	50
Defined Benefits - Pension (ii)	(2,715)	1,756
Gratuity Scheme (iii)	1,295	(402)
	(1,494)	1,404

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

44 Share capital

Authorised	**31 December 2016**	**31 December 2015**
50 billion ordinary shares of 50k each (2015: 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 2015	35,895	17,948
At 31 December 2016	35,895	17,948

45 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.

45 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 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.

46 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Profit before tax from continuing operations	22,948	21,581	7,611	2,180
Profit before tax from discontinued operations	(4,943)	(69)	-	-
Profit before tax including discontinued operations	18,005	21,512	7,611	2,180
Adjustments for:				
– Depreciation and amortisation	14,908	13,673	381	384
– Impairment of intangible assets (note 35)	-	945	-	-
– Loss from disposal of property and equipment	12	186	-	7
– Loss/ (profit) from disposal of investment properties	(43)	-	-	-
– Foreign exchange gains	(75,995)	7,443	-	-
– Loss from disposal of subsidiaries	8	(1,572)	-	(1,600)
– Profit from disposal of associate	-	-	(144)	-
– Gain on bargain purchase	-	-	-	-
– (Profit)/ loss from disposal of investment securities	(3,930)	(6,666)	12	(36)
– Net (gains)/ losses from financial assets at fair value through profit or loss	6	(2,055)	-	-
– Fair value gain/(loss) on investment properties	(188)			
– Impairment on loans and advances	222,908	119,858	-	-
– Write off of PPE and intangible assets	101	212	-	-
– Change in provision in other assets	5,614	1,752	-	-
– Change in provision for impairment of investments	-	-	1,700	850
– Change in retirement benefit obligations	393	331	-	-
– Share of profit from associates	-	-	-	-
– Dividend income	(897)	-	(11,559)	(4,493)
– Interest income	(405,282)	(396,190)	(885)	(614)
– Interest expense	100,840	131,167	-	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(64,316)	86,420	-	-
– Inventories	49,649	(4,167)	-	-
– Loans and advances to banks	(24,425)	110,004	-	-
– Loans and advances to customers	(36,319)	249,462	(2)	17
– Financial assets at fair value through profit or loss	146,838	(5,744)	-	-
– Other assets	2,525	(8,261)	(205)	(420)
– Pledged assets	(49,320)	(37,163)	-	-
– Assets held for sale	(49,762)	2,787	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	201,983	(26,499)	-	-
– Deposits from customers	(152,184)	(67,270)	-	-
– Financial liabilities	34,682	1,571	-	-
– Liability on investment contracts	6,604	1,732	-	-
– Liability on insurance contracts	1,286	3,577	-	-
– Liability held for sale	12,399	1,354	-	-
– Other liabilities	(20,878)	36,405	1,363	2,192
Cash flow (used in)/generated from operations	(64,780)	234,804	(1,728)	(1,533)

47 Commitments and Contingencies

47.1 Capital commitments

At the balance sheet date, the company had no capital commitments (2015: Nil) in respect of authorized and contracted capital projects.

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Authorised and contracted		
Group	953	527
Company	-	-

47.2 Operating lease rentals

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

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

47.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations

There were contingent liabilities in respect of legal actions against the group, for which provisions amounting to N2.91 billion have been made (2015: N542.81 million). 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

47.4 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 2016	31 December 2015
	N 'million	N 'million
Performance bonds and guarantees	313,779	295,469
Letters of credit	156,845	126,227
	470,624	421,696

47.5 Loan Commitments

	GROUP	
	31 December 2016	31 December 2015
	N 'million	N 'million
Undrawn irrevocable loan commitments	14,203	33,342

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.

47.6 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, a subsidiary of FBN Holdings Plc., 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 Bank complied with this loan covenant. See Note 4 for the calculation of the composition of the Bank'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 2016 and 31 December 2015.

48 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 2016	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	15,165	-	15,165	-	1,585	13,580
Reinsurance receivables	890	-	890	75	-	815
Total Assets subject to offsetting, master netting and similar arrangements	16,055	-	16,055	75	1,585	14,395
LIABILITIES						
Financial derivatives	(12,751)	-	(12,751)	-	(3,605)	(9,146)
Trade payables	(75)	-	(75)	(75)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(12,826)	-	(12,826)	(75)	(3,605)	(9,146)

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)

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.

49 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 non-operating financial holding company licensed by the Central Bank of Nigeria.

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

49.1 Transactions with related parties

Name of entity	Nature of transactions	31 December 2016 N 'million	31 December 2015 N 'million
First Bank of Nigeria Limited	Placement	626	1,695
First Bank of Nigeria Limited	Current account balance	18	3,097
First Bank of Nigeria Limited	Bank charges	3	3
First Bank of Nigeria Limited	Interest Income	121	292
FBN Insurance Limited	Premium	16	8

49.2 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 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Salaries and other short-term employee benefits	1,166	1,043	365	251
Post-employment benefits	280	931	7	190
	1,446	1,974	372	441

50 Directors' emoluments

Remuneration paid to the directors was:

	31 December 2016 N 'million	31 December 2015 N 'million
Fees	312	315
Sitting allowances	17	11
Executive compensation	105	90
Retirement benefit costs	-	184
Other directors' costs and expenses	25	447
	459	1,047
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	48	48
Highest paid director	105	90

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 December 2016	31 December 2015
N3,000,001 and above	11	10
	11	10

51 Compliance with regulations

During the year, the entities within the group were penalised by their respective regulators as follows:

(a) FBN Holdings Plc
- N400,000 to the Nigerian Stock Exchange for late submission of 2015 Annual Accounts
- N20.75million to the Securities and Exchange Commission for late submission of 2015 Annual Accounts and Quarter 4 unaudited accounts

(b) First Bank of Nigeria Limited
- N30million to Central Bank of Nigeria (CBN) in respect of registration of IMTOs
- N20million to CBN for cases of linking multiple accounts to single BVN
- N12million to CBN for various ALM/CFT infractions emanating from spot check carried out on the Bank's branches in January 2016
- N4million to CBN for publication of appointment without prior approval
- N4million to CBN for late rendition of STR returns to the NFIU in October 2015
- N2million to CBN for failure to implement external auditor's recommendation contained in December 2014 management letter
- N2million to CBN for exceeding regulatory single obligor limit in 2015
- N2million to CBN for opening of accounts and partnering with unlicensed International Money Transfer Service Operators
- N2million to CBN for excess charges on Customers' accounts
- N175,000 to CBN for late rendition of daily returns in 2016
- N100,000 to CBN for non-rendition of returns to NOTAP

(c) FBN Merchant Bank Limited
- N300,000 to SEC for failure to notify the commission of the resignation of a sponsored individual within 5 working days of resignation.
- N2million to CBN for failure to comply with a directive on the submission of documents as conditions of the approval of the appointment of one of the bank's directors within two (2) weeks

(d) FBN Capital Limited
- N418,000 to SEC for failure to respond timely to request for information.
- N135,000 to SEC for contravention of section 161 of ISA 2007 regarding issuance of unregistered units of FBN Nigeria Eurobond Fund

52 Events after statement of financial position date

No significant event occurred after the reporting date.

53 Dividends per share

A cash dividend of N5.38 billion at N0.15 per share (2014: N3.26 billion) that relates to the period to 31 December 2015 was paid in May 2016. The Directors have recommended for approval a dividend of N0.20 per share for the year ended 31 December 2016.

54 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 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	19,020	15,797	7,507	2,180
Loss from discontinued operations attributable to owners of the parent (N'million)	(4,898)	(391)	0	0
Weighted average number of ordinary shares in issue (in million)	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	0.53	0.44	0.21	0.06
- from discontinued operations	(0.14)	(0.01)	0.00	0.00
	0.39	0.43	0.21	0.06

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.

55 Non-audit services

The external auditors of FBN Holdings Plc., Messrs PricewaterhouseCoopers Nigeria, did not render any non-audit service to the company during the year.

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2016
Statement of Value Added - Group

	31 December 2016 N'million	%	31 December 2015 N'million	%
Gross income	581,831		505,191	
Interest and fee expense	(111,911)		(140,750)	
	469,920		364,441	
Administrative overheads	(122,221)		(129,518)	
Value added	347,698	100	234,923	100
Distribution				
Employees				
- Salaries and benefits	83,805	24	80,416	34
Government				
- Taxation	5,807	2	6,364	3
The future				
- Asset replacement (depreciation)	11,584	3	11,516	5
- Asset replacement (amortisation)	3,324	1	2,157	1
- Asset replacement (provision for losses)	226,037	65	119,322	51
- Expansion (transfers to reserves)	17,141	5	15,148	6
	347,698	100	234,923	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2016
Statement of Value Added - Company

	31 December 2016 N'million	%	31 December 2015 N'million	%
Gross income	12,715		6,794	
Interest and fee expense	-		-	
	12,715		6,794	
Administrative overheads	(2,321)		(2,695)	
Value added	10,394	100	4,099	100
Distribution				
Employees				
- Salaries and benefits	702	7	685	17
Government				
- Company income tax	104	1	-	-
The future				
- Asset replacement (depreciation)	381	4	384	9
- Asset replacement (amortisation)	-	-	-	-
- Asset replacement (provision for losses)	1,700	16	850	21
- Expansion (transfers to reserves)	7,507	72	2,180	53
	10,394	100	4,099	100

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million
Assets:					
Cash and balances with central bank	**690,165**	715,871	698,104	594,234	300,532
Loans and advances to banks	**444,871**	385,769	460,911	430,586	439,853
Loans and advances to customers	**2,083,894**	1,817,271	2,178,986	1,769,130	1,541,377
Financial assets at fair value through profit or loss	**46,711**	26,426	27,601	10,287	6,112
Investment securities	**1,050,588**	906,473	711,639	824,064	718,040
Assets pledged as collateral	**197,420**	105,646	68,483	53,650	50,109
Other assets	**47,786**	35,483	40,640	45,640	45,992
Inventory	**-**	49,649	37,805	30,253	21,676
Investment in associates	**1,114**	-	-	7,029	6,321
Investment properties	**3,003**	3,025	2,826	2,413	4,003
Property, plant and equipment	**88,315**	88,398	88,557	81,299	75,407
Intangible assets	**15,328**	9,687	8,569	8,748	3,523
Deferred tax	**17,278**	14,615	11,285	7,120	8,201
Assets held for sale	**50,332**	570	8,331	4,549	5,221
	4,736,805	4,166,189	4,343,737	3,869,001	3,226,367
Financed by:					
Share capital	**17,948**	17,948	16,316	16,316	16,316
Share premium	**233,392**	252,892	254,524	254,524	254,524
Reserves	**331,783**	304,284	249,190	196,432	167,927
Non controlling interest	**(548)**	3,675	4,033	4,505	2,548
Deposits from banks	**416,078**	144,652	171,151	82,032	89,430
Deposits from customers	**3,104,221**	2,970,922	3,050,853	2,929,081	2,395,148
Financial liabilities at fair value through profit or los	**37,137**	12,488	10,917	1,701	1,796.00
Liabilities on investment contracts	**9,440**	10,157	60,617	68,723	54,995
Liabilities on insurance contracts	**10,287**	11,837	8,260	3,651	2,127.00
Borrowings	**316,792**	256,116	369,707	126,302	75,541
Retirement benefit obligations	**2,662**	3,764	2,029	1,924	19,380
Current income tax	**8,897**	8,773	11,829	34,167	23,389
Other liabilities	**235,388**	168,441	132,633	149,606	122,202
Deferred income tax liabilities	**813**	239	87	37	225
Liabilities held for sale	**12,515**	-	1,592	-	819
	4,736,805	4,166,189	4,343,737	3,869,001	3,226,367

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million	12 months ended 31 Dec 2014 N'million	12 months ended 31 Dec 2013 N'million	12 months ended 31 Dec 2012 N'million
Gross Earnings	**581,831**	502,691	481,774	396,235	370,167
Net operating income	**469,926**	361,537	356,243	296,426	301,072
(Loss)/Gain from disposal of subsidiary	**(8)**	1,572	-	-	-
Insurance claims	**(2,190)**	(3,306)	(1,043)	(488)	(498)
Operating expenses	**(218,744)**	(219,429)	(235,801)	(185,298)	(193,513)
Group's share of associate's results	**-**	-	599	1,006	(592)
Impairment charge for credit losses	**(226,037)**	(118,794)	(25,942)	(20,309)	(12,549)
Profit before taxation	**22,948**	21,581	94,056	91,337	93,920
Taxation	**(5,807)**	(6,042)	(10,045)	(20,706)	(17,120)
Profit from continuing operations	**17,141**	15,539	84,011	70,631	76,800
Loss from discontinuing operations	**(4,898)**	(391)	-	-	-
Profit for the year	**12,243**	15,148	84,011	70,631	76,800
Profit attributable to:					
Owners of the parent	**14,122**	15,406	84,231	70,135	77,020
Non controlling interest	**(1,879)**	(258)	(220)	496	(220)
	12,243	15,148	84,011	70,631	76,800
Earnings per share in kobo (basic/diluted)	**39**	**43**	235	216	237

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million	31 December 2012 N'million
Assets:					
Loans and advances to banks	**645**	4,792	3,261	1,477	-
Loans and advances to customers	**65**	63	80	72	-
Investment securities	**12,350**	7,019	4,272	9,847	15,771
Investment in associates	**-**	1,500	1,500	9,281	11,875
Investment in subsidiaries	**242,395**	263,595	260,777	246,777	243,065
Other assets	**10,599**	4,670	14,361	43,285	236
Property, plant and equipment	**849**	1,192	1,519	1,072	30
Assets held for sale	**-**	-	2,000	-	-
	266,903	282,831	287,770	311,811	270,977
Financed by:					
Share capital	**17,948**	17,948	16,316	16,316	16,316
Share premium	**233,392**	252,892	254,524	254,524	254,524
Reserves	**8,365**	6,242	7,340	37,261	(947)
Current income tax	**84**	-	-	-	-
Other liabilities	**7,114**	5,751	9,590	3,710	1,084
	266,903	282,831	287,770	311,811	270,977

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2016	12 month ended 31 Dec 2015	12 month ended 31 Dec 2014	12 month ended 31 Dec 2013	1 month ended 31 Dec 2012
Gross Earnings	**12,715**	**6,794**	**16,969**	**74,988**	**1**
Net operating income	**12,571**	5,195	7,800	72,289	-
Gain from disposal of subsidiary/associate	**144**	1,600	-	-	-
Operating expenses	**(5,104)**	(4,615)	(2,117)	(1,658)	(819)
Profit before taxation	**7,611**	2,180	5,683	70,631	(819)
Taxation	**(104)**	-	-	-	-
Profit after taxation	**7,507**	2,180	5,683	70,631	(819)
Earnings per share in kobo (basic)	**21**	**6**	16	216	(3)