FBN Holdings

FBN Holdings Plc

Annual Report and Accounts 2020

PREMIUM BOARD LISTED

For over a century, we have remained committed to delivering a diverse range of innovative products and services while creating opportunities that provide sustainable value over the long term. In line with this avowed commitment and focus to lead in the digital age, we are leveraging cutting-edge technology to develop and deliver mutually beneficial innovative financial solutions to our customers in an environmentally friendly and sustainable manner. Consequently, we re-organised our workforce, revamped our processes, and currently overhauling, upgrading, and re-modelling our IT infrastructure as an enabler of our digital initiatives.

Our ability to reach the hitherto unbanked and underbanked to seamlessly deliver tailor-made financial solutions, provide multiple financial access and inclusion, even at the height of the debilitating and rampaging COVID-19 pandemic, while embedding flexible working arrangements to improve overall employee experience and productivity, is a testament to the Group’s current transformation.

Confident of the on-going improvements in our business, following continuous investments in innovative financial solutions, resulting in improving financial metrics despite the challenges, we continue to forge ahead with vigor and unwavering commitment towards a brighter future.

In this Report

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries.

FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial Services' section on 26 November 2012 and has issued and fully paid-up share capital of 35,895,292,791 ordinary shares of 50 kobo each (₦17,947,646,396). In this Report, the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of Naira respectively.

The Audited Financial Statements in this Annual Report have been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months of December 2020 to the corresponding 12 months of 2019, while the statements of financial position comparison represents the corresponding position as at 31 December 2019. Except as otherwise disclosed, all the balances and figures relate to continuous operations. Relevant terms that are used in this document, but not defined under applicable regulatory guidance or the IFRS are explained in the abbreviation section of this Report.

There will be an option to view PDF copies of the FBNHoldings Annual Report, list of unclaimed dividend and a list of all business locations on the Investor Relations section of the FBNHoldings website.

FBNHoldings at a Glance

FBN Holdings Plc is the foremost Financial Services Group, woven into the fabric of Nigeria through its flagship subsidiary, First Bank of Nigeria Limited, which has been operating for over 127 years.

As a Group, we are constantly evolving and adapting to the times to exceed customer expectations and deliver value to our shareholders. We stay ahead by leveraging innovation and technology to deliver unparalleled financial solutions through our diversified business entities.

GROUP PROFILE

FBN Holdings Plc is the foremost Financial Services Group in Nigeria. The Company, through its subsidiaries, provides a diverse range of financial services across commercial banking, merchant banking, capital markets, trusteeship and insurance brokerage. The subsidiaries offer innovative and competitive financial solutions across Africa, Europe and Asia.

Notable milestones

FirstBank Since 1894
Founded in 1894[1]

Listed as FirstBank in 1971 and as FBNH in 2012

A leading asset management, trustee and financial advisory services

4.2 million
FirstMobile subscribers

~100,000[2]
Strong growth in Agent Banking network

3,111
ATMs

>30 million
customer accounts

Differentiated Leadership in transactional processing
>130 million
electronic-banking transactions per month

15,623
POS terminals

Fastest growing USSD
*894#
with **11.2 million users**

818[3]
Business locations

[1]Oldest bank in Nigeria

[2]As at 31 March 2021

[3]735 branches for FirstBank (Nigeria) and 83, (local and international) subsidiary locations.

OUR DIRECT SUBSIDIARIES

Our businesses provide financial services to a variety of customers across commercial banking, merchant banking, capital markets, trusteeship and insurance brokerage.

FBNHoldings

COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank (UK) Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank The Gambia Limited
- FBNBank Guinea Limited
- FBNBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Pension Custodian Nigeria Limited

The Group's core business is providing financial services to individuals, corporate customers, and public institutions. This business segment includes the domestic, international, and representative offices offering commercial banking services in 10 countries.

The Flagship, First Bank of Nigeria Limited founded 1894.

MERCHANT BANKING

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

CAPITAL MARKETS

FBNQuest Capital Limited

- FBNQuest Funds Limited

TRUSTEESHIP

FBNQuest Trustees Limited

These businesses comprise corporate banking, investment banking, asset and wealth management, fixed income securities trading and trust services, serving a diverse customer base of corporates, banks, public institutions, institutional investors, high-net worth individuals (HNIs) and the retail market.

INSURANCE BROKERAGE

FBN Insurance Brokers Limited

This Company offers expert risk management and insurance brokerage as well as advisory services in life and general insurance businesses.

Vision

To be the leading African financial services provider delivering innovative solutions

Strategic Ambition

Maximise shareholder value through a diversified portfolio focused on putting customer 'First'

Core Values

Innovation
Integrity
Respect
Customer Centricity
Sustainability

OUR FOOTPRINTS

FRANCE

Name: FBNBank UK Limited
Type: Bank Branch
Founded: 2008
Products/Services: Commercial Banking, International Banking

UNITED KINGDOM

Name: FBNBank UK Limited
Type: Licensed Bank
Founded: 2002
Products/Services: Commercial and International Banking

SENEGAL

Name: FBNBank Senegal Limited
Type: Licensed Bank
Founded: 2014
Products/Services: Commercial Banking

THE GAMBIA

Name: FBNBank The Gambia Limited
Type: Licensed Bank
Founded: 2004
Products/Services: Commercial Banking

CHINA*

Name: FBNBank China
Founded: 2009
Products/Services: Banking Services

GUINEA

Name: FBNBank Guinea Limited
Type: Licensed Bank
Founded: 1996
Products/Services: Commercial Banking

DEMOCRATIC REPUBLIC OF CONGO

Name: FBNBank DRC Limited
Type: Licensed Bank
Founded: 1994
Products/Services: Commercial Banking

SIERRA LEONE

Name: FBNBank Sierra Leone Limited
Type: Licensed Bank
Founded: 2004
Products/Services: Commercial Banking

GHANA

Name: FBNBank Ghana Limited
Type: Licensed Bank
Founded: 1996
Products/Services: Commercial Banking

NIGERIA

Name: FBN Holdings Plc
Type: Licensed Financial Holding Company
Founded: 2012
Products/Services: Commercial Banking, Merchant Banking and Asset Management, Insurance

Name: FBNQuest Merchant Bank Limited
Type: Licensed Bank
Founded: 1995
Products/Services: Merchant Banking and Asset Management Services

Name: FBNQuest Capital Limited
Type: Licensed Capital Market Operator
Founded: 2002
Products/Services: Private Advisory and Investments

Name: FBNQuest Trustees Limited
Type: Licensed Trustees Services Provider
Founded: 1979
Products/Services: Trust Services Provider

Name: First Bank of Nigeria Limited (Formerly First Bank of Nigeria Plc)
Type: Licensed Bank
Founded: 1894
Products/Services: Commercial Banking

Name: FBN Insurance Brokers Limited
Type: Licensed Insurance Brokerage company
Founded: 2000
Products/Services: Insurance Brokerage Services

*Representative Offices

PERFORMANCE HIGHLIGHTS - FINANCIAL HIGHLIGHTS

GROSS EARNINGS

▼ 1.9%

₦579.4bn

2019: ₦590.4bn

Gross earnings declined by 1.9% reflecting the low interest rate environment that prevailed in 2020.

NET-INTEREST INCOME

▼ 10.0%

₦251.6bn

2019: ₦279.6bn

Net-interest income declined by 10.0% arising from the lower yields on securities and low loan margins, but this was partly offset by lower interest expenses on deposits.

NON-INTEREST INCOME[1]

▲ 26.7%

₦174.7bn

2019: ₦137.9bn

Non-interest income grew by 26.7% supported by increased trade related transactions, and growth in E-banking income demonstrating disciplined execution of our digital and transaction-led strategy.

OPERATING EXPENSES

▲ 0.5%

₦292.5bn

2019: ₦291.2bn

Operating expenses grew only by 0.5%, well below inflation.

PROFIT BEFORE TAX

▲ 11.2%

₦83.7bn

2019: ₦75.3bn

Profit before tax increased 11.2%, largely supported by the growth in non-interest income.

CUSTOMER DEPOSITS

▲ 21.8%

₦4,894.7bn

2019: ₦4,019.8bn

The 21.8% increase in total customer deposits reaffirms our deep market access and strong funding base.

[1]Non-interest income is net of fee and commission expenses

PERFORMANCE HIGHLIGHTS – FINANCIAL HIGHLIGHTS

CUSTOMER LOANS AND ADVANCES (NET)

19.7%

₦2,217.3bn

2019: ₦1,852.4bn

Customer loans and advances increased by 19.7%, as we increasingly diversify the loan book which provides a resilient and sustainable revenue base.

EARNINGS PER SHARE (EPS)[2]

26.3%

₦2.45

2019: ₦1.95

The growth in earnings per share reflects improved profitability.

RETURN ON AVERAGE EQUITY[3] (ROaE)

0.2%

12.6%

2019: 12.4%

Return on average equity increased 0.2%, signifying a higher return to shareholders despite a difficult operating environment.

RETURN ON AVERAGE ASSETS[4] (ROaA)

FLAT

1.3%

2019: 1.3%

Although total assets increased by 23.9%, profitability also increased in tandem to maintain the ROaA.

[2]Basic EPS computed as profit after tax divided by weighted average number of shares in issue

[3]Post-tax return on average equity computed as profit after tax attributable to shareholders divided by the average opening and closing balances attributable to equity holders

[4]Post-tax return on average assets computed as profit after tax divided by the average opening and closing balances of total assets

PERFORMANCE HIGHLIGHTS – NON-FINANCIAL HIGHLIGHTS

Disruptive Innovations

- Launched the pioneer FastTrack ATM in Africa, offering customers a touchless solution for ATM transactions and enabling customers to pre-order cash on ATMs through the Bank's USSD or mobile banking platforms.
- Unveiled the FirstBank Virtual Payment Card, a digital representation of the naira-denominated physical debit card.
- Launched the Firstmonie Agent Credit, a digital lending solution designed to provide bridge finance to help our agents solve liquidity challenges.
- Leveraged technology to promote digital account opening processes through the staff Direct Sales Executive App, ATMs, Firstmonie Agents, *894# USSD banking, FirstMobile and the Company's website.
- Upgraded the Bank's mobile banking application, FirstMobile with new and improved features to promote a convenient and secured mobile banking experience for customers.
- Rolled out FirstBank Innovation Lab's proprietary developed Mobile Banking App for FBNBank Senegal
- Upgraded the FBNEdge Asset Management App to offer clients an end-to-end digital platform to actively manage their portfolio and grow their wealth.

Customer Focus

- Increased customer account base (including wallets) to over 30 million.
- Maintained the dominant digital bank rating in Nigeria with a strong market share of electronic banking transaction volumes, about 16 million users on our digital platforms (USSD *894#, FirstMobile and FirstOnline), as well as 11.2 million active card users.
- Expanded the Agent Banking network to ~100,000* agents across 772 out of 774 Local Government Areas in Nigeria.
- Reinforced the Bank's financial inclusion drive with the disbursement of loans through FirstAdvance and Agent Credit digital platforms.
- Provided free e-learning solutions in partnership with Roducate, IBM and the Lagos State Government to one million children, thereby bridging the gap of the disruption in their education as a direct result of the closure of schools due to the COVID-19 pandemic.
- Improved customer ranking in the Wholesale Banking segment by four places in 2020.
- Upgraded the FBNQuest Trustees customer portal to enhance features and service delivery to clients.

*As at 31 March 2021

Employee Engagement

The Group was outstanding at the Great Place to Work Awards this year, achieving the following certifications and rankings:

- FBNHoldings received a Platinum certification having ranked 2nd 'Best Place to Work' among participating organisations, other Awards received were; the 'Best Place to Work for Women', 'Best Place to Work for Millennials' and 'Best in Leadership Practice'.
- FBNQuest group was recognised as one of the 'Best Place to Work' in the medium-sized companies category with FBNQuest Merchant Bank achieving a Gold certification and FBNQuest Capital achieving a Silver certification.
- Our Flagship subsidiary, FirstBank, was recognised as one of the 'Best Place to Work' in the large companies category, achieving a Gold certification alongside an award for the 'Best in Learning and Development'.

RECOGNITION OF OUR PERFORMANCE

FBNHoldings continues to excel in its vision to be the leading African financial services provider. Our excellence in delivering innovative financial solutions, promoting high work ethics and instituting world-class corporate governance practices is recognised globally.

Best Corporate Governance in Nigeria
WORLD FINANCE MAGAZINE

FBNHoldings won the Award for promoting integrity, transparency and accountability across all stakeholders.

Financial Holding Company of the Year
BUSINESSDAY BANKING AND FINANCIAL INSTITUTIONS

FBNHoldings won the Award in recognition of the Group's leadership role in the financial services industry.

Business Complexity and Risk Management Company of the Year
BUSINESSDAY BANKING AND FINANCIAL INSTITUTIONS

The Award was presented to FBNHoldings in recognition of the Group's excellence in risk management and business operations.

Best Workplace for the Millennial Generation in Africa
GREAT PLACE TO WORK

The Award was presented to FBNHoldings in recognition of the Group's all-inclusive work environment that promotes millennial learning and development.

Best Workplace for Women in Africa
GREAT PLACE TO WORK

FBNHoldings won the Award for its exceptional commitment to fostering an enabling and supportive environment for women in the workforce.

Best in Leadership Practice
GREAT PLACE TO WORK

The Award was in recognition of the quality of leadership, demonstrated through the effective communication of corporate values, vision and strategic goals.

RECOGNITION OF OUR PERFORMANCE

Platinum Certification as a Great Workplace
GREAT PLACE TO WORK

The certification was in recognition of the Group's overall excellence in workplace ethics, culture and values.

Overall Ranking as the 2nd Best Company to Work for in Africa
GREAT PLACE TO WORK

The ranking was in recognition of FBNHoldings' certification as a 'Great Workplace' among participating organisations across Africa.

African Bank of the Year
AFRICAN LEADERSHIP MAGAZINE

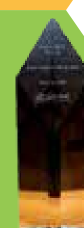
FirstBank won the Award for delivering high performance across various metrics such as maintaining public trust, business integrity, corporate governance, ethical codes of conduct, excellent customer service and innovative financial solutions.

Best Retail Bank in Nigeria
GLOBAL BANKING AND FINANCE REVIEW

The Award was in recognition of FirstBank's customer-friendly and easily accessible consumer and small and medium enterprise loan products.

Best Mobile Banking App in Nigeria
GLOBAL FINANCE BEST DIGITAL BANK AWARDS

FirstBank clinched the Award for providing excellent self-service through its user-friendly app, FirstMobile.



Best Private Bank in Nigeria
GLOBAL FINANCE MAGAZINE

FirstBank won the Award for its effective response to the challenges and opportunities that characterised private banking at the start of the 21st century.

RECOGNITION OF OUR PERFORMANCE

The Next 100 Global Award
GLOBAL BANKING AND FINANCE REVIEW

FirstBank was recognised for its achievements, dedication and leadership role in the banking industry for over 127 years.

Best Digital and Mobile App
BUSINESSDAY

FirstBank won the Award for providing excellent self-service through its user-friendly app, FirstMobile.

Most Impactful Corporate Social Responsibility Contribution of the Year
BUSINESSDAY

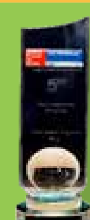
FirstBank was recognised for its outstanding contribution to schools by providing access to a robust, government-approved curriculum-compliant e-learning platform in the wake of the COVID-19 pandemic.

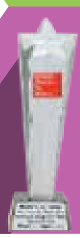
Best Banking Brand in Nigeria
GLOBAL BRANDS MAGAZINE

FirstBank was recognised for its unwavering commitment to innovative financial solutions, high-quality branding activities, exceptional customer service and outstanding performance.

Recognised as one of the Best Workplace in the Large Companies Category
GREAT PLACE TO WORK

The ranking was in recognition of FirstBank's certification as the 'Best Workplace' in the large Companies category.





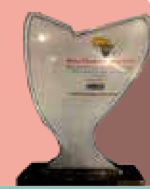
Best Practice Award in Learning and Development in the Large Companies Category
GREAT PLACE TO WORK

The accolade was in recognition of FirstBank's personalised learning and development initiatives, which are uniquely designed to meet employees' developmental needs.

RECOGNITION OF OUR PERFORMANCE

West Africa Pension Custodian of the Year 2020, Pension and Finance Leadership Category
AFRICAN FINANCE

First Pension Custodian received the Gold Award in recognition of the company's outstanding contribution to the growth and development of the Nigerian Pension industry.



Deal of the Year in Africa
THE BANKER

FBNQuest Merchant Bank won the Award in recognition of its leading role in the restructuring and re-denomination of the Sahara Power Asset Facilities.

Exceptional People Managers
GREAT PLACE TO WORK

The Award was in recognition of FBNQuest Merchant Bank's culture of diversity and inclusivity in its work environment.

Gold Certification as a Great Workplace
GREAT PLACE TO WORK

The certification was in recognition of FBNQuest Merchant Bank's excellence in workplace ethics, culture and values.

Debt Deal of the Year
BANK AND OTHER FINANCIAL INSTITUTIONS

FBNQuest Merchant Bank won the Award in recognition of the Company's exceptional capabilities and strong expertise in providing innovative financial solutions.

Recognised as one of the Best Workplace in the Medium-sized Companies Category
GREAT PLACE TO WORK

The Award reflects FBNQuest Merchant Bank's exceptional commitment to providing an enabling environment for its employees.

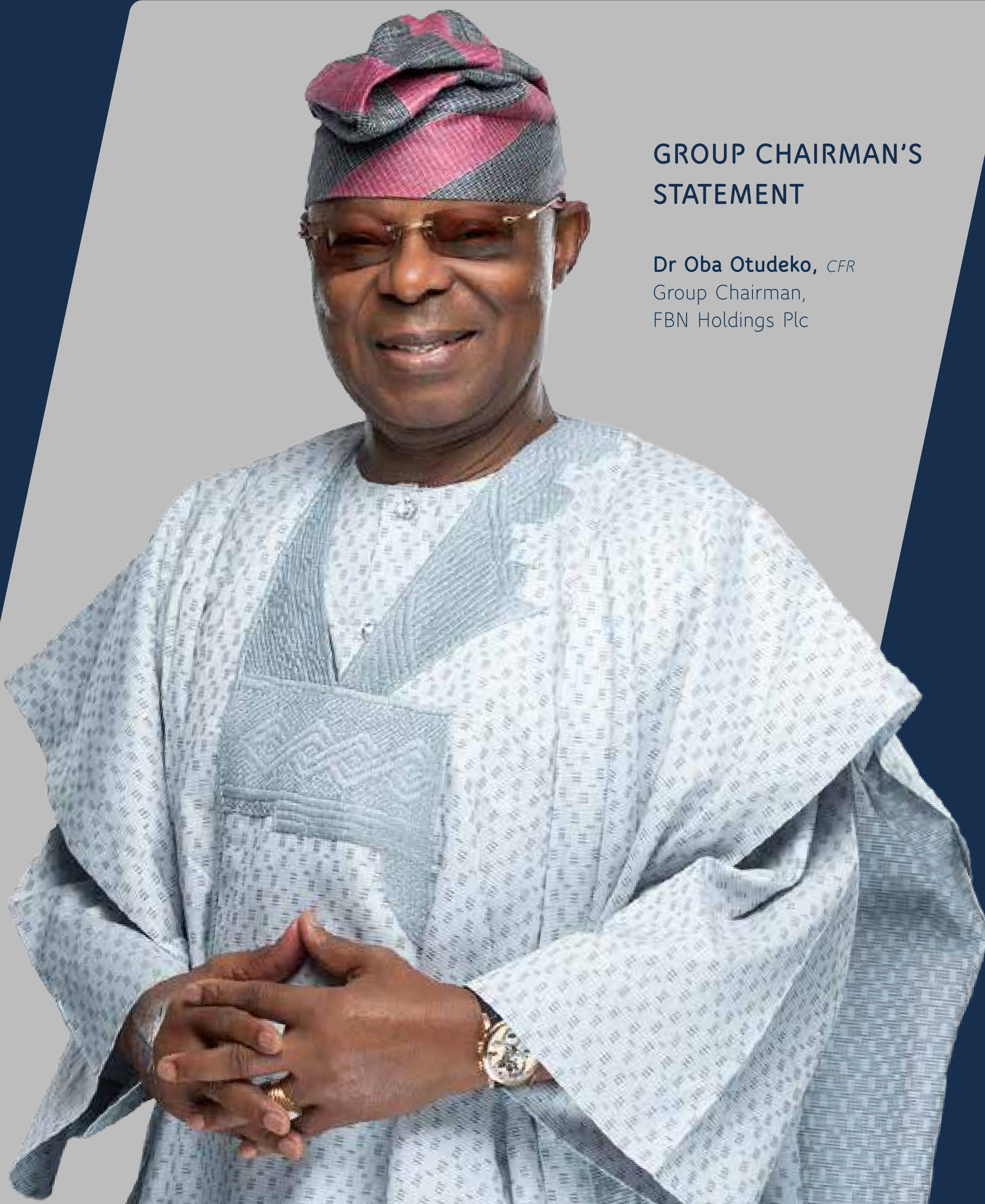
Best Asset Manager in Nigeria
EMEA FINANCE AFRICAN BANKING AWARDS

The Award was in recognition of FBNQuest Asset Management's mutual funds' strong performance across all public funds and bespoke portfolios.

Strategic Report

A diversified financial institution continuously providing innovative financial solutions

> As an institution and a leader in the drive towards financial inclusion, we continue to accelerate our roll-out of diverse e-options to ensure our customers are adequately served, and to support the agenda of the Central Bank of Nigeria in its pursuit of reducing the unbanked population in Nigeria.



GROUP CHAIRMAN'S STATEMENT

Dr Oba Otudeko, *CFR*
Group Chairman,
FBN Holdings Plc

GROUP CHAIRMAN'S STATEMENT

Distinguished Shareholders,

I am delighted to welcome you to the 9th Annual General Meeting of our institution, FBN Holdings Plc. Despite the challenging past 12 months, we proved our resolve, resilience and adaptability as an institution to continue to deliver value to you, our shareholders. I am therefore pleased to present the results of our operations for the financial year 31 December 2020.

2020 in Review

Over the last year, the world has gone through unprecedented changes induced by the Coronavirus (COVID-19) which infected over 100 million people worldwide and with fatalities exceeding 2 million people. This unprecedented turn of events has drawn tremendous reactions from the market, leading to changes both in the larger society and in boardrooms, with organisations taking steps to reconfigure engagement with customers through enhanced alternative channels. These developments have accelerated the deepening of technology, its leverage and the use of innovative tools to deal with the pandemic-induced social distancing.

As an institution and a leader in the drive towards financial inclusion, we continue to accelerate our roll-out of diverse e-options to ensure our customers are adequately served, and to support the agenda of the Central Bank of Nigeria in its pursuit of reducing the unbanked population in Nigeria.

Similar to many emerging markets and, particularly, commodities-dependent countries, the Nigerian economy came under significant stress as the slowdown in global economic activities led to a depressed outlook for crude oil prices, exacerbated by the lockdown in major cities and states to curb the spread of COVID-19 pandemic, effectively leading to a slowdown of all socio-economic activities for a large part of the year. Bonny Light crude oil recorded its lowest price in history, trading as low as USD7.15 per barrel during that period, with knock-on effects that eventually induced a second recession in four years as the economy contracted by 3.6% in the third quarter of 2020, following negative growth of 6.1% in the second quarter of 2020. This decline in earnings resulted in a trade deficit for the period, negatively impacting the foreign reserves which fell from USD38.5bn at the start of 2020 to USD35.36bn by end of the year, leading to increased pressure on the Nigerian currency as evidenced by the volatile foreign exchange markets where the exchange rate deteriorated to close the year at ₦387/USD in the official market. Likewise, sustained land border closures and disruption of agricultural activities drove up food inflation considerably during the year, which, when combined with other effects of the pandemic on the economy, contributed to headline inflation of 15.75% at the end of 2020, the highest inflation reading in three years. As yields remained low for the better part of the year and alternative investment options became crowded, our operating environment became increasingly difficult to navigate.

In response to the pandemic and as part of the effort to drive economic growth, the fiscal and monetary authorities introduced several interventions and stimulus packages to provide support to critical sectors of the economy, drive household consumption, and minimise the vulnerability of the economy. These actions resulted in increased economic activities as evidenced by the marginal growth of 0.11% in the fourth quarter of the year, effectively pulling the economy from the recession. Despite the resurgence of the virus, which has proven to be more fatal than the first wave, the Nigerian economy has continued to demonstrate its resilience, backed by accommodating monetary and fiscal policies with the global roll-out of the vaccines expected to minimise the length of the second wave of the virus.

For our business, as we emerge from years of intense focus on repositioning to deliver shareholder value, our reinforced risk management practices, revitalised collaboration efforts across subsidiaries, renewed focus on innovation and resilient company culture provides the backbone to the Group as we continue our journey of strengthening our market leadership and the pursuit of an enhanced return to our shareholders.

GROUP CHAIRMAN'S STATEMENT

Our Strategic Focus

Last year, we commenced a new five-year Strategy Planning Programme focused on maximising shareholder value by putting our customers first. This change from a three-year to a five-year planning horizon has offered the Group the flexibility to undertake mid-range projects that have a fundamental impact on the performance of the Group as we continue to strengthen our proposition to our customers in Nigeria as well as the rest of Africa. The deep investment in alternative channels, including the rapid roll-out of the agency banking platform – Firstmonie – has proven a masterstroke in minimising the impact of the pandemic by ensuring that our customers continued to transact seamlessly through the period, while also providing tremendous support to the other digital channels of the Group.

In line with our plan to cover every inch of the Nigerian market, we expanded our Agent Banking network to about 100,000* agents during the year, connecting 772 out of 774 Local Government Areas to the mainstream banking grid by providing access to financial services, facilitating their individual and collective contribution to the economic recovery. As a leading financial services holding group in Nigeria, the breadth of our offerings through the various operating companies has ensured the Group benefits from increased collaboration and a larger share of customers' wallets, resulting in synergy revenues of ₦25.3bn in 2020. In addition, we restated our intention to lead in innovation with the launch of our virtual debit cards and the introduction of the first FastTrack ATM in Africa, which allows customers to pre-order cash from the ATM using USSD, and subsequently withdraw with a tap of their wireless-enabled card on the ATM. Both novel solutions will enable our customers to complete contactless transactions and keep safe during and beyond the pandemic.

During the year, FBNHoldings took the decision to exit the insurance underwriting business by selling its stake in FBN Insurance Limited to our long-term partner, Sanlam Emerging Markets. This decision demonstrates our portfolio optimisation process, which ensures that the Group's capital is fully optimised, and shows that our businesses are well aligned to the overall strategic intent of deepening our banking offering across Africa to enable us achieve our overarching objective of generating quality returns for our shareholders. Despite this decision, the Group continues to play an active role in the development of the insurance sector through our bancassurance relationship with insurance underwriters and our insurance brokerage offerings.

Our Performance

Our Group delivered a consistent performance in 2020, with intensified cost management and sustained efforts to improve margins on our core banking business. Our results demonstrate the Group's determination to continue to seek out new revenue-generating opportunities that would help us create value for our stakeholders. We are committed to doing this through key enablers such as our inter-group collaboration, innovation and the maximisation of our portfolio to take advantage of emerging opportunities. Over the past five years, the Management has made significant efforts to address legacy issues and strengthen risk management practices to ensure that we remain well-positioned to compete and remain at the forefront of the financial services industry, as we have done over the past 127 years.

Beyond financial performance, the Group made significant progress in its Corporate Social Responsibility efforts by contributing to the Coalition Against COVID-19 (CA-COVID) initiative – the partnership between the private sector and the Federal Government to combat the COVID-19 pandemic. Online educational tools were also made available to children who were unable to attend school as a result of prolonged restrictions. Furthermore, extensive efforts were made to ensure that our staff continued to feel valued and engaged throughout the pandemic, and we received recognition from the Great Place to Work on the stellar staff engagement across our subsidiaries.

Our Board

The Management of our great institution continues to be led by a strong Board of Directors across all subsidiaries, as we remain dedicated to upholding the highest corporate governance and business ethics across the organisation. Amid the challenging and peculiar operating environment in 2020, the FBNHoldings Board recognised the importance of remaining abreast of global and local developments to guide the Group, meeting a total of nine times during the year and investing in relevant training and conferences to ensure that it continued to make the best decisions throughout the year.

During the year, we made considerable effort to increase the diversity and expertise of our Board and I am pleased to welcome two new Independent Non-Executive Directors and one Non-Executive Director namely, Seni Adetu, Juliet Anammah and

*As at 31 March 2021

GROUP CHAIRMAN'S STATEMENT

Otu Hughes – to the FBNHoldings Board. The new Directors have a combined experience of over 97 years and bring with them extensive experience across different industries including e-commerce, manufacturing, marketing and consulting. As we enter a new phase in the global banking landscape and as the world grapples with the changing workplace, I am confident that the wealth of knowledge and expertise brought by these new Directors will benefit the Group immensely in the immediate and long-term.

I would also like to thank Oluwande Muoyo, who retired from the Board of FBNHoldings in April 2020, for her service and dedication to the Group. In the same vein, I would like to place on record my congratulations on her subsequent appointment to the FirstBank Board of Directors. I am certain that she will again prove her value to the Group in leading the Commercial Bank into the future.

As a body charged with oversight, we continue to seek the best outcomes for the institution in line with our fiduciary role, thereby creating value for the numerous stakeholders of the Group including our customers, employees, shareholders and the community. During the year, we took several decisions to protect our employees by working with Management to ensure the overall health and wellbeing of our employees are protected. This was achieved by providing access to medical support and transitioning to a work mode that combines limited physical office presence with remote working, in order to balance the need to support our customers through the pandemic with adherence to the COVID-19 guidelines. Similarly, our sustainability practice has ensured that we adopt the highest standard in responsible banking practices and the incorporation of Environmental, Social and Governance Management (ESGM) consideration in our operations. As we look ahead to 2021, we will continue to deliver value to all our stakeholders and strengthen the rich heritage of the FBNHoldings Group.

Outlook

The past year has indeed been challenging for the global economy, the country, the financial services industry, and our great institution, FBN Holdings Plc. While there has been a return to some semblance of normalcy as a result of the increased roll-out of the COVID-19 vaccines across countries, we continue to approach the year 2021 with cautious optimism. Nevertheless, our institution has demonstrated its resilience over its 127 years of existence and we remain resolute, even in the face of current adversity, that the Group will continue to sustain its performance, affording us the audacity to look ahead to the future with optimism, and aim for greater success in every area of our business.

While a lot of our success in 2021 will depend on external factors such as GDP growth as well as government and regulatory policies, we hold a great part of our destiny in our hands. Our investment in technology over the past decade has laid a solid foundation for the Group, offering us the flexibility to pivot the business in 2020 to adapt to the realities in the wake of the COVID-19 pandemic. We will continue to make technology a significant part of our business, as we strive to deliver innovative solutions to our customers. We also remain dedicated to maintaining the highest consciousness of the increased risk environment to ensure that our customers and wider stakeholders are protected from emerging threats, including cyber attacks.

Collaboration remains a key focus for our Group, as we continue to leverage the strength in our diversity and offer customers greater value through cross-selling. We will also continue to identify ways to reduce our cost of operations even in a high inflation environment.

Our people remain our greatest asset, and we will continue to invest in them as they work tirelessly to help us achieve our goals and reinforce our culture of resilience. We remain hopeful for an end to the pandemic and the delivery of vaccines to Nigerians to accelerate the recovery of our economy.

I would like to thank our customers for their continued patronage and for making us their number one choice over the past year, our staff for remaining professional and motivated to deliver despite the challenges and our shareholders for continuing to believe in the potential of this institution. We remain committed to the success of FBNHoldings and look forward to a greater 2021 for us all.

Thank You and God Bless You All.

Dr Oba Otudeko, *CFR*
Group Chairman

> ...non-interest income is growing at a faster rate, leading to increasing contribution to the earnings of the Group. This shift not only justifies our investment in technology and alternative channels, but also underscores our strategic intent and is an indicator of the future of the FBNHoldings business.

GROUP MANAGING DIRECTOR'S REVIEW

U.K. Eke, *MFR*
Group Managing Director,
FBN Holdings Plc

GROUP MANAGING DIRECTOR'S REVIEW

Distinguished Shareholders,

I am delighted to present the financial results of your Company, FBN Holdings Plc for the year ended 31 December 2020.

The challenges of the year 2020 have been unprecedented in modern history. As an institution with diverse stakeholders, our focus for the year transcended business, as we sought to continue to deliver value to our shareholders, take steps to support the government in the collective effort to contain the deadly Coronavirus, meet the financial needs of our customers and keep our employees safe. Balancing these objectives tested our resilience and made significant demands on our Business Continuity Plan. Nevertheless, I am pleased to report that these tests revealed the inherent strength of our Group which is rooted in our history, and has justified our extensive investment in technology, which has ensured we remain at the forefront in meeting the financial needs of our customers. This has laid credence to our proactivity as an institution, as our remote working arrangement, which was piloted over an extensive length of time ensured the Group remained productive during the lockdown.

The financial performance for FBNHoldings in 2020 tells a compelling story of our progress. The context of how we have positively shaped the environment during this difficult period, supported our customers in meeting their financial needs through our various alternative platforms, played a significant role in the private sector initiatives to provide safety nets for Nigerians through the CACOVID scheme, and our educational intervention remain our most prized achievements for the year.

2020 in Review

The global economy endured a tumultuous 2020 with the COVID-19 pandemic impacting global economic activities. The hope for a V-shaped recovery failed to materialise in nearly all countries and economic blocs, save for China which had a good head start in containing the virus and therefore resumed economic activities towards the second quarter of the year. If the first wave of the virus was fatal, the second wave tested the resilience of many countries with the increase in fatalities that has seen global death cross the 2 million mark at year-end. More devastatingly, the pandemic pushed many economies to the brink resulting in a flurry of stimuli to combat the impact, led by the US rolling out several support initiatives, including the ambitious USD1.9tn signed by President Joe Biden.

In the year under review, the pandemic devasted the economy in Sub-Saharan Africa (SSA) and grossly exposed its fragility, as many countries in the region were made to make the difficult decision of keeping their economies open despite the escalating human cost of the pandemic. Output contracted sharply, accelerating the decline in per capita income and setting the average living standards back in many economies in this region. The severity of the contraction was informed by several considerations which included the level of infection, structural factors such as countries heavily dependent on travel and tourism, and commodity exporters.

In Nigeria and South Africa, the two largest economies in SSA, output fell sharply during 2020, with Nigeria contracting by 1.92% as the effects of the pandemic impacted economic activity in all sectors of the country. Similarly in South Africa, where economic activity was on a weak footing pre-COVID-19, the output fell by 8.2%. This was driven by the severity of the pandemic in the region, the debilitating effect of the debt crisis, which has led to the downgrade of the outlook for South Africa, and the lingering power supply issues with Eskom continuing its load shedding across the country.

The Nigerian economy struggled under the deadweight of structural issues, internal challenges, and the pandemic, which impacted all sectors. In addition to the widespread malaise, the economy was confronted with its unique challenges such as the heightened insecurity issues, which slowed the growth of the agriculture sector, and progressive food inflation throughout the entire year. Likewise, the slowdown in global economic activities led to a depressed crude oil price with the forward contract on Brent Crude becoming negative in April 2020. The falling oil sector activities as a result of weaker international prices and the activities of OPEC ensured that the earning base of the nation suffered significant reduction during the year, triggering continuous pressure on the Naira where the currency closed the year at ₦470/USD in the parallel market.

GROUP MANAGING DIRECTOR'S REVIEW

Amid pressure on both oil and non-oil revenue, the Federal Government of Nigeria was forced to take bold actions which included the deregulation of the pump price of refined petroleum products, electricity tariffs hike, and the review of the closure of the land borders. Despite these efforts, the economy went into recession when the GDP contracted in the second quarter and third quarter of 2020 by -6.1% and -3.62% respectively. The oil sector contracted further by -13.89% in the third quarter of the year from -6.63% in the previous quarter, while the non-oil sector contracted by -2.51% also in the third quarter, compared to -6.05% in the preceding quarter. Other macro indicators, including unemployment rate, sovereign debt level, and per capita income, all experienced steep declines during the year given the difficult environment and slowdown in economic activities.

Driven by increasing food prices, average headline inflation for the year stood at 15.75%, up from 11.98% in 2019, In addition to the persistence of insecurity challenges across the country, especially in the food belt, other structural deficiencies impacted the logistics of moving food items from farms to urban areas, such as poor road infrastructure, unstable power supply, and a host of other challenges. Towards the end of the year, the Federal Government reversed its decision on border closure with an expected impact on the moderation of the prices of food items.

During 2020, the Nigerian financial markets continued to react in tandem with the monetary policy actions of the Central Bank of Nigeria (CBN). The CBN continued to restrict access to OMO bills through its monetary policies targeted at channeling credit to the real sector of the economy, orchestrating capital flows in and out of the various asset classes. With sustained net OMO outflows, a dearth of investment outlets, monetary policy rate cuts by the CBN and high liquidity rates, the environment experienced significant decline leading to constrained earnings by financial institutions. Consequently, there were increased activities in the equities market which gained 50.0%, its best performance in over a decade and well above its global peers. Similarly, Nigerian sovereign bonds outperformed EM peers with the S&P/FMDQ Sovereign Bond Index returning a record 42.3% as at December 2020.

The year 2020 was tough for the Naira as the currency succumbed to market pressure in demand and supply, following two years of relative stability. As demand for foreign exchange built up and the pandemic struck leading to constrained oil receipts, the CBN took a bold step in adjusting the currency in March 2020 by correcting the currency by 18% to forestall further deterioration of the foreign reserves. A further 6% adjustment was made by the CBN in August 2020, and other critical reforms were made in the energy and foreign exchange markets. Despite these adjustments, the Naira traded at a significant gap in the parallel market and the I&E window.

Further deterioration occurred in the fourth quarter of 2020 in the I&E window and the parallel market when the Naira declined to ₦410.25/USD and ₦470/USD respectively, driven by the pressure of demand from investors, traders and manufacturers. The deterioration climaxed in November 2020 when the parallel market depreciated, hitting the resistance level of ₦500/USD, and triggering several responses from the CBN to prevent further widening of the foreign exchange gap, which included the clampdown on International Money Transfer Operators by reviewing the international remittance policy to eliminate arbitrage. This move resulted in some moderate gains towards the end of the year, with concerted efforts being mounted by the apex bank to reign in the pressure on the currency.

Despite the increasing inflation, the Monetary Policy Committee (MPC) of the CBN cut the Monetary Policy Rate twice during the year, from 13.5% at the beginning of the year to 11.5% at year-end. The scale tilted in favour of an expansionary stance to accelerate the recovery of the economy despite the case for hawkish policies to address inflation, curb pressure on the Naira, and protect the country's foreign reserves. In addition, the CBN continued its interventions in support of the critical sectors of the economy including the Agri-Business/Small and Medium Enterprise Investment Scheme of ₦92.90bn, Anchor Borrowers Program with a total sum of ₦164.91bn and COVID-19 Targeted Credit Facility to household and SMEs of ₦149.21bn.

Business Review

The global financial services landscape underwent tremendous changes during the year as a result of the growing influence of technology companies making inroad into the mainstream banking sector and other financial services sectors, armed with propositions that seek to eliminate the need for brick-and-mortar offerings, and replaced with 'on the go' access built within an expanding ecosystem. While these developments represent business risks for traditional players, regulators have not been spared from the impact of these rapidly evolving changes that threaten to

GROUP MANAGING DIRECTOR'S REVIEW

sidestep regulatory oversights. In the local environment, we have seen the growing influence of the millennials in pushing frontiers and making increasing demand on regulators with their preferences for alternative channels to meeting financial needs. This has led to Nigeria ranking high in the use of Bitcoin and other cryptocurrencies for financial services.

In FBNHoldings, we anticipated these changes and made significant investments in strengthening our service offerings through the creation of multiple electronic platforms to give unfettered access to our products and services. These investments proved invaluable since the pandemic struck. Through our alternative products and channels such as Firstmonie Agent Banking, ATMs, internet banking and other digital platforms, our customers were able to continue to transact seamlessly despite the implementation of the social distancing regulation by the government to contain the COVID-19 virus. Thus, we saw significant growth in our Agent Banking from 40,000 at the start of the year to about 100,000*. Likewise, we saw tremendous growth in the volume of transactions processed through these alternative channels.

The fundamentals of the business continue to reflect the changing sector. Today, in absolute terms, revenue from the intermediation business as a proportion of total income continues to grow at the desired pace. However, non-interest income is growing at a faster rate, leading to increasing contribution to the earnings of the Group. This shift not only justifies our investment in technology and alternative channels, but also underscores our strategic intent and is an indicator of the future of the FBNHoldings business. Our Agent Banking network has driven revenue from non-interest income, growing by 26.7% from ₦137.9bn in 2019 to ₦174.1bn in 2020. Similarly, as a Group, our drive to deepen collaboration in pursuant of the 'Think-Group' mantra is reflected in the growth of synergy revenue to ₦25.3bn in 2020.

From a sustainability standpoint, we have continued our partnership with global institutions to advance the support for the Sustainable Development Goals by working with agencies including the United Nations Global Compact, the UN Women, the United Nations for the Office of the Coordination of Humanitarian Affairs, and Junior Achievement Nigeria. During the year, the Commercial Bank empowered thousands of Nigerians through the Agent Banking network, reached over several students across 80 secondary schools with its financial literacy program and strengthened the FirstBank Women Network with initiatives aimed at addressing the gender gap at the senior levels.

We also worked to expand the opportunities presented by enabling our women to contribute more to society and increased women's participation in economic activities through FirstGem, which has seen female-owned businesses grow to over 2.5 million with over ₦16bn in deposits. As part of our adoption of the Responsible Banking Principles, we screened transaction values of over ₦4tn for ESG risks during the year and continued our community development programs SPARK, FutureFirst, and the E-learning initiative. The E-learning initiative, in partnership with Roducate, the Lagos State Government, IBM and Curious Learning, has provided access to learning (via online channels) to over 150,000 students.

During the year, we decided to exit the insurance underwriting business when we sold our stake in FBNInsurance to the Sanlam Group, our long-term partner in the insurance sector. This action is consistent with our portfolio alignment and optimisation strategy geared towards ensuring that the investments are consistent with our vision for the long-term. The funds from this sale have been injected into the commercial banking business to shore up capital required to fund growth, deepen investment in technology and pursue its expansion plan.

Performance Review

The Group delivered impressive financial results in 2020 despite the array of challenges faced by the sector - the global recession as a result of the pandemic, the rate environment that has seen a significant decline in yield from our assets and the reduction in fees as a result of regulations. These results underscore the strength of our franchise and the disciplined approach in the implementation of initiatives geared towards addressing asset quality, diversifying our earnings, and containing the cost of operations.

The Group posted a profit after tax of ₦89.7bn, representing a 21.8% growth over the previous year. This is despite the reduction in gross earnings of 1.9% from ₦590.4bn in 2019 to ₦579.4bn in 2020, largely as a result of the higher cash reserve requirement and the low-interest environment which led to a 10.9% decline in interest income. However, non-interest revenue increased 26.7% year-on-year from ₦137.9bn in 2019 to ₦174.7bn in 2020 driven by the increased fees, commission income, and other non-interest income consistent with our focus on evolving into a transaction-led financial institution.

*As at 31 March 2021

GROUP MANAGING DIRECTOR'S REVIEW

Similarly, our operating expense has continued to reflect the cost-containment effort. During the year under review, operating expense grew only 0.5% from ₦291.2bn to ₦292.5bn despite the inflationary pressure, currency devaluation, and the significant growth in regulatory costs, which recorded a 16.3% increase over 2019. Overall, the marginal growth in operating expenses was moderated by the 2.1% increase in operating income, resulting in an improved cost-to-income ratio from 69.7% in 2019 to 68.6% in 2020.

From an asset quality and risk management standpoint, we have continued to demonstrate the benefits of our well-executed strategy towards strengthening risk management processes, leveraging technology in credit administration, and deepening the bench strength in the risk management division. This is evidenced by a 1.0% decline in the impairment charge from ₦51.1bn in 2019 to ₦50.6bn in 2020, declining NPL ratio from 9.9% to 7.7%, and a sub 1.0% non-performing loans in the vintage loan book.

With the injection of ₦25.0bn in FirstBank, coupled with the organic capital accretion strategy of the Group, the Commercial Bank maintained a healthy buffer of 200 basis points above the regulatory capital adequacy ratio, closing the year at 17.0%, up from 15.5% in 2019.

In conclusion, I would like to emphasise that the journey to rebuild the Group, even though a long-term quest, has began a new phase. The strategic planning cycle which took effect from the year 2020 is expected to deliver phenomenal growth, expand our footprints, deepen our digital transformation, and optimise the assets towards delivering on the vision of becoming a leading financial services institution in Africa.

> **Even though financial performance is the clearest evidence of these initiatives, our objectives transcend financial results to include our ESG practice, commitment to our workforce, support for the regulators as well as the national and regional agenda.**

Consequently, over the next 5 years, we will be implementing various initiatives and taking bold steps towards optimising the portfolio of the Group, strengthening the various components of the business, making inroads into select segments of the larger financial services sector and taking steps to strengthen the capacity to undertake quality risks.

As we move into the next phase of our strategic planning process, it is important to highlight that our industry is undergoing a significant transformation characterised by renewed threats from non-traditional players, cyber-security risks, and heightened regulatory risks. These evolving threats present formidable challenges to financial institutions both in the immediate and more fundamentally, the future of banking. With guidance from the Board and a committed management, we are not only taking steps to mitigate these threats, but we are also putting in place structures to emerge stronger. These efforts include investment in innovative solutions, retooling our workforce to provide the requisite skills to lead the change, and refining our processes to ensure agility. Even though financial performance is the clearest evidence of these initiatives, our objectives transcend financial results to include our ESG practice, commitment to our workforce, support for the regulators as well as the national and West Africa regional agenda.

Esteemed shareholders, as always, I would like to conclude the review of the 2020 financial results by providing the assurance of our commitment to the journey. Although the road ahead may be strewn with obstacles, our aspiration to dominate the financial services industry in Africa will require that we perform at the optimal level. I am persuaded that as a Group, we are endowed with undeniable strength derived from our long heritage, extensive reach, and extremely loyal customer base. These inherent qualities and our resilience will ensure that we meet our commitments to all stakeholders and deliver consistent and excellent returns to the shareholders.

Thank you and God bless you.

U.K. Eke, *MFR*
Group Managing Director
FBN Holdings Plc

OUR BUSINESS MODEL

At FBNHoldings, we leverage on our position as a diversified financial institution to continuously provide innovative products and services tailored to meet the needs of our evolving clients. Our competitive advantage lies in our people, geographical footprints, business structure, and a rich heritage which has kept us at the forefront of the financial services industry across Africa.

People

We aim to hire and retain the best talent who reflect our corporate values and culture.

Structure

Synergies across our multifaceted businesses and expanding customer touchpoints ensure we deliver value efficiently and conveniently to our customers.

Geographical Footprint

Our presence in other markets increases opportunities for us to partner with our customers to meet their needs wherever they choose to do business.

Heritage

Our rich heritage underscores our commitment to building sound economies and impacting lives through strong support for all facets of society

OUR BUSINESS MODEL

Our Diversified Financial Services Offering

OUR DIRECT SUBSIDIARIES	SERVICES	HOW WE CREATE VALUE	HOW WE DELIVER VALUE
COMMERCIAL BANKING	• Retail Banking • Commercial Banking • Corporate Banking • Public Sector Banking • International Banking • Pension Custodian	• We make a spread from the deposit received from customers and the risk assets created. • Fees and commission income are generated from transaction charges earned in facilitating transactions.	• Retail Banking: Serves mass retail and affluent customers with an annual income of up to ₦50mn as well as micro, small, and medium enterprises with an annual turnover of up to ₦1bn. • Commercial Banking: Serves large to middle-sized businesses with a turnover of ₦1bn to ₦5bn. • Corporate Banking: Serves high-end and blue-chip corporate customers, multinationals, and specialised industries. • Public Sector: Concentrates on the Federal Government and select State Governments, with emphasis on providing payments and collections services. • International Banking: Serves the business growth and profitability of our international banking subsidiaries. • Pension Custodian: Provides pension fund custody services in Nigeria.

OUR BUSINESS MODEL

OUR DIRECT SUBSIDIARIES	SERVICES	HOW WE CREATE VALUE	HOW WE DELIVER VALUE
MERCHANT BANKING	• Corporate Banking • Investment Banking • Fixed Income, Currencies and Trading (FICT) • Agency Services • Asset Management	• We create value for our clients and shareholders by offering investment and risk management products, managing funds, administering assets, and trading securities • We cater to the diverse advisory, funding and investment needs of our client base spanning Federal and State Governments, corporates and high net-worth individuals (HNIs)	• Corporate Banking: Offers a platform providing a full range of bespoke investment and wholesale banking services (lending, trade services and transaction banking) to mid-size and large institutions. • Investment Banking: Offers strategic advisory services across a range of sectors and arranges tailor-made financing structures, to manage risk and ultimately help businesses grow • Fixed Income, Currencies and Trading: By leveraging technology, the FICT team fuses market knowledge and trading strategies to assist our clients achieve their financial goals. The Wealth Management and Financial Institutional Sales teams within the FICT group manage the investment portfolios for ultra-high-net-worth and high-net-worth individuals as well as a broad segment of investors including Pension Fund Administrators, insurance companies, banks and financial institutions, local and offshore portfolio managers and cooperative societies • Agency Services: Serves as the primary point of contact between transaction parties to a syndicated loan, manages communication between parties, handles the flow of funds and provides ongoing transaction support • Asset Management: Assists individuals and institutional investors with strategies best suited for their investment goals and portfolios through various solutions, including mutual funds, independent portfolio management and treasury management • Securities Trading: Provides clients with strong products and sector expertise through our Equities and Fixed Income teams

OUR BUSINESS MODEL

OUR DIRECT SUBSIDIARIES	*SERVICES*	*HOW WE CREATE VALUE*	*HOW WE DELIVER VALUE*
CAPITAL MARKETS	• Structured Products, and Alternative Investments	• We work with our clients to manage funds or portfolios, secure assets, provide intelligence and advise on investments • We invest in private companies across the alternative investment spectrum and assist portfolio companies by providing technical support and strategic guidance in areas of operational improvement, including cost efficiency, revenue enhancement and balance sheet optimisation	• Structured Products: Provides structured 'non-traditional' investment and financing opportunities across multiple asset classes (fixed income, equity, foreign exchange, interest rates and credit) • Alternative Investments: Manages proprietary and third-party capital and provide investment opportunities to clients looking to invest in high growth companies in Nigeria and Sub-Saharan Africa across private equity, venture capital, credit and real estate. Targets higher long term yields than traditional investment models
TRUSTEESHIP	• Private Trust and Executorship • Public Trust • Corporate Trust	• We assess client needs and provide tailored solutions for securitisation, escrow services, preservation and transfer of assets	• Provides private, public and corporate trusteeship and estate planning solutions to clients with a strong emphasis on our fiduciary responsibilities
INSURANCE BROKERAGE	• Insurance Brokerage	• Insurance brokerage services that include advisory and risk identification functions are provided on commission.	• Insurance brokerage: Provides insurance brokerage solutions to help customers manage risk.

OUR BUSINESS MODEL

DELIVERING ON OUR BUSINESS MODEL

SYNERGY

Generating revenue and cost synergies through cross-selling and shared services.

INNOVATION

Fostering innovative thinking in every aspect of the Group for process improvement, best-in-class service and value realisation.

RISK AND COMPLIANCE

Managing the Group's risk profile and adhering to the regulations that govern our businesses.

With strategic direction from the FBNHoldings' Board and a dedicated Management team committed to delivering the Company's mandate, periodic assessments of the business and the operating environment guide the development of strategic imperatives, from which initiatives are developed and executed. These initiatives centre on the extraction of natural synergies between our business groups, identifying growth segments and restructuring for profitable growth, taking into consideration current and future realities of our operating environment. Successful execution of our strategic initiatives will ultimately be reflected in our financial results and increased value to our stakeholders.

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

The Customer Experience 2020 Strategy (CX Strategy 2020) focused on exceeding the Bank's customer experience Key Performance Indicators which include Customer Satisfaction and Net Promoter Score.

In 2020, there was a bank-wide focus on customer experience. An enterprise catalogue of CX initiatives to capture and prioritise customer experience initiatives was developed in the first quarter of 2020 for all stakeholders across the Bank. These initiatives were based on customer feedback that aligned with the retail, SME and wholesale segments and focused on CX anchors such as services, products and propositions, relationship management, channels and platforms, and processes and awareness.

Other focal points during the year included improving brand perception, enabling easy access to the Bank's touchpoints such as branch and FirstContact, crowd reduction in the banking hall and receiving real-time feedback from customers on their digital channel experience. The Bank's focus also included the adoption and enhancement of technology for real-time monitoring of channels and prompt communication of downtime to manage customer expectations.

> Continuous e-training and development were carried out Bank-wide to bridge the knowledge gap and improve complaints management during the unprecedented year.

Customer Experience Monitoring and Management

As at January 2020, there were seven touchpoints: the Bank's ATMs, USSD, FirstOnline, FirstMobile, Agent Banking, Wholesale Banking and branches monitored through surveys to elicit customer feedback.

By December 2020, five additional touchpoints were added - Teller Cash Recycler, FirstContact, Firstmonie Wallet, Premium Services and Diaspora Banking - bringing the total number of touchpoints surveyed to 12. Monitoring each touchpoint helps track the key experience indicators that dovetail into the Bank's Enterprise Customer Satisfaction Score and the Net Promoter Score.

Monthly spot checks to monitor and ensure consistent customer experience were carried out in the branches across some regions.

COMPLAINTS MANAGEMENT

Improving Our Complaint Handling Framework

The 2020 strategy focused on improving the Bank's service automation drive and institutionalising the best-in-class complaints management framework.

FirstBank continued to leverage and improve the Customer Relationship Management (CRM) tool, Microsoft Dynamics 365 to collate Bank-wide complaints, track complaints, investigate the root cause analysis and resolution, and manage customer expectations.

During the year, some self-service capabilities were introduced, notably the Interactive Voice Response at the contact centre to resolve basic requests and certain complaint types without recourse to a customer care agent. This improved our business processes.

Continuous e-training and development were carried out Bank-wide to bridge the knowledge gap and improve complaints management during the unprecedented year. This was in addition to proactive measures taken in conjunction with relevant supervisors to avoid the expiration of agreed resolution timelines.

CUSTOMER EXPERIENCE AND COMPLAINTS MANAGEMENT

A breakdown of the complaints handled in 2020 relative to 2019, as well as the financial implications on the Bank are detailed below:

CUSTOMER COMPLAINTS RECEIVED IN 2020

S/N	DESCRIPTION	NUMBER		AMOUNT CLAIMED (₦)		AMOUNT REFUNDED (₦)	
		2020	2019	2020	2019	2020	2019
1	Pending complaints brought forward	49,157	19,429	1,170,518,689.29	1,770,071,496.31	351,093,840.72	128,827,150.27
2	Received complaints	707,641	766,205	58,231,989,955.79	62,024,856,143.96	9,046,657,545.65	8,896,611,757.10
3	Resolved complaints	723,624	736,477	58,700,879,777.19	62,624,408,950.98	9,397,751,386.37	9,025,438,907.37
4	Unresolved complaints escalated to CBN for intervention	-	-	-	-	-	-
5	Unresolved complaints pending with the Bank carried forward	33,174	49,157	701,628,867.89	1,170,518,689.29	-	-

Going forward, we would further leverage the CRM tool to:

- Improve the customer complaints handling process by enhancing existing self-service options and introducing new options;
- Enhance existing process tools to ensure strict adherence to resolution timelines as defined by the regulatory authorities; and
- Involve customers in the complaints handling process using the feedback mechanisms available on the platform.

FINANCIAL REVIEW

INTRODUCTION

FBNHoldings is pleased to close the year in a healthy financial position despite the difficult operating environment that has been characterised by unprecedented events as a result of the COVID-19 pandemic and challenging economic environment. As part of our strategic planning cycle, which is presently in its second year, we exited the insurance underwriting business through the sale of our interest in FBNInsurance to our long-term partner, the Sanlam Group. This decision is consistent with our portfolio optimisation strategy, which is underscored by the renewed focus on deepening our foothold in the banking sector through increased investment in digitalisation, innovation and in the expansion of financial services for the benefit of our existing and new customers. The proceeds from the sale have been injected into First Bank of Nigeria Limited to strengthen the core business of the Group and drive further market growth.

Five years ago, we outlined our strategy to diversify our income stream by boosting non-interest income through a transaction-led banking model. We believe this decision minimised the burden on our customers during the lockdown by providing seamless access to banking services, as well as supporting Government's efforts and other donor agencies in reaching Nigerians with COVID-19 support programs.

During the year 2020, profit before tax grew 11.2% year-on-year to ₦83.7bn and our non-interest income recorded a growth of 26.7% year-on-year to ₦174.7bn. These results were despite the challenging rate environment evidenced by the decline in rates on government instruments and higher cash reserving requirements leading to a 10.9% year-on-year decline in interest income to ₦384.8bn. However, we mitigated the impact on net interest income by containing interest expense through reducing the cost of deposits and driving low-cost deposits.

As an institution, we remain focused on driving down operating expenses and improving cost to income ratio. In 2020, operating expense was up marginally by 0.5% year-on-year, growing significantly slower than inflation. Notwithstanding, our strategy is to continue to deploy the two-pronged approach of driving revenue through the transaction-led banking model, whilst implementing initiatives geared towards containing operating cost to help reduce the cost to income ratio.

The Group has improved risk management processes and architecture which continues to yield positive results. Consistent with our commitment to a single-digit NPL ratio to the market, we further reduced the ratio to 7.7% (December 2019: 9.9%).

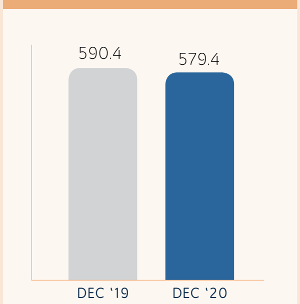
Overall, while these developments represent significant progress in our journey to reposition the Group, over the planning cycle, we will be increasing the pace of implementation of our mid-range initiatives, including the optimisation of our portfolio to extract increased value from existing assets, and evaluating options to support our vision of remaining dominant in the financial services industry in Africa.

FINANCIAL REVIEW

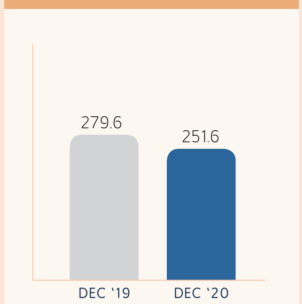
GROUP FINANCIAL REVIEW

Gross earnings were down 1.9% year-on-year to ₦579.4bn (December 2019: ₦590.4bn). This was driven by a 10.9% year-on-year decline in interest income to ₦384.8bn (December 2019: ₦431.9bn), largely on the back of lower yield on Government securities. Although interest expense declined 12.6% year-on-year to ₦133.2bn (December 2019: ₦152.3bn), net interest income declined 10.0% year-on-year to ₦251.6bn (December 2019: ₦279.6bn) due to depressed yields and higher cash reserve requirements. On the other hand, non-interest revenue increased 26.7% year-on-year to ₦174.7bn (December 2019: ₦137.9bn) on the back of increased fees and commission income as well as other non-interest income. Looking ahead, we will continue to drive revenue through non-funded income and grow interest income with a focus on careful loan growth.

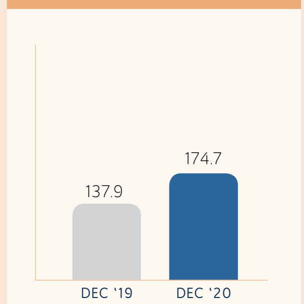
GROSS EARNINGS (₦'bn)



NET-INTEREST INCOME (₦'bn)

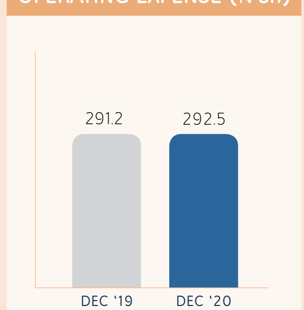


NON-INTEREST INCOME[1] (₦'bn)

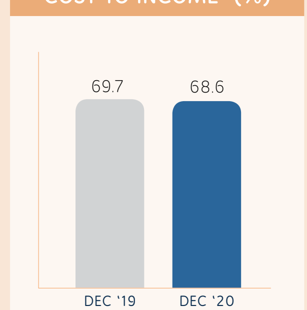


Despite the inflationary pressure and currency devaluation, operating expense only grew by 0.5% year-on-year to ₦292.5bn (December 2019: ₦291.2bn). Staff costs were up 4.9% year-on-year, while regulatory cost, the second largest cost component, increased by 16.3% year-on-year. Though operating expenses grew marginally, operating income increased by 2.1% resulting in an improvement in cost to income ratio at 68.6% (December 2019: 69.7%). Going forward, the focus will remain on cost optimisation and growing overall revenue, as we continue to push our transaction-led model.

OPERATING EXPENSE (₦'bn)



COST TO INCOME[2] (%)



[1]Non-interest income is net of fee and commission expenses

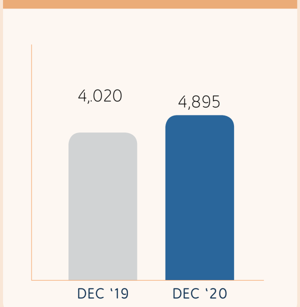
[2]Cost to income ratio computed as operating expenses divided by operating income

FINANCIAL REVIEW

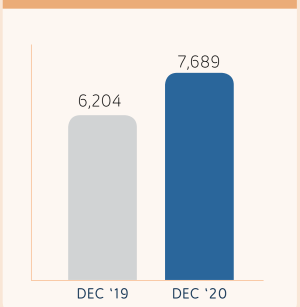
Deposit from customers increased by 21.8% year-on-year to ₦4.9tn (December 2019: ₦4.0tn) reaffirming our strong market access and robust funding base. The Group benefited from increased agent banking/customer penetration and the adoption of services on the digital platform. These deepened our solid retail base and improved our current and savings account to 91.3% of total deposits (December 2019: 85.6%) (First Bank of Nigeria). We maintained our access to foreign currency lines, enabling us support customers and strengthen our market share of the trade finance business.

This strong market access was demonstrated by the successful issuance of a USD350mn 144A/RegS 5-year senior unsecured Eurobond by First Bank of Nigeria Limited in 2020, despite the market volatility. The issue was the first benchmark Eurobond issue from an African bank in 2020, and it was supported by global investors including key fixed income accounts across the United Kingdom, Europe, the United States, Africa and other regions; a testament to our focus and the trust of global investors in the franchise.

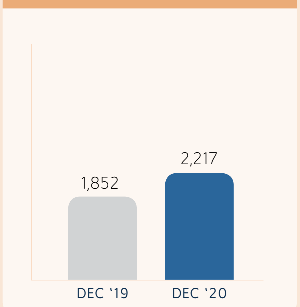
CUSTOMER DEPOSIT (₦'bn)



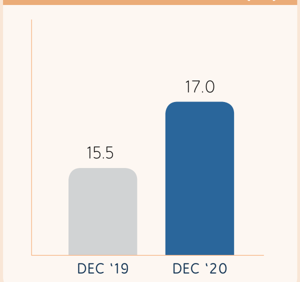
TOTAL ASSETS (₦'bn)



LOANS AND ADVANCES (₦'bn)



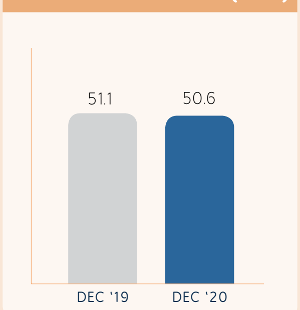
CAPITAL ADEQUACY RATIO (FIRSTBANK NIGERIA) (%)



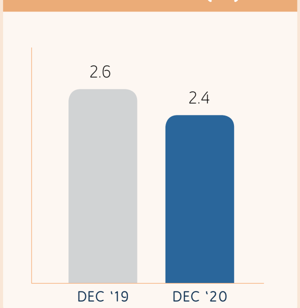
Total assets are up 23.9% year-on-year to ₦7.7tn (December 2019: ₦6.2tn) driven by a 59.1% year-on-year increase in cash and balances with CBN as well as a 19.7% year-on-year increase in customer loans. Cash and balances with CBN, loans to banks and customers, and investment securities constitute 83.4% of total assets (December 2019: 81.4%).

On Asset Quality and Risk Management front, we have continued to reap the benefits of our retooled and strengthened risk management architecture. This is evidenced by a 1.0% year-on-year decline in impairment charge to ₦50.6bn (December 2019: ₦51.1bn), improving Non-Performing Loan (NPL) ratio to 7.7% (December 2019: 9.9%) with vintage NPL[3] sustained at less than 1.0% and improving cost of risk of 2.4% (December 2019: 2.6%). The impact of the COVID-19 pandemic was muted because of a well-diversified loan book and minimal exposure to sectors most affected by the pandemic.

IMPAIRMENT CHARGE (₦'bn)



COST OF RISK (%)



FirstBank (Nigeria) maintained healthy capital buffers supported with the injection of Tier 1 capital from the Holding company. This, in addition to retained earnings, increased the Capital Adequacy Ratio (CAR) to 17.0% (December 2019: 15.5%).

[3]Loans issued from 2016 to date

FINANCIAL REVIEW

PERFORMANCE BY BUSINESS GROUPS

Commercial Banking

The Commercial Banking group posted another strong performance in 2020 with a profit before tax growth of 4.0% and total asset growth of 25.5% year-on-year, despite the unprecedented macroeconomic challenges and disruptions caused by the COVID-19 pandemic. As a Group, our investments in technology and digital channels ensured that we were well positioned to respond in the face of the outbreak, keeping our services to our customers stable and unbroken during the period.

The impressive growth of 20.5% in customers' deposits demonstrates the significant value of our brand equity, which has become synonymous with security and safety. It further demonstrates customers' confidence in the Bank, which we have continued to sustain even in the face of a challenging operating environment.

We continue to successfully expand our Agent Banking network and optimise our banking franchises in all the markets where we operate. In 2020, we recorded remarkable growth in the onboarding of new Firstmonie Agents, and significant increase in the uptake of our USSD, mobile app and other digital channels, thus further reinforcing our leadership position in the financial inclusion and payment space. It was also pleasing to see the improvements in the contributions from the international subsidiaries during the year.

As we continue with the execution of our corporate strategy for the 2020-2024 strategic plan cycle, our objective remains to deliver accelerated growth in profitability through customer-led innovation and to maximise returns to our stakeholders. We remain focused on the disciplined execution of our strategic initiatives that are aimed at enhancing efficiency and facilitating performance excellence across the Group.

Finally, as the global economy gradually recovers from the impacts of COVID-19 pandemic on the back of vaccine rollout, which is already generating positive recovery signals both in global and domestic economies, we will consolidate on our key accomplishments from the prior strategic plan with respect to the substantial resolution of the non-performing loan portfolio, the building of an expansive agent network, significant investment in digital infrastructure and the repositioning of the international subsidiaries on the implementation of the AfCFTA.

Below are the performance highlights of the Commercial Banking group:

Gross earnings of ₦539.0bn, down 2.6% year-on-year (December 2019: ₦553.6bn)

Net interest income of ₦244.5bn, down 10.0% year-on-year (December 2019: ₦271.6bn)

Non-interest income of ₦154.5bn, up 24.3% year-on-year (December 2019: ₦124.3bn)

Operating expenses of ₦274.6bn is flat at 0.1% year-on-year (December 2019: ₦274.4bn)

Profit before tax of ₦73.6bn, up 4.0% year-on-year (December 2019: ₦70.8bn)

Profit after tax of ₦67.8bn, up 8.1% year-on-year (December 2019: ₦62.7bn)

Total assets of ₦7.4tn, up 25.5% year-on-year (December 2019: ₦5.9tn)

Customers' loans and advances (net) of ₦2.2tn, up 19.0% year-on-year (December 2019: ₦1.9tn)

Customers' deposits of ₦4.7tn, up 20.5% year-on-year (December 2019: ₦3.9tn)

FINANCIAL REVIEW

Merchant Banking and Asset Management (MBAM)/FBNQuest

The Merchant Banking and Asset Management group recorded a commendable financial performance in 2020, despite the global recession and macro-economic headwinds. While most businesses recorded strong year-on-year growth, the Fixed Income Trading, Asset Management and Corporate Banking businesses were the largest contributors to top-line performance.

We continue to focus on diversifying and enhancing the quality of our earnings by driving growth within the Investment Management (IM) Group; Assets under Management (AUM) increased by 31.5% to close at ₦471bn (December 2019: ₦358bn), thereby boosting annuity fee income. Independent acknowledgement of the positive developments in the IM business was demonstrated through FBNQuest Asset Management being awarded the Best Asset Manager in Nigeria by the EMEA Finance African Banking Awards (Nigeria).

The Corporate and Investment Banking group successfully leveraged its position as a strategic partner of choice, offering advisory and financing services that were pivotal to corporates navigating the impact of the pandemic.

Overall, earnings outperformed the previous year mainly as a result of the growth in interest income, fee and trading income, and the implementation of targeted cost management initiatives. FBNQuest Group's gross earnings and profit before tax grew by 8.3% and 59.8% to close at ₦38.9bn and ₦11.5bn respectively, while total assets grew by 40.3% to close at ₦348.7bn. The businesses in the group remain well capitalised with total Group equity of ₦59.3bn, while the capital adequacy ratio of the Merchant Bank was 26.6%, well above the regulatory requirement of 10%.

In 2021 and beyond, our focus will be on sustaining the growth trajectory as we reimagine our business through optimising our platforms, being innovative and actively building business partnerships. This repositions the business towards enhancing financial performance, improving brand appeal and growing market share, together with nurturing our human capital and leveraging digital technology to better serve our customers.

Corporate Responsibility & Sustainability

Our role in the community is to create long-term stakeholder value by leveraging opportunities and managing the associated environmental, social and governance risks.

EMPOWERING OUR PEOPLE FOR SUCCESS

The year 2020 was indeed an unprecedented period due to the Coronavirus pandemic and its severe impact on economies and organisations across the globe. As we seek to attain our strategic objective 'to be one of the Top-3 Employers of Choice by 2024', the overall focus for the Human Resource function is to ensure the Group thrives amid and beyond the pandemic, through effective and impactful workplace policies and practices.

Against this backdrop, the 2020 Group People Agenda was underpinned by the following strategic pillars:

Workforce Management and Design

Institute appropriate policies, structures and models to drive workforce stability, strength, and resilience.

Strategic Talent Management

Build an agile and innovative workforce through deliberate strategies to attract, develop, and motivate workforce segments.

Reinventing Employee Experience

Institute innovative and effective service delivery models to drive exceptional value.

Employee Health and Wellbeing

Entrench a robust support system with focus on preventive and curative healthcare.

Human Resource (HR) Initiatives and Achievements in 2020

A. WORKFORCE MANAGEMENT AND DESIGN

The overall focus is to support business success and improve the employee-employer relationship through efficient work models, policies, and structures.

1. **Job Designs and Review:** Completed the job design and review exercise focused on aligning jobs to departmental strategic objectives, with emphasis on:
    - Job descriptions and evaluation;
    - Role placement; and
    - Job families and rotation.
2. **Manning Structures:** Delivered an optimal design for workforce structures to drive efficiency through:
    - Workload analysis;
    - Flatter and leaner organisational structures; and
    - Manpower optimisation and utilisation.
3. **Workplace Policies/Practices:** Reviewed specific policy areas to ensure best-in-class practices, some of which include:
    - Remote working policy;
    - Flexible working arrangements (including flexible hours);
    - Recognition of loyalty and long service; and
    - Diversity and inclusion.

EMPOWERING OUR PEOPLE FOR SUCCESS

B. STRATEGIC TALENT MANAGEMENT

Entrenched a set of integrated initiatives designed to attract, develop, and motivate employees:

1. **Talent Development:** Underpinned by e-learning, the overall focus is to ensure employees are equipped with new and relevant competencies and leadership skillsets required today and for the future.

   - Leadership development: Streamlined to focus on the three main categories of the workforce – junior, middle, and senior management – to guarantee a robust talent pipeline for succession planning.
   - Coaching and mentoring: peer-to-peer, supervisor-to-subordinate, reverse mentoring.
   - Supervisory and Line Manager capability programmes.
   - Reskilling and upskilling interventions: focused on capacity development in essential skills/competencies to cultivate a culture of ongoing learning.

2. **Talent Motivation:** Deployed a range of initiatives and schemes to foster engagement and an inclusive talent system using:

   - Performance rewards and recognitions schemes;
   - Recognition of loyalty and long service;
   - Self-development programmes; and
   - Education loans, education/study leave, tuition refunds/incentives.

3. **Talent Segmentation:** Instituted the talent segmentation system, aligned to employee performance and leadership potential. Deliberate interventions are also being implemented to support the various talent segments using:

   - Career tracks and maps;
   - Capability development programmes;
   - Performance scorecards and alignment; and
   - Succession readiness plans.

C. REINVENTING EMPLOYEE EXPERIENCE

Strengthened our service delivery framework along employee touchpoints, given the heightened need to improve overall employee experience, as a result of the virtual approach to work caused by the COVID-19 pandemic, through:

1. **HR Service Delivery:** Revamped the HR service delivery model to optimise employee experience through investment in a best-in-class Human Resource Information System (HRIS). The overall objective is to provide superior user experience through the three main tenets of our service delivery framework - 'self-service', 'shared services' and 'centre of excellence'. Key processes include:

   - Recruitment and selection;
   - Onboarding and corporate induction;
   - Performance management;
   - Talent and capability development;
   - Workforce analytics; and
   - Disciplinary case management.

2. **Employee 'Share-of-Voice':** Instituted various initiatives to drive collaboration and refresh employee connection, without losing sight of strategic objectives. These include:

   - CEO webcasts;
   - Department village meetings and town hall meetings;
   - Voice of the millennials; and
   - Employee focus group sessions.

EMPOWERING OUR PEOPLE FOR SUCCESS

D. EMPLOYEE HEALTH AND WELLBEING

Entrenched a robust employee wellness framework to focus on health, fitness, lifestyle, and nutrition. Key achievements include:

- Employee wellness social engagement channel;
- Virtual aerobic sessions;
- COVID-19 information hub;
- Mental health support platforms;
- Virtual healthcare access – telemedicine platform, chronic disease management program; and
- 'Work from Home' productivity series.

Female Economic Empowerment and Diversity Initiatives

As an equal opportunity employer, we have created an enabling environment to ensure increased female representation and empowerment. This is demonstrated through initiatives under 'The Women Network'. The Network was launched as a platform for empowerment and to create opportunities for women to grow and attain leadership positions, thereby contributing better to the overall productivity and profitability of the Group.

This Network has rolled out several programmes including workshops and engagements on work-life integration, financial planning strategies, mentorship in the workplace, networking webinars, career management workshops, mental health webinars and more.

The Women Network is designed to be inclusive with a 20% voluntary male participation in specific activities.

Approach to Human Rights and Anti-bribery and Corruption

- **Human Rights:** FBNHoldings Group recognises the fundamental rights of citizens as enshrined in the constitution and is an equal opportunity employer. This is evident under our employee relations affirmative action policy statement, which states that 'the Group is an equal opportunity employer and that all members of staff receive equal opportunities throughout their employment'.
- **Grievance Policy:** This policy is part of our commitment to creating a safe and fair workplace for our employees. There is a clear process supporting this policy and employees can report or request for an investigation on workplace discrimination or issues that may affect their fundamental human rights.
- **Anti-money Laundering Training Programme:** We rolled out anti-money laundering training programmes to deepen understanding of the subject matter.

The Employee Handbook reflects best-in-class practices and ensures compliance with employment legislation. The following are some of the policies in line with anti-bribery and corruption practices:

- **Whistleblowing:** This policy gives employees an avenue to report any form of misconduct like bribery and corruption. This policy provides a framework that guards and protects the Group's reputation regarding matters of integrity.
- **Gift Policy:** This policy provides the guidelines on the acceptable value and type of gift permissible to employees. It states that all gifts must be declared regardless of amount. This policy sets the standards for preventing bribery and corruption practices.

EMPOWERING OUR PEOPLE FOR SUCCESS

Culture

At FBNHoldings, our people are our most valuable asset, and an embodiment of our culture. They make a critical difference to our success as a Group and our investment in them protects and strengthens our culture.

Over the years, our culture transformation agenda has been reinforced in line with our drive to reinvigorate the workplace culture solely on the back of our core values – Innovation, Integrity, Respect, Customer Centricity and Sustainability. Our cultural identity is aligned to our *raison d'etre* and defines the attitude and behaviours to be exemplified by all employees to ultimately foster a unified corporate culture.

Key initiatives include:

- Best practice surveys: employee engagement surveys, pulse surveys and workplace practice assessment
- Corporate culture audit and trust index assessments
- Culture transformation programmes: Embedding core values, reigniting passion, C-Suite role modelling, employee self-efficacy and accountability systems

The Group received several awards in recognition of the quality of our workplace practices and corporate culture.

Awards and Recognitions

- Group Employee Engagement Index 74%
- FBNHoldings:
  - Great Place to Work Certification - Platinum
  - Best Workplace for Women
  - Best Workplace for the Millennial Generation
  - Best in Organisational and Workplace Leadership
  - Overall Ranking as the 2nd Best Workplace
- FBNQuest:
  - Great Place to Work Certification - Gold
  - Recognised as one of the Best Workplace in the Medium-sized Companies Category
- FirstBank:
  - Great Place to Work Certification - Gold
  - Recognised as one of the Best Workplace in the Large Companies Category
  - Best in Learning and Development

EMPOWERING OUR PEOPLE FOR SUCCESS

COVID-19 Pandemic – Key Initiatives

While the pandemic disrupted the traditional work modes, it also created a unique opportunity to introduce targeted interventions as part of the employee support system to drive business continuity. Some of the initiatives implemented include:

- Safety and awareness campaigns through email, executive engagements, virtual notice boards and roadshows;
- Selection of COVID-19 pandemic champions to ensure compliance with protocols;
- Training sessions on productivity and virtual office management;
- Case escalation protocols and contact communication points;
- Telemedicine and remote medical/health access;
- A dedicated mental wellness platform;
- COVID-19 SharePoint information hub for updates;
- Provision of personal protective equipment – gloves, face masks, and hand sanitisers; and
- Medical screenings and self-isolation protocols.

Workforce Statistics Across the Group

Average Age
39

Total Number of New Hires
201

Total Staff Strength
8,327 FTEs

Gender

Workforce Generation Classification

Generation Z	-	1%
Millennials	-	56%
Generation X	-	42%
Baby Boomers	-	1%

EMPOWERING OUR PEOPLE FOR SUCCESS

Future of Work

Over the past years and as part of our People Management Strategy, the FBNHoldings Group accelerated key initiatives and interventions to drive its 'Future of Work' agenda. Through the re-evaluation of business strategies, operating models, and organisational design, the Group's HR function ramped up its efforts in this rapidly changing and intensely competitive operating environment, especially due to the impact of the COVID-19 pandemic. The 'Future of Work' agenda is hinged on three critical underlying tenets upon which the various initiatives are being implemented for the short- mid- and long term.

1. **Cost:** Redefined our cost management strategies to further align with the new interventions and to drive value realisation

2. **Productivity:** Instituted a value-driven approach and revamped HR service delivery model to deliver increased efficiency and productivity

3. **Culture:** Reinforced our culture transformation agenda in line with the drive to reinvigorate the workplace culture solely on the back of our core values.

Key Initiatives and Milestones Achieved

2019

Organisational Design and Governance

- Flexible working practice-flex hours, remote working
- Job families, workforce re-design, talent segmentation
- Optimal and lean organisational structures
- Robust HR information system
- Best-in-class HR policies
- Enhanced health and corporate wellness agenda

2020

HR Value Realisation

- Revamped HR service delivery models
- Competency and value-based systems
- Innovation and digitisation
- Transition of age demography
- Redefined workforce tactics-build, buy, borrow
- Diversity management and global mobility agenda
- Cross-functional synergies and collaboration

2021 and beyond

HR Globalisation

- Robotics and artificial Intelligence
- Augmented workforce
- Hybrid work models
- Revamped skillset and fluidity of talent
- HR adaptability
- Work-life integration strategies

As we navigate these unprecedented times and remain future-focused, our people agenda and business continuity plans will remain relevant and effective, given our focus on developing a global workforce and talent pool. We will achieve this by keeping up with evolving business trends and ensuring best-in-class practices are appropriately deployed to reinforce our position as 'employer of choice'.

DIGITAL BANKING SOLUTIONS

FirstBank, a leading bank that drives financial inclusion, has about 16 million customers on its digital channels: FirstMobile, USSD, and FirstOnline. In 2020, over 85% of our customer-induced transactions were performed on our self-service channels.

Online Banking

FirstBank continues to improve its services and user experience on its digital channels. As an institution at the forefront of innovation in electronic banking, the FirstMobile app was revamped to offer a better user interface, enhanced user experience and improved customer satisfaction. New features such as beneficiary management, biometrics for transactions and a unique dashboard with a statistical chart indicating inflow and outflow of funds were installed on the FirstMobile app.

This improvement facilitated the growth of the Bank's user base by 21% to 4.2 million as at year-end. In 2020, the FirstMobile app clinched the 'Best Mobile Banking App' at the Global Finance Best Digital Bank Awards for providing excellent self-service through its user-friendly app.

In 2020, our customers conducted approximately 256 million transactions worth ₦15.7tn using the FirstOnline and FirstMobile online banking channels.

Expanding Payment Acceptance Channels Through Innovation

In 2020, the Bank's Point-of-Sale (POS) business grew by 16% with the value of POS transactions exceeding ₦199bn.

FirstBank launched the Biller Aggregator Platform in December 2018, and the market has continued to accept this innovation. By year end, the Bank had 72 active merchants, a 125% increase relative to 2019. The number of transactions processed in 2020 grew by 199% with a value accumulation of ₦45bn.

USSD (*894#) Quick Banking

The quick banking *894# code recorded remarkable growth with the number of users on the channel reaching 11.2 million as at year end. During the year 2020, the Bank processed about 1,944 financial transactions through USSD(*894) quick banking in one minute. Over 1,254,467 accounts were opened through the USSD code during the year, contributing to the Bank's strategic objective.

Consolidating ATM Services

As the industry leader, FirstBank has continuously set the pace as the Bank with the largest ATM network, closing the year with 3,111 configured terminals. Despite the COVID-19 pandemic, FirstBank's ATMs dispensed over ₦2.3tn in 2020.

To continuously improve our ATM services and ensure customer satisfaction, the Bank included a 'large sum bulk withdrawal' feature on the terminals. FirstBank also responded swiftly to environmental concerns by providing a contactless ATM solution that leverages digital channels.

DIGITAL BANKING SOLUTIONS

Promoting Financial Inclusion Through the Agent Network (Human ATMs)

The launch of Firstmonie in 2018 puts FirstBank at the forefront of driving financial inclusion in Nigeria. At year-end, FirstBank maintained its industry leadership in the financial inclusion space, with an agent base of about 100,000* operating across 772 Local Government Areas, to become the most widespread in Nigeria and the largest bank-led network in Africa. Firstmonie Agents processed over 295 million transactions worth ₦6.65tn in 2020 and opened more than 196,000 accounts, contributing to FirstBank's customer acquisition goal.

The Firstmonie Agents network allows FirstBank to decongest branches, leverage the extensive spread of agent locations to serve a greater number of customers within their vicinity. Services at the agent locations include account opening, bank verification number enrolment, fund transfers, cash deposits, cash withdrawals, bill payments, mobile recharge and Firstmonie Wallet services.

The scheme empowers agents financially through additional revenue from commissions and incentives, as well as contributing to the development of the country's economy by creating jobs for the unemployed and underemployed. In driving financial inclusion through the Firstmonie Agent network, banking products and services have become more accessible to Nigerians, mostly the unbanked and underbanked in rural communities, where access to banking facilities is limited. 26% of the Firstmonie Agent base are women, a strong indication that the Firstmonie Agent network is driving female economic empowerment. For more details on our Firstmonie locations, please refer to the link https://www.firstbanknigeria.com/firstmonie-agents.pdf

Looking Forward

In line with our commitment to banking excellence, FirstBank will continue to put its customers first by leveraging digital innovations to deliver superior service. Key imperatives going forward include the reinforcement of our position as the industry leader in electronic payments through our digital platforms as well as driving the country's financial inclusion goal through our Firstmonie Agents and Firstmonie Wallet.

*As at 31 March 2021

OUR ROLE IN THE COMMUNITY

Our approach to corporate responsibility and sustainability (CR&S) is three-pronged: citizenship, stakeholder management and impact management. Citizenship and stakeholder management considers the needs of stakeholders in decision-making, while impact management minimises negative impacts and increases positive impacts on the community. Our role in the community is to create long-term stakeholder value by leveraging opportunities and managing the associated environmental, social and governance risks.

Sustainable Finance and Investment

We constantly seek ways to provide products and services to meet the needs of our customers while ensuring our environmental, social and governance impacts are managed with a view to contributing to the overall sustainable growth and development.

People Empowerment

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

Community Support

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

Environmental Sustainability

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

OUR ROLE IN THE COMMUNITY

The Group, through its subsidiaries, plays a vital role in supporting the community. Some of the initiatives implemented include:

FirstBank's Initiatives

FutureFirst

This initiative promotes financial literacy, career counselling and entrepreneurship among young people. FutureFirst was launched through the Commercial Banking group partnership with Junior Achievement Nigeria (JAN), a non-profit organisation dedicated to empowering young people in entrepreneurial development. JAN's programmes align with the FutureFirst vision and students across the country have benefited from the experience. Through the partnership with JAN, senior secondary school students are provided with practical business experience under three pillars: financial literacy, work readiness and entrepreneurship. Over 70,000 secondary school students in Nigeria have benefited from FutureFirst. The Initiative encourages staff participation, with employees volunteering over 40,000 hours. The three major focus areas of FutureFirst are:

- **Financial literacy:** Through the 'Global Money Week' and 'World Savings Day' activities, FirstBank delivers a teaching module on savings to secondary schools across the country. These activities are structured to empower students with the essential financial knowledge required to access quality financial education and make informed decisions on money-related matters.

- **Work readiness:** The Group supports career counselling to guide students in making informed decisions. Activities such as the 'Youth Empowerment Series 3.0' and the 'University of Ibadan Career Fair' are designed to provide career counselling for students and young adults.

> Our role in the community is to create long-term stakeholder value by leveraging opportunities and managing the associated environmental, social and governance risks.

- **Entrepreneurship:** FutureFirst offers an experiential aspect to the students' business and economics studies. It provides insights on how businesses operate, encourages critical thinking, promotes speaking and leadership skills and highlights the rewards of a free enterprise system. It also provides guidance on career opportunities and instils workforce readiness.

10th Anniversary Celebration of National Company of the Year and FirstBank Support

The 10th anniversary celebration of the National Company of the Year (NCOY) was a milestone. The culminating point of the flagship event of the Junior Achievement (JA) Company Program and regional competitions across Nigeria brought together outstanding student business teams from schools across the country to compete for the opportunity to represent Nigeria at the JA Africa Company of the Year competition. This annual celebration provides an opportunity for young people to demonstrate their business acumen and spirit of entrepreneurship in a competitive environment.

FirstBank's partnership with JAN dates back to over 20 years, as one of the many front-end initiatives in the Bank's engagements with the next generation of young Nigerians to collaborate and create an innovative future for the Nigerian dream.

Despite the challenges of the COVID-19 pandemic, these students managed to keep the entrepreneurial spirit and extend their innovative frontiers in 2020. Below are the top six student companies that made it to the NCOY competition, with each team consisting of four students.

- Jikoru from Alvana Secondary School, Owerri, Imo State, designed a web platform that connects freelancers to jobs.

- New Phase from Brookstone Secondary School, Port Harcourt, Rivers State designed an eco-friendly building block.

OUR ROLE IN THE COMMUNITY

- Amazing Amazons from Government Girls Secondary School, Abaji, Abuja designed a healthcare application that connects hospitals to blood banks and blood banks to blood donors.
- Alpha Tech from Comprehensive School of Management and Technology, Ebonyi State designed a tyre fault detecting chip.
- Masen from Igbobi College, Yaba, Lagos State, designed a self-disseminating carbon dioxide fire extinguisher.
- Innovative Vibrant Youth from the International School University of Lagos, Yaba, Lagos State, designed an application that disseminates information on menstrual hygiene and crowdfunds for girls in underserved communities.

New Phase from Brookstone Secondary School, Port Harcourt, Rivers State emerged the winner.

Start Performing Acts of Random Kindness (SPARK)

SPARK is a value-based initiative designed to create awareness of the need to collectively perform acts of random kindness. The initiative goes beyond meeting the material needs of people who are unable to support themselves, to encouraging compassion, empathy and affection. SPARK activities include visits to orphanages and homes for the less privileged, and to camps for internally displaced persons. The initiative also provides vision screening and affordable eyeglasses for women with low incomes. In 2020, through SPARK, FirstBank impacted over 40 million stakeholders driving the kindness campaign, which led to the '12 Days Of Kindness' and the 'Gift Them A Break' campaigns. Eight people were nominated for their selfless acts of kindness and were rewarded with gift items ranging from electronic devices to cash.

Employee Giving and Volunteering

The Employee Giving and Volunteering programme encourages employees to give back to the community. The programme has two areas of focus:

Giving: Employees donate material resources, including cash to the less privileged. Monetary giving is mainly driven through crowdfunding where large numbers of people make small contributions.

Volunteering: This involves employees volunteering their time and skills to support philanthropic activities. It provides a platform for employees to develop new skills and partner with people within and outside the Bank to expand their horizons.

All volunteering activities must align with the core elements of the CR&S strategy. Volunteering is implemented through partners such as LEAP Africa, the Down Syndrome Foundation, JAN and the Nigerian Conservation Foundation.

In 2020, staff volunteers participated in the virtual financial literacy and entrepreneurship programme in partnership with JAN, the CACOVID food distribution initiative, and the street cleaning exercise after the End-SARS protests.

Support for the Nigerian Private Sector Coalition Against COVID-19 (CACOVID)

As part of our efforts to minimise the negative impacts of the COVID-19 pandemic, FirstBank teamed up with some companies in the private sector. The Nigerian Private Sector Coalition Against COVID-19 (CACOVID) was instituted by the CBN on behalf of the Bankers' Committee and in partnership with the private sector to raise funds to combat the COVID-19 scourge. The workforce pull resources across industries to provide technical and operational support, funding and building advocacy through aggressive awareness drives. FirstBank contributed ₦1bn towards the CACOVID cause.

E-Learning Initiative

The e-learning initiative allows students to receive e-learning solutions through devices or online access from the e-learning platform on the FirstBank website. FirstBank provided 20,000 free preloaded devices to students in partnership with Roducate and the Lagos State Government. With a target to move one million students to e-learning, the initiative is designed to bridge the gap created by the closure of all educational institutions nationwide as a result of the COVID-19 pandemic which has kept children idle. The Bank believes that children can be forgotten at this time and it is important to meet their particular needs and ensure they remain resourceful and fully engaged to compete favourably with their peers internationally. Over 150,000 students benefited from the initiative.

OUR ROLE IN THE COMMUNITY

Partnerships

FirstBank has partnered with IBM, Roducate, the Lagos State Government and Curious Learning. The Bank is also a member of the Global Education Coalition led by the United Nations Educational, Scientific and Cultural Organisation. The Bank is working towards onboarding additional partners, such as Microsoft, in the next phase.

IBM

As a key partner, IBM enhanced the drive to move one million students to e-learning through its complimentary programme called IBM Digital-Nation Africa. It is an online learning and innovation platform that provides young people with digital skills such as coding, cloud computing, artificial intelligence, data science and analytics, the Internet of Things, blockchain, cyber-security and quantum computing. The programme enables students, entrepreneurs and communities to acquire knowledge and tools to innovate, design, develop and launch their digital solutions.

Roducate (Roberts & John)

Roberts & John is an edu-tech company that offers Roducate an e-learning application with school curriculum-based content. The application is in eight modules which cover lecture notes, tutorial and revision videos, assignments and classwork for students, exams, life-skill games, and networking. Roducate has two learning models: online and offline.

- **Online model:** This option offers students online access to solutions. There are apps and web options for students with access to devices on a subscription model payable monthly.

- **Offline model:** For students who may not have access to devices, there is an offline model preloaded on the operating system of a device that can be used. The lowest-end device with the functionality required for this purpose retails at ₦12,500. The entire school curriculum from primary through secondary and several university courses are preloaded on the device, which means the student has and owns the access for life. Curriculum updates are done remotely once the device is plugged in and data activated for the duration of the update.

Curious Learning

The Bank understands that early literacy plays an important role in the future of a child. As such, we partnered with Curious Learning to address the challenges related to early literacy. Curious Learning offers academic-based content for children aged 3 - 8 years, using fun and self-guided learning apps to help them develop cognitive skills at a fundamental level. It is an open platform that addresses the deployment and learning challenges faced by under-resourced communities due to limited access to literacy instruction.

Through the Curious Learning platform of early literacy apps, games, toys and robots, the Bank provided opportunities for children to develop their cognitive skills and enhance their educational progress.

OUR ROLE IN THE COMMUNITY

FBNQuest Merchant Bank Initiatives

In 2020, FBNQuest Merchant Bank focused on:

- Strengthening existing partnerships to drive stakeholder engagement and social impact
- Supporting the health community through the COVID-19 pandemic

Donation to CACOVID: A donation was made to the account set up at the CBN under the auspices of the CACOVID. The objective of CACOVID is to mobilise private-sector leadership and resources in the fight against the COVID-19 pandemic.

Collaboration with the Citizen for Citizen Initiative: A donation was made to the 'Citizen for the Citizen Initiative', which aims to mobilise and generate a substantial pool of funds for Nigerians during the pandemic. The funds were deployed towards the establishment of a drive-through testing centre in Oyo State by LifeBank where free COVID-19 tests were conducted.

Collaboration with the Young Presidents Organisation: A contribution was also made to the Young Presidents Organisation (YPO) (Lagos Chapter). YPO established an isolation and infection centre in the Eti-Osa Local Government Area. The centre ran for a few months providing care and treatment to COVID-19 patients.

Relief Initiative for Residents of Keffi/Obalende: A relief initiative was conducted for our host community in Keffi/Obalende. Relief materials, including food and sanitary items, were distributed to residents of the community to cushion the adverse effects of the lockdown on their daily income during the COVID-19 pandemic. The distribution was managed by the Ikoyi-Obalende Local Council Development Area.

Relief Initiative in Abuja and Port Harcourt: Relief materials, which included food and sanitary items were donated to vulnerable communities such as orphanages in Abuja and Port Harcourt. This was to cushion the effect of the COVID-19 pandemic lockdown on the communities.

Partnership with Teach for Nigeria

Teach For Nigeria (TFN) is a non-profit organisation which addresses the education of Nigeria's most marginalised pupils. This is achieved by enlisting our nation's most promising future leaders into development programmes to expand education and life opportunities for all Nigerian children. Through a two-year leadership development programme, TFN recruits outstanding university graduates and young professionals, known as 'Fellows', from all academic disciplines as full-time teachers from underserved and low-income schools.

TFN Incubation Hub Pitch Event: We supported the TFN Incubation Hub Pitch event. The program aims at empowering TFN alumni who are in the social innovation space with the skills, resources and support required to drive various initiatives which focus on improving the quality of education and the quality of life for children and families in low-income communities. Two of the innovators were awarded seed-funding to set up and expand their initiatives.

TFN Mentoring Program: The TFN mentoring programme is aimed at supporting second-year TFN Fellows with professional development as they transition from the fellowship programme, and with backing as they implement their social impact projects, which are themed 'Be The Change Projects' in their placement schools. Employees ranging from mid-Senior and Executive Management volunteered to mentor the Fellows under our Employee Volunteering Programme.

Women's Economic Empowerment

Capacity Building for Female Employees: As part of our women's economic empowerment initiatives, female employees were sponsored to attend the 2020 Women in Management, Business and Public Service (WIMBIZ) annual conference and the Women in Successful Careers (WISCAR) annual conference.

Two in-house sessions were also organised under the Bank's Women Interactive Network initiative (FBNQuest WIN), providing female employees access to critical information for professional and personal growth.

Financial Literacy for Women: We partnered with Leading Ladies Africa, a women-focused non-profit organisation on a financial literacy session for women, aimed at equipping women with the information required to make informed financial decisions. The session focused on the basics of financial planning as a starting point for the journey to wealth creation.

OUR ROLE IN THE COMMUNITY

The Bank responded to the debilitating effects of the COVID-19 pandemic by increasing support to all the segments we serve – women, youth, micro-small and medium enterprises and the general public, in various ways:

Helping the Education Sector Recover from the COVID-19 Pandemic

FirstBank demonstrated again that it is woven into the fabric of society, as the Bank reviewed many of its loan offerings to match market realities and be more attractive to SMEs. Our loan moratoriums during the period of economic lockdown helped businesses stay afloat and facilitated their recovery as the lockdown eased.

To further strengthen our support to the education sector, we partnered with the National Association of Proprietors of Private Schools to lend to schools at a concessionary rate. We also partnered with the Lagos State Government to lend to low-cost private schools at a single-digit interest rate of 9%. This was through a ₦5bn co-funded scheme by the Lagos State Employment Trust Fund (LSETF) and FirstBank's FirstEdu Loan, known as the LSETF-FirstEdu Loan scheme.

FirstBank partnered with the Lagos State Government, Robert & John, IBM and Curious Learning with a resolve to educate 1 million Nigerian students through innovative e-learning solutions that would drive sustainable efforts towards improving education for all. As part of the partnership, the Bank donated 20,000 units of e-learning devices to the Lagos State Government for students in the State public schools.

These partnerships reinforce FirstBank's 'You First' brand promise of putting not just its customers first, but indeed the economies of its host communities.

The Chief Executive Officer, FirstBank Limited, Dr Adesola Adeduntan (left) with the Lagos State Governor, Babajide Sanwo-Olu, during the official launch of the LSETF in partnership with FirstBank Limited., (₦5bn LSETF-FirstEdu Loan) at the Banquet Hall, Lagos House, Ikeja, on Friday, 25 September 2020.

Right-Left: *Commissioner for Finance, Dr Rabiu Olowo; Chairman, House Committee on Wealth Creation, Hon Jude Emeka Idimogu; Commissioner for Wealth Creation and Employment, Yetunde Arobieke; the Lagos State Governor, Babajide Sanwo-Olu; Chief Executive Officer, FirstBank Limited, Dr Adesola Adeduntan; Representative of the LSETF Chairman and Deputy Group MD, AIM Consultants Limited, Engr. Tatiana Moussalli Nouri; Executive Secretary, Lagos State Employment Trust Fund, Teju Abisoye, during the official launch of the LSETF in partnership with FirstBank Limited, (₦5bn LSETF-FirstEdu Loan) at the Banquet Hall, Lagos House, Ikeja, on Friday, 25 September 2020.*

OUR ROLE IN THE COMMUNITY

Empowering SMEs in Tough Times

We continued to support our SME customers across various industries to succeed during the tough business period. Loyalty schemes that allowed customers to borrow up to ₦20mn without collateral for business support were offered. These included: supplier finance, trader support, key distributorship finance products and school-working capital finance. Loan extensions and moratoriums on loan repayment were also offered. Capacity-building events, webinars and free digital marketing training programmes in collaboration with other SME-focused organisations were organised to enable SMEs increase their visibility and leverage FirstBank's digital solutions. These solutions facilitate payments to harness online business opportunities created by the economic lockdown. Through our revamped Value Chain Management Model, finance to SMEs' distributive trade were provided to ensure a free flow of essential goods and services nationwide during the lockdown. With continuous support through loans disbursed across various industries, many SMEs were able to stay afloat during a challenging year.

Delivering High-Quality Money Transfer Services

Over one million Nigerians in diaspora from more than 200 countries made remittances to their loved ones and families through FirstBank in 2020. To ease the burden of customers at the height of the COVID-19 pandemic, the Bank partnered with WorldRemit for 'No Fee Send/Remittance' for Nigerians in the diaspora to assuage the effects of the pandemic.

FirstBank was one of the first banks to implement the dollar payout directive by the CBN across all branches in December. With the option of cash pick-up and direct-to-account services, Nigerians across the world were able to remit funds back home for family assistance and upkeep.

OUR ROLE IN THE COMMUNITY

FirstBank Empowers its Firstmonie Agents With up to 1 Million Naira

In promoting the business activities of agents on its Agent Banking network Firstmonie, FirstBank introduced a collateral-free loan scheme that provides facilities of up to ₦1mn to agents as working capital. This singular initiative empowered about 100,000* Firstmonie Agents across the country to grow their business capacity and earn attendant income from paid commissions. The Agent credit product, launched in July 2020, disbursed a sizable amount in loans in six months to drive unhindered financial services across neighbourhoods and communities, with Firstmonie Agent presence in 772 Local Government Areas in Nigeria.

In appreciation of the performance of the Firstmonie Agents, Chuma Ezirim, Group Executive, e-Business and Retail Products, FirstBank Limited said:

> *"The roles played by our Firstmonie Agents in promoting businesses across the nooks and crannies of the country cannot be overemphasised, as they have continued to set the pace on extending financial inclusion to communities with little or no access to financial services.*
>
> *With our Firstmonie Agents in every neighbourhood, several communities have witnessed a surge in business and financial activities, which is contributory to national growth and development. We commend our Agents and are delighted to support them with credit facilities, which they can access 24 hours a day in less than 2 minutes."*

*As at 31 March 2021

OUR ROLE IN THE COMMUNITY

Empowerment for Women Across the Nation

Women and women-led businesses enjoyed the Bank's support during the year through empowerment programmes organised for our female workforce and customers through the Bank's gender-focused initiatives - FirstGem, First Women Network and its Agent Banking platform, Firstmonie. These programmes were aimed at increasing gender participation in leadership, entrepreneurship and financial inclusion. This was done through our annual women's conference and the commemoration of the International Women's Day 2020, #eachforequal - celebrating women's achievements against all odds. The key speaker, Ibukun Awosika, the Chairman of the Bank, shared from her wealth of experience the need for women to grow by challenging stereotyped norms.

Leveraging Firstmonie and our Agent Banking platform, the Bank promoted both financial inclusion and economic independence for women at the grassroots level. This was achieved through over 11,726 female agents across the country on its agent database.

In response to the impact of COVID-19 on 'ways of doing business', a female-focused webinar themed 'Entrepreneurship in times like this' was organised in partnership with Google Nigeria, aimed at training women entrepreneurs on how to build capacity by leveraging the digital space and tools for business. The speaker, Peace Itimi, a digital marketing and growth expert, shared with participants the importance of selling in the digital space, the available tools women can leverage with minimal technical skills, the importance of communication and how to close deals. In the area of finance, the Bank advanced a sizable amount of loans to over 81,000 women-led businesses and interests in 2020.

OUR ROLE IN THE COMMUNITY

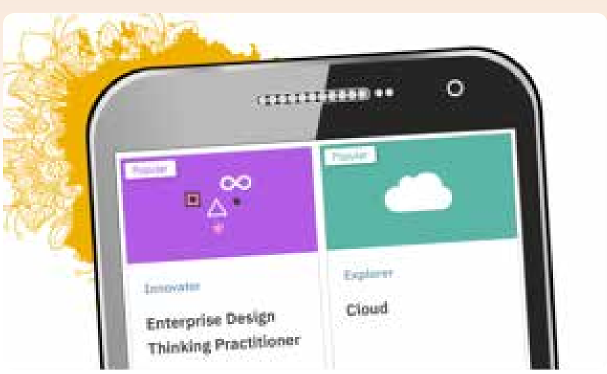
Youth Empowerment Initiatives

The Bank's children and teens customer segment received special focus in 2020. With home-schooling now an integral part of our reality, which has necessitated minors having access to internet-enabled gadgets, FirstBank, in partnership with Google Nigeria, held a two-part internet safety awareness webinar themed 'Be internet awesome' for parents and children.

The webinar trained participants on responsible internet usage, signs and response to cyberbullying, online predators and information phishing and utilising child-friendly content. It was an enlightening session for participating parents and children as the attendant risks and management of increased access to the internet were addressed.

To improve digital awareness among youths, FirstBank, in collaboration with IBM, introduced the 'IBM Digital-Nation Africa' programme under its e-learning initiative. The programme focuses on African citizens, entrepreneurs and communities' acquisition of knowledge and tools to innovate, design, develop and launch their own digital solutions, while also helping youths search for jobs that suit their acquired skills. The IBM Digital-Nation focused on three key audiences:

- Explorers – People keen on learning about emerging technologies.
- Innovators – People whose bright ideas need acceleration and innovative enhancement.
- New Collars – People who want to align their skills to the job market requirement and seek better opportunities.



Participants were taken through the following areas of focus during the programme - coding, artificial intelligence, cloud computing, Internet of Things, blockchain, data science, analytics and cyber-security.

OUR ROLE IN THE COMMUNITY

The Voice Nigeria Season 3

To drive youth empowerment and engagement, the Bank signed on as the lead sponsor of the TV reality musical talent show, The Voice Nigeria, Season 3. Speaking on the talent hunt show, Dr Adesola Adeduntan, the Chief Executive Officer, FirstBank Limited, said:

> ***"We are delighted to be the lead sponsor of The Voice Nigeria. This partnership is hinged on our Brand's passion to empower and invest in our youths. FirstBank has given a voice to the young, and indeed all Nigerians, for the past 127 years and will continue to give a voice to Nigerians by creating employment and economic empowerment in the country through our products, services and initiatives. We remain committed to strengthening the fast-growing creative industry into a multibillion-dollar business, with the potential to be a leading contributor to Nigeria's GDP in the near future."***

Our sponsorship of The Voice Nigeria is in recognition of the vast talents Nigeria is blessed with, which we are delighted to promote, thereby positively impacting the Nigerian entertainment industry.

COMMUNITY SUPPORT SCORECARD

	OBJECTIVES	2020 ACCOMPLISHMENTS	MEASURE	IMPACT	2021 TARGETS
HOPE RISING INITIATIVE	Engender inclusion and diversity through education, advocacy and skill acquisition.	• Partnership with the Down Syndrome Foundation Nigeria continued. • Support for: ▶ Nigeria Association of the Blind ▶ International Women's Society ▶ Pacelli School for the Blind and Partially Sighted Children ▶ Nigerian Conservation Foundation	Number of beneficiaries impacted.	Supported over 10 charity homes in Nigeria.	To support 25 charity homes in Nigeria.

	OBJECTIVES	2020 ACCOMPLISHMENTS	MEASURE	IMPACT	2021 TARGETS
FUTUREFIRST PROGRAMME	Promote financial literacy, career counselling and entrepreneurship skills for young people.	Partnered with JAN to promote financial literacy, career counselling and entrepreneurial initiatives.	Number of beneficiaries impacted.	Over 13,600 students benefited from financial literacy and entrepreneurship.	5% increase in the number of students impacted.

	OBJECTIVES	2020 ACCOMPLISHMENTS	MEASURE	IMPACT	2021 TARGETS
SPARK	To create awareness for the need to collectively perform acts of random kindness.	Project designed to support people deserving of kindness across different geo-political zones in Nigeria and across the eight countries where FirstBank operates.	Number of beneficiaries and programmes implemented.	• 15 beneficiaries of SPARK in the '12 days of Kindness Campaign'. • SPARK campaign messages reached over 40 million people	• To impact charities/ NGOs* • 5% increase in the campaign reach.

*Non-Governmental Organisations

COMMUNITY SUPPORT SCORECARD

	OBJECTIVES	2020 ACCOMPLISHMENTS	MEASURE	IMPACT	2021 TARGETS
EMPLOYEE GIVING AND VOLUNTEERING	Provide a platform for employee giving, volunteering and engagement.	• Employees volunteered in the FutureFirst events held in Ebonyi, Lagos and Rivers States. • Other staff-supported events included Financial Literacy Day and World Savings Day.	Number of volunteered hours and beneficiaries.	Over 40,000 volunteered hours.	• 5% increase in the number of volunteered hours.

	OBJECTIVES	2020 ACCOMPLISHMENTS	MEASURE	IMPACT	2021 TARGETS
E-LEARNING INITIATIVE	To build educational partnerships that contribute to bridging the COVID-19 disruption gap. It is important for children to remain resourceful and engaged during this period and enable them to compete favourably with their peers internationally.	FirstBank's e-learning initiative provided access to e-learning solutions for students and the youth in collaboration with different partners, including telecommunication companies, tech institutions, edu-tech companies and ministries of education, in the drive to move 1 million students to e-learning. These partners include Curious Learning, the Lagos State Government, Roducate, IBM and the UNESCO-led Education Coalition.	Number of people impacted.	Empowered over 150,000 people including students.	40% increase in the number of people impacted.

REPORTING STANDARDS AND CODES

In line with best practice, FBNHoldings reports its CR&S activities as well as progress to its stakeholders. As part of its commitment to international reporting standards and guidelines, the Group CR&S reports are based on the guidelines and principles of the Global Reporting Initiative Guidelines (GRI), the Nigerian Sustainable Banking Principles (NSBP), the United Nations Global Compact (UNGC) and the Sustainable Development Goals (SDGs).

The CR&S reports demonstrate stakeholder engagement and an unwavering commitment to leading the agenda for nation-building in line with its CR&S goals across the various strategic platforms. As in 2019, the following guidelines and standards were applied in 2020:

GLOBAL REPORTING INITIATIVE GUIDELINES

FBNHoldings developed its CR&S reports using the GRI guidelines in 2015. The GRI is the most widely used sustainability reporting framework in the world.

The GRI promotes the use of sustainability reporting for organisations to contribute to social economic and environmental growth by encouraging companies and organisations to measure, understand and communicate their economic, environmental, social and governance performance.

UNITED NATIONS GLOBAL COMPACT

The UNGC is the world's largest corporate responsibility initiative. It calls on companies and organisations to align their operations and strategies along key principles relating to human rights, labour, environment, and anti-corruption. There are more than 9,500 companies from over 160 countries, representing nearly every sector, in the compact.

By joining the UNGC, an organisation states its willingness to align with the values of the United Nations and to support initiatives that advance the SDGs.

FBNHoldings is a member of UNGC and ensures all subsidiaries across the Group align their strategies and practices to the principles of the UNGC. The Group maintains an active membership status in the UNGC and publishes its Communication on Progress Reports regularly.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

The NSBP originated from the CBN and the Bankers' Committee's vision for all Nigerian banks to develop sustainable banking standards and guidelines. To actualise the vision, the Strategic Sustainability Working Group was established, and FirstBank, a subsidiary of FBNHoldings, is a member.

The programme has three key areas of focus:

- Agriculture (including water resource-related issues and the Nigeria Incentive-Based Risk-Sharing System for agricultural lending);
- Power (with emphasis on renewable energy); and
- Oil and gas.

FirstBank is an active participant in the agriculture and oil and gas subcommittees, and a member of the steering committee responsible for providing implementation guidance on the NSBP.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

The NSBP programme is a vision for all Nigerian banks to develop sustainable banking standards and guidelines. A Strategic Sustainability Working Group was established within the NSBP to actualise this vision. FirstBank, a subsidiary of FBNHoldings, is a member of this working group and is responsible for providing implementation guidance on the NSBP. Detailed below are the implementation updates:

IMPLEMENTATION UPDATES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 1: Business Activities – Environmental Social and Risk Management: To integrate environmental and social (E&G) considerations into decision-making processes relating to our business activities and to avoid, minimise or offset negative impacts.	• Develop appropriate E&S policies and procedures. • Develop and customise E&S due diligence procedures.	• The Environmental, Social and Governance risk Management System (ESGMS) document has been developed. • Screened ₦4tn worth of transactions for environmental, social and governance risks.
	• Articulate the E&S governance and approval authority measures.	• The document was approved by the Bank.
	• Monitor E&S risks and review E&S conditions.	• The framework for implementation has been developed. • The ESGMS was adopted to screen credit transactions.
	• Provide client engagement guidance on E&S matters.	• 170 Group Heads and Relationship Managers were trained on responsible lending as part of the implementation of the ESGMS in 2020.
	• Develop appropriate E&S reporting criteria.	• The checklist that supports the ESGMS assessment has been built into the FINTRACK platform. In addition, the framework for scoring is in place as we work towards full automation.
	• Report on implementation progress and support for investment in sustainable and innovative business opportunities.	• Updated the Management, Board and external stakeholders on the ESGMS transactions.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 2: Business Operations – Environmental and Social Footprint: To avoid the negative impacts of our business operations on the environment and in the local communities where we operate, and where possible, promote positive impact.	• Develop an environmental management programme with facility management. This should address climate change and the reduction of greenhouse gas emissions, water efficiency, waste management and environmentally friendly facility construction and management.	• There is a reduction in printing access by staff, especially for colour printing. • Increased use of conference call facilities for meetings rather than physical attendance has reduced travel, resulting in a reduction of fuel consumption and carbon emissions from vehicles.
	• Comply with relevant labour and social standards. • Implement community investment programmes. • Apply the E&S standards to relevant parties.	• Sustainable procurement: Working on producing a supply-chain management code designed for minimum supplier compliance with sustainability practices. • Implementation of community development programmes to promote a positive impact on stakeholders. These include SPARK, FutureFirst (financial literacy and entrepreneurship for youth) and driving the e-learning initiative. • E-learning initiative: Over 150,000 students have access to online e-learning programmes through partnerships with Roducate, the Lagos State Government, IBM and Curious Learning.
Principle 3: Human Rights: To respect human rights in our business operations and activities.	• Develop and implement human rights policies (including labour and working conditions). • Integrate human rights and due-diligence into E&S procedures.	• We have a specific Human Rights Policy that also forms part of our ESGMS.
	• Invest in resources and staff training on human rights issues.	• Conducted training programmes on human rights. • The Group maintains an organisational culture that encourages an open line of communication between superiors and subordinates. • The Group maintains a fair and efficient procedure for resolving disputes and ensures disciplinary measures are fair and effective without breaching labour laws or standards.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 4: Women Economic Empowerment: To promote women's economic empowerment through a gender-inclusive workplace culture in our business operations, and to provide products and services designed specifically for women through our business activities.	• Develop and implement a Women's Economic Empowerment Policy. • Establish a Women's Economic Empowerment Committee. • Develop initiatives and programmes to promote and celebrate women empowerment.	• The Group's Corporate Responsibility and Sustainability Policy covers this principle.
	• Invest and dedicate resources for female talent.	• About 6.8 million accounts were opened in the Bank for women. • Recorded customer deposits of ₦16bn from 2,506,302 women-owned businesses. • A total of 2,730 SMEs are owned by women, representing 38%.
	• Support the establishment of a sector-wide women empowerment fund.	• Established a policy for women's economic empowerment that includes policies relating to maternity leave, study leave, training and career mobility. • FirstGem was introduced specifically for women. • 100,000 women opened FirstGem accounts by December 2020. • Partnered with the International Women's Society and WIMBIZ.
Principle 5: Financial Inclusion: To promote financial inclusion, and services to individuals and communities that traditionally have limited or no access to the formal financial sector.	• Develop and implement a Financial Inclusion Policy.	• Financial inclusion is part of the Group's Corporate Sustainability Policy.
	• Provide development and growth support to SMEs.	• Provided financial services to over 280,000 unbanked persons through Firstmonie and FirstInstant accounts.
	• Improve financial literacy and institutional practices.	• Promoted financial literacy and entrepreneurship in partnership with JAN by supporting the NCOY 10th anniversary.
	• Improve access to bank facilities and services.	• Through our financial literacy programme FutureFirst, the Bank assisted over 70,000 students across 80 secondary schools in Nigeria.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 6: E&S Governance: To implement robust and transparent E&S governance practices in our respective institutions and assess the governance practices of our clients.	• Establish an E&S governance framework. • Develop institutional E&S governance practices. • Active support of key industry initiatives aimed at addressing E&S governance issues for customers operating in sensitive sectors. • Implement E&S performance-linked compensation and incentive schemes.	• The Bank has a Sustainability Governance Committee chaired by the Chief Risk Officer.
	• Establish internal and external E&S audit procedures where appropriate.	• FirstBank is a member of the NSBP Steering Committee responsible for implementing the NSBP principles across sectors.
Principle 7: Capacity Building: To develop the individual, institutional and sectoral capacity necessary to identify, assess and manage environmental and social risks, and the opportunities associated with our business activities and operations.	• Identify relevant roles and responsibilities towards delivering sustainable banking commitments.	• The Board and Executive Management have been trained on sustainability.
	• Provide sustainable banking training sessions. • Create practical E&S training tools and resources.	• A total of 17,960 staff have been trained on various courses on sustainable banking.
	• Multi-stakeholder capacity building.	• The Bank partnered with NSBP, University of Edinburgh and IFC in training key staff. However, the plan is to train all staff on sustainability.
Principle 8: Collaborative Partnerships: To collaborate across the sector and leverage international partnerships to accelerate our collective progress, ensuring our approach is consistent with international standards and Nigerian development needs.	• Collaborate and coordinate with other banks.	• FirstBank is a member of the NSBP Steering Committee responsible for implementing the NSBP principles across sectors.
	• Organise sector-wide workshops and events.	• FirstBank participated in various industry-wide workshops and events.
	• Align with international standards and best practice initiatives.	• FirstBank is a member of the UNGC and in line with the guidance, the Bank submitted a 2020 Progress Report.
	• Establish and participate in Nigerian sector-level initiatives.	• The Bank participated in the development of a work plan for the local network, aimed at energising the activities of the network among businesses in Nigeria and encouraging non-participants to adopt the UNGC principles.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES

PRINCIPLES	REQUIREMENTS	STATUS UPDATE
Principle 9: Reporting: To regularly review and report our progress at the individual institution and sector levels.	• Establish a sustainable banking reporting template.	• Developed a reporting template.
	• Set clear targets and relevant performance indicators.	• The implementation commenced in 2014 with targets and KPIs.
	• Ensure systems are in place for data collection.	• Developed a system for data collection.
	• Agree on the frequency, nature and format of internal and external reporting.	• The internal report is published quarterly while the external report is published yearly. • The 2013 to 2020 Corporate Responsibility and Sustainability Reports have been published and distributed to stakeholders.
	• Contribute to sector-level reporting.	• The NSBP half-year report has been submitted to the CBN.

FBNHoldings has published its Communication on Progress Reports from 2013 to date on the UNGC website. For more details, please refer to the NSBP implementation update and the FBNHoldings 2020 Corporate Responsibility and Sustainability Report.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement remains a fundamental enabler for driving sustainability. The key benefits derived from stakeholder engagement include:

- Understanding stakeholder needs and making balanced decisions
- Improving risk management
- Improving accountability
- Building trust among stakeholders
- Providing opportunities for continuous learning

As a Group, we aim to create short and long-term stakeholder value. This is achieved through regular engagement with our stakeholders and communicating the activities of the Group to create mutually supportive business opportunities and outcomes.

Our stakeholder engagement was sustained in 2020, as this provided opportunities to further align our business practices with societal needs and expectations and drive long-term sustainability and shareholder value.

EMPLOYEES

Our employees are an embodiment of our culture and they provide excellent services to our stakeholders.

REASONS FOR ENGAGEMENT

- To ensure the investment in our employee protects and strengthens our culture because they are the most valuable asset.
- To ensure FBNHoldings Group remains a great workplace by providing a secure, positive and inspiring work environment.
- To promote a diverse and inclusive workforce where colleagues of all backgrounds are treated equally and are provided with opportunities to succeed and achieve their potential.
- To maintain a value-based environment where positive conduct is encouraged and promoted.
- To promote synergy among employees and instil the culture of the organisation by encouraging communication and dialogue to increase productivity and staff retention.
- To create awareness for the vision and activities of the Group, and the roles staff are required to play.

TYPES OF ENGAGEMENT

- Focus groups
- Knowledge-sharing sessions
- Roadshows
- Engagement surveys
- Email interactions
- Intranet communication
- Magazines and flyer deployment
- Training programmes.

STAKEHOLDER ENGAGEMENT

CUSTOMERS

Our customers are those stakeholders who use our products, services, and financial expertise.

REASONS FOR ENGAGEMENT	TYPES OF ENGAGEMENT
• To develop a better understanding of our customers' financial needs and offer appropriate solutions by innovating and developing customised products and services to meet their requirements. • To offer suitable products and services in an accessible way to drive excellent customer experience. • To delight our customers and build trust and confidence.	• Interactions through branch service points, contact centres, complaint lines (FirstContact and dedicated e-mail addresses) • Customer engagement forums • Social media platforms (Facebook, LinkedIn, Twitter, YouTube) • Surveys and marketing • Advertising activities through traditional media.

INVESTORS

Our investor encompasses all parties interested in the success and sustainability of the business.

REASONS FOR ENGAGEMENT	TYPES OF ENGAGEMENT
• To ensure long-term success for the business and deliver value to our stakeholders. • To manage and develop relationships with current and potential shareholders, investors and analysts. • To provide opportunities to build trust and confidence. • To communicate the activities of the Group and enable shareholders make informed decisions. • To gain insights into external perspectives. • To develop a better understanding of the shareholders' requirements and aspirations, and how best to address and balance these needs with the objectives of the Group.	• One-on-one or group meetings • Roadshows • Communications and responses to investor and analyst queries • Conferences and presentations • AGMs.

STAKEHOLDER ENGAGEMENT

REGULATORS

Our regulators are interested in the success and sustainability of the business as well as creating policies that guide our operations.

REASONS FOR ENGAGEMENT	TYPES OF ENGAGEMENT
• To continue to optimise value for all our stakeholders by delivering long-term value for our investors. • To build relationships with regulators and ensure all legal and compliance requirements are minimising associated risks and safeguarding the operating license. • To foster an atmosphere of cordiality and promote the highest level of compliance with all relevant regulations across the Group.	• Meetings • Statutory reporting.

COMMUNITIES

Our community represents the society we serve.

REASONS FOR ENGAGEMENT	TYPES OF ENGAGEMENT
• To maintain meaningful engagements with persons and interest groups representing the wider society, which enables us to deliver long-term returns for our stakeholders. • To develop and sustain mutually beneficial, trust and meaningful relationships with the communities in which we operate, focusing on the Group's corporate responsibility and sustainability goals. • To obtain inputs from communities regarding the Group's corporate responsibility programmes and how best to address their needs. • To partner with individuals, groups and NGOs in ensuring that the Group's activities and operations are conducted responsibly. • To create awareness regarding the Group's corporate responsibility and sustainability initiatives. • To proactively manage the E&S impacts of the business.	• Citizenship and stakeholder engagement • Ongoing support for projects and interaction with a wide variety of NGOs and government organisations • Steering Committee – The NSBP champion.

Governance

Corporate governance is the bedrock of our ability to operate in the evolving business environment and deliver long-term sustainable value to our stakeholders.

CGRS
Better For Business

RATED

INTRODUCTION

At FBNHoldings, corporate governance is the bedrock of our ability to operate in the evolving business environment and deliver long-term sustainable value to all our stakeholders, especially during the uncertainty and instability resulting from the protracted COVID-19 pandemic.

In 2020, the Board remained committed to ensuring that the highest standards of corporate governance were applied throughout the Group, recognising that good governance is critical to achieving our long-term strategy, promoting ethical and responsible decision-making, and ensuring transparency and accountability to all stakeholders.

Recent events have heightened the need for organisations to evaluate the effectiveness of their corporate governance practices in responding to emerging challenges. At FBNHoldings, we will continue to strengthen our corporate governance framework and adapt to suit current market realities and emerging trends. These include issues relating to changing workplace arrangements and people, cyber-security risks, and the adoption of technology to drive the future of our businesses.

The Boards of each operating entity is charged with the responsibility of translating our vision into reality at various levels, while ensuring compliance with industry-specific statutory and regulatory requirements. At the Holding Company and across its operating entities, the Boards operate through various Committees. FBNHoldings' governance framework ensures that there is a dynamic blend of Board autonomy and Group coordination at the operating company level.

> **FBNHoldings, through robust policies and procedures, creates an enabling environment that fosters a culture of equal opportunity, diversity, fairness, respect and inclusion of all stakeholders.**

The governance framework is in alignment with global best practices and in compliance with the requirements of the Corporate Affairs Commission, Central Bank of Nigeria (CBN), National Insurance Commission, Securities and Exchange Commission, the Nigerian Stock Exchange, and the Financial Reporting Council of Nigeria.

Diversity

We believe diversity produces the best results and enhances the ability to create superior value. Today, diversity within FBNHoldings is reflected not only in the gender mix, which complies with CBN recommendations, but also through the diversity of thought, experience, cultures, nationalities, social and academic backgrounds across the Group, and through inclusive policies that prevent all forms of discrimination.

FBNHoldings, through robust policies and procedures, creates an enabling environment that fosters a culture of equal opportunity, diversity, fairness, respect and inclusion of all stakeholders.

Shareholder and Regulatory Engagement

The Board and Management are committed to stakeholder engagement and connect through shareholder groups and other platforms. Engagement sessions continue to provide valuable opportunities for the Board and Management to listen to external perspectives and to gain insight into shareholders' concerns.

Similarly, we are committed to engaging regulators to foster an atmosphere of trust and cordiality, and to ensuring the highest level of compliance with relevant extant regulations across the Group.

INTRODUCTION

Appointment Philosophy

Relevant regulatory guidelines and laws guide the appointment philosophy of FBNHoldings, which also includes a transparent Board appointment process. The Directors are selected based on their skills, competencies and experience. The Board Governance Committee (BGNC) screens for eligible candidates from a pool and makes recommendation of suitable candidates to the Board, that decides on the appointment of the candidates subject to the approvals of the relevant regulatory authorities and the shareholders at the Annual General Meeting (AGM).

Changes to Board Composition

The Board is a blend of diversity, experience and continually seeks to review and refresh its composition to ensure new ideas and experiences are embedded in its decision-making processes. In 2020, the following changes were made to the Board:

- Oluwande Muoyo, an Independent Non-Executive Director, resigned from the Board effective April 2020.
- Seni Adetu was appointed as an Independent Non-Executive Director, effective October 2020.
- Juliet Anammah was appointed as an Independent Non-Executive Director, effective October 2020.
- Otu Hughes was appointed as a Non-Executive Director, effective October 2020.

The profiles of the appointees are detailed in the Leadership section.

Board Composition

The Board has 12 Directors, comprising eight Non-Executive Directors, three Independent Non-Executive Directors and one Executive Director, who is also the Group Managing Director. This is in alignment with global best practice, which encourages a higher ratio of Non-Executive Directors to Executive Directors. All members are distinguished by their experience, professional ability, integrity and independence of opinion.

LEADERSHIP

BOARD OF DIRECTORS

DR OBA OTUDEKO, *CFR*
Group Chairman

U.K. EKE, *MFR*
Group Managing Director

OYE HASSAN-ODUKALE, *MFR*
Non-Executive Director

CHIDI ANYA
Non-Executive Director

DR HAMZA WURO BOKKI
Non-Executive Director

'DEBOLA OSIBOGUN
Non-Executive Director

OMATSEYIN AYIDA
Non-Executive Director

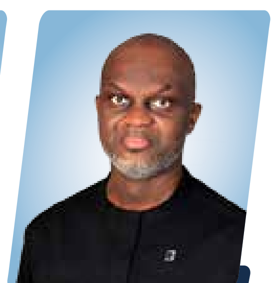
DR ADESOLA ADEDUNTAN
Non-Executive Director

OLUWANDE MUOYO*
Independent Non-Executive Director

CECILIA AKINTOMIDE, *OON*
Independent Non-Executive Director

SENI ADETU**
Independent Non-Executive Director

JULIET ANAMMAH**
Independent Non-Executive Director



OTU HUGHES **
Non-Executive Director

OLUSEYE KOSOKO
Company Secretary

BGNC Board Governance and Nomination Committee

BARAC Board Audit and Risk Assessment Committee

BFIC Board Finance and Investment Committee

SAC Statutory Audit Committee

*Resigned from the Board of FBN Holdings Plc in April 2020.

**Appointed to the Board of FBN Holdings Plc in October 2020.

FBNHOLDINGS MANAGEMENT

U.K. EKE, *MFR*
Group Managing Director

OYEWALE ARIYIBI
Chief Financial Officer

OLUSEYE KOSOKO
Company Secretary

IDRIS SHITTU
Head, Risk Management and Compliance

TOLULOPE OLUWOLE
Head, Investor Relations

BODE OGUNTOKE
Head, Internal Audit

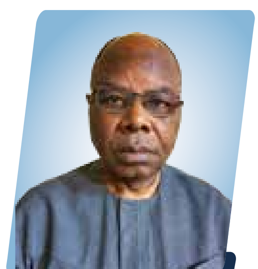
'YEMI OKOJIE
Head, Strategy and Corporate Development

TUNDE LAWANSON
Head, Marketing and Corporate Communications

OYINADE KUKU
Head, Human Resources

STATUTORY AUDIT COMMITTEE

KOLAWOLE DUROJAIYE
Chairman



NNAMDI OKWUADIGBO
Member

FUAD UMAR
Member

OYE HASSAN-ODUKALE, *MFR*
Non-Executive Director

CECILIA AKINTOMIDE, *OON*
Independent Non-Executive Director

CHIDI ANYA
Non-Executive Director

OUR DIRECT SUBSIDIARIES

COMMERCIAL BANKING

FIRST BANK OF NIGERIA LIMITED

IBUKUN AWOSIKA
Chairman
First Bank of Nigeria Limited

DR ADESOLA ADEDUNTAN
Managing Director
First Bank of Nigeria Limited

MERCHANT BANKING

FBNQUEST MERCHANT BANK LIMITED

BELLO MACCIDO
Chairman
FBNQuest Merchant Bank Limited

KAYODE AKINKUGBE
Managing Director
FBNQuest Merchant Bank Limited

CAPITAL MARKETS

FBNQUEST CAPITAL LIMITED

OYEWALE ARIYIBI
Chairman
FBNQuest Capital Limited

TSEYI HAMMOND
Managing Director
FBNQuest Capital Limited

TRUSTEESHIP

FBNQUEST TRUSTEES LLIMITED

OLUSEYE KOSOKO
Chairman
FBNQuest Trustees Limited

ADEKUNLE AWOJOBI
Managing Director
FBNQuest Trustees Limited

INSURANCE BROKERAGE

FBN INSURANCE BROKERS LIMITED

FOLAKE ANI-MUMUNEY
Chairperson
FBN Insurance Brokers Limited

OLUMIDE IBIDAPO
Managing Director
FBN Insurance Brokers Limited

DIRECTORS (First Bank of Nigeria Limited)

Gbenga Shobo
Deputy Managing Director

Lawal Ibrahim
Non-Executive Director

Dr Ijeoma Jidenma
Independent
Non-Executive Director

U.K. Eke, *MFR,*
Non-Executive Director

Olusola Oworu
Independent
Non-Executive Director

Obafemi Otudeko
Non-Executive Director

Tunde Hassan-Odukale*
Non-Executive Director

Lateef Bakare
Independent
Non-Executive Director

Dr Remi Oni
Executive Director
Corporate Banking

Abdullahi Ibrahim
Executive Director
Public Sector

Ado Wanka
Non-Executive Director

Oluwande Muoyo**
Non- Executive Director

DIRECTORS (FBNQuest Merchant Bank Limited)

Taiwo Okeowo
Deputy Managing Director

Oluyele Delano, SAN
Independent
Non-Executive Director

Dr Omobola Johnson
Non-Executive Director

U.K. Eke, *MFR,*
Non-Executive Director

Akinlolu Osinbajo, SAN
Non-Executive Director

Babatunde Odunayo
Non-Executive Director

Oyinkansade Adewale
Independent
Non-Executive Director

DIRECTORS (FBNQuest Capital Limited)

Ijeoma Agboti
Non-Executive Director

Ike Onyia
Non-Executive Director

Adekunle Awojobi
Non-Executive Director

DIRECTOR (FBNQuest Trustees Limited)

Patrick Mgbenwelu
Non-Executive Director

DIRECTORS (FBN Insurance Brokers Limited)

Oluseyi Oyefeso
Non-Executive Director

Oluseye Kosoko
Non-Executive Director

*Resigned from the Board of First Bank of Nigeria Limited in April 2020

**Appointed to the Board of First Bank of Nigeria Limited in August 2020

LEADERSHIP

Dr Oba Otudeko, *CFR*
Group Chairman

Dr Oba Otudeko, *CFR*, is the pioneer Chairman of FBN Holdings Plc and founding Chairman, Honeywell Group. He is a foremost Nigerian entrepreneur and visionary; reputed for his highly successful domestic and foreign investments that cut across diverse sectors of the economy. He served on the Board of FirstBank between May 1997 and December 2010, retiring as Chairman. In 2012, he became the Chairman of FBNHoldings. He was also the founding Chairman of FBNBank UK Limited and served as Chairman of Fan Milk of Nigeria Plc, and Airtel Nigeria. He is also the current Chairman of the Board of Honeywell Flour Mills Plc.

He has served on the Boards of the Central Bank of Nigeria (1990-1997), Guinness Nigeria Plc (1999-2003), British American Tobacco Limited (2001-2004) and Ecobank Transnational Incorporated, headquartered in Lomé, Togo (2002-2010).

Between 2006 and 2009, he was the 16th President and the Chairman of the Council of the Nigerian Stock Exchange. He was also the pioneer Chairman of the Nigeria-South Africa Chamber of Commerce and he is now The Life Patron of the Chamber; a position he was appointed to in 2011. Between 2013 and 2014, he was the Chairman of the Business Support Group for delivery of the National Integrated Infrastructure Master Plan.

Dr Otudeko is a Chartered Banker, Chartered Accountant and Chartered Corporate Secretary. He has also attended executive management training programmes at the International Institute for Management Development (IMD), Lausanne, Switzerland; Harvard Business School, Boston, USA; and The Arthur D. Little School of Management, USA.

In recognition of his contribution to the Nigerian economy, Dr Otudeko was awarded the Nigerian National Honour of Commander of the Order of the Federal Republic (CFR), in 2011 and the National Productivity Order of Merit in 2019.

He was the Chancellor of the Olabisi Onabanjo University, Ogun State from 2001 to 2010 and currently serves as a member of the Office of Distinguished Friends of London Business School, UK. He is the founder of the Oba Otudeko Foundation (OOF), a platform for his charity interventions. Dr Otudeko is married with children.

LEADERSHIP

U.K. EKE, *MFR*
Group Managing Director

U.K. Eke, *MFR*, assumed office as Group Managing Director, FBN Holdings Plc in 2016. He joined the Board of FirstBank, a subsidiary of FBNHoldings, in 2011 as Executive Director, Public Sector South and later became Executive Director, South before his appointment as the Group Managing Director of FBNHoldings. His sound managerial and motivational skills, coupled with his vast experience, helped develop FirstBank's businesses within the Public Sector, Retail and Private Banking groups.

He currently sits on the Boards of FirstBank and FBNQuest Merchant Bank Limited as a Non-Executive Director. In 2017, he was appointed to the Board of The Nigeria Sovereign Investment Authority. He was also Executive Director, Regional Business, Lagos and West, Diamond Bank Plc. His other work experience includes Deloitte Haskins & Sells International, where he rose to the position of Audit Senior. He has over 30 years' experience in financial services, strategy, audit, consulting, taxation, process re-engineering and capital market operations.

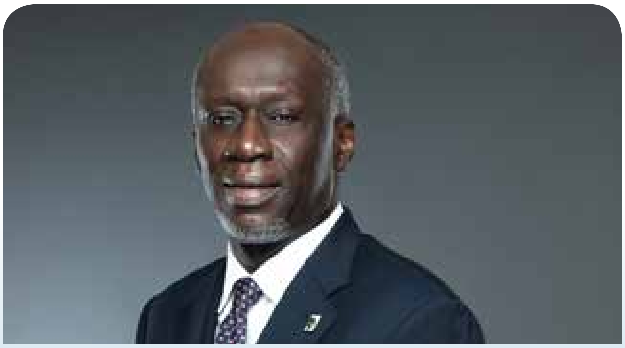
U.K. is a Fellow of the Chartered Institute of Bankers, Institute of Management Consultants, Institute of Directors, and the Institute of Chartered Accountants of Nigeria. He holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri.

He has attended several executive management and Board training programmes at Harvard Business School, USA; Stanford Business School, USA; IESE Business School, Barcelona; International Institute for Management Development, Lausanne, Switzerland; Wharton Business School, USA; and Lagos Business School, Nigeria.

A philanthropist and mentor to many, he is the Founder and Chairman, Elder K.U. Eke Memorial Foundation. He is a Patron, Lagos State Council, Boys' Brigade Nigeria, and a Paul Harris Fellow of The Rotary Club International. He is the Chairman of the Advisory Board, Lifeforte International High School, Ibadan. U.K. is a recipient of Nigeria's National Honour of Member of the Order of the Federal Republic (MFR).

LEADERSHIP

Oye Hassan-Odukale, *MFR*
Non-Executive Director



Oye Hassan-Odukale, *MFR*, is a pioneer Non-Executive Director on the Board of FBN Holdings Plc. He is the Chairman of the Board of Directors of Leadway Holdings Limited. His appointment was preceded by several years of experience in the insurance business, investments and general management, culminating in his appointment as MD/CEO of Leadway Assurance Company Limited from 1994 until he retired on 31 December 2019. Leadway is one of Nigeria's largest insurance companies and has a subsidiary in Côte d'Ivoire.

Prior to his appointment, he was a Non-Executive Director on the Board of First Bank of Nigeria Plc (now First Bank of Nigeria Limited). He is presently the Chairman of FBNBank UK Limited, a wholly-owned subsidiary of FirstBank. He is also the Chairman of the Board of Directors of Leadway Pensure PFA Limited.

Oye is a recipient of the National Honour of Member of the Order of the Federal Republic of Nigeria (MFR) and sits on the Board of several companies in Nigeria and abroad, both for-profit and non-profit. An alumnus of Harvard Business School and Lagos Business School, he holds Bachelor's and Master's degrees in Business Administration from the University of Houston. Oye is married with children and enjoys listening to music, reading and travelling.

LEADERSHIP

Chidi Anya
Non-Executive Director

Chidi Anya joined the Board of FBN Holdings Plc in 2013. He has nearly three decades of professional practice in the Nigerian legal system, including pupillage with L.N. Mbanefo SAN, and roles as Associate Counsel at Akin Delano and Company, Ibadan, and Senior Associate Counsel at Debo Akande and Company, Lagos. In 1997, he became a founding Partner of The Channings Law Firm, where he provides leadership and strategic direction overseeing its growth. The firm currently acts as Company Secretary to several leading indigenous companies and conglomerates in various strategic sectors of the Nigerian economy, providing guidance on corporate governance and compliance.

Chidi is recognised by clients and peers as a leading commercial and corporate lawyer with high-level skills and experience in negotiation, administration, communication, management, advocacy and ethical leadership, all of which he brings to the Board of FBNHoldings.

A member of the Nigerian Bar Association and its section on Business Law, he is also a Member of the Institute of Directors and a Notary Public. A Certified Management Consultant and Fellow of the Institute of Management Consultants, he has attended various executive management courses at the Kellogg School of Management, Northwestern University, Illinois, USA..

Chidi is married with children and his interests include reading, writing, intellectual debates and gardening. Committed to building stronger and more resilient communities, he is active in a number of voluntary groups and programmes.

LEADERSHIP

Dr Hamza Wuro Bokki

Non-Executive Director

Dr Hamza Wuro Bokki, PhD, joined the Board of FBN Holdings Plc as a Non-Executive Director in 2014. He is an alumnus of Harvard Business School and an experienced Chief Executive Officer (CEO), with a history of working in the financial services industry. He currently serves as Managing Director/ CEO of NPF Pensions Limited.

He is an astute business development professional, skilled in negotiation, business start-up, planning, analysis, capital markets, Board administration and business transformation. Hamza was the first student to be awarded a first-class degree in Public Administration from the University of Maiduguri and holds a Master's degree and a PhD in Public Administration and Policy Analysis. Hamza is an AMP graduate of Harvard Business School. He is a Fellow of the Chartered Pension Institute of Nigeria and a member of the Nigerian Institute of Management and Chartered Institute of Stockbrokers. Hamza has served on the Boards and audit committees of several companies, both public and private.

Hamza was Managing Director of the Gombe State Investment and Property Development Company Limited, where he revamped the company, returning it to profitability. He was also the pioneer MD/CEO of APT Pensions, which he brought to profitability within four years. Between 2012 and 2014, he served as Honourable Commissioner for Trade and Industry, Gombe State. During this time, he successfully ran the GMSG/BOI entrepreneurship development programme, which was judged the best in the country at the time. He has attended several executive programmes on corporate governance. Hamza is married with children and enjoys reading and travelling.

LEADERSHIP

'Debola Osibogun
Non-Executive Director

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She is a financial services expert with over 33 years' working experience across multiple levels, ranging from real estate financing and trusteeship to retail savings and loans. She earned an MSc in Banking and Finance and a Bachelor's degree in Economics from the prestigious University of Ibadan.

'Debola has considerable Board experience at Executive and Non-Executive levels. She was appointed to the Board of Odu'a Investment Company Limited as an Independent Non-Executive Director in 2020. She is currently the Managing Director of Davidfinn Global Concept Limited and President of the Consumer Awareness and Financial Enlightenment Initiative, a not-for-profit organisation.

Before retirement, 'Debola served as the Managing Director of Coop Savings and Loans Limited and Skye Trustees Limited. She also served as a Non-Executive Director of FBN Mortgages Limited and was the National President of the Mortgage Banking Association of Nigeria. She is a Fellow and Past President of the Chartered Institute of Bankers of Nigeria, a Fellow of the Chartered Institute of Taxation of Nigeria, the Nigerian Institute of Management, the Association of Enterprise Risk Management Professionals and the Institute of Directors.

As an astute researcher and writer, 'Debola has published several articles and papers on primary mortgage institutions, the creation of mortgages and financial literacy. At the national level, she served as a member of the Presidential Committee on Urban Development and Housing and the Presidential Committee on Mortgage Finance, and an Executive Member of the Nigerian Real Estate Developers Association. She has attended several executive programmes at prestigious local and international institutions, including INSEAD, Kellogg School of Management, London Business School and Euromoney Learning. 'Debola is married with children and grandchildren and enjoys playing basketball, polo and golf.

LEADERSHIP

Omatseyin Ayida

Non-Executive Director

Omatseyin Ayida joined the Board of FBN Holdings Plc in 2015. He brings to the Board his vast experience in the field of portfolio management and strategic human resource management. He is also very knowledgeable in risk and corporate regulatory issues. He holds a Bachelor of Arts degree in Economics and Politics from the University of Kent, Canterbury, UK.

He is currently the Managing Director of Saken Capital Partners Limited. Omatseyin was previously the Managing Director of Capital Bank International Limited, where he led the well-executed buyout of the bank from Commercial Bank (Credit Lyonnais) Nigeria in 2001, and the subsequent successful merger with Access Bank Plc and Marina International Bank Limited in 2005. During his successful banking career with Commercial Bank (Credit Lyonnais) Nigeria, he worked in various departments and rose to become the Deputy Managing Director in 1998.

After his banking career, Omatseyin set up Ruyat Oil Limited, which he ran for over a decade before selling it to an international food processing group. He is an honorary member of the Chartered Institute of Bankers and has attended several executive programmes at Harvard Business School, Kellogg School of Management, Centre International de Management et d'Enseignement Strategique and the Lagos Business School. Omatseyin is married with children and enjoys playing golf and tennis.

LEADERSHIP

Dr Adesola Adeduntan
Non-Executive Director

Dr Adesola Adeduntan joined the Board of FBN Holdings Plc as a Non-Executive Director in 2016. He is an accomplished professional with extensive experience in commercial and investment banking, development finance, audit, and consulting; a philanthropist and leader with keen interest in providing platforms for the development of other young leaders.

He is the Chief Executive Officer of FirstBank Group, the commercial banking arm of FBN Holdings Plc in Nigeria and subsidiaries comprising FBNBank UK, FBNBank DRC, FBNBank Ghana, FBNBank Senegal, FBNBank Guinea, FBNBank Gambia, FBNBank Sierra Leone and First Pension Custodian as well as Representative Offices in France and China. He is overseeing one of the most extensive transformation programmes in sub-Saharan African financial services industry, with the goal to reposition FirstBank Group to market pre-eminence. He is leading FirstBank on the journey to win the most significant emerging business opportunities in the financial services industry through the development and execution of a digital-led strategy that has established FirstBank as the clear leader in digital banking propositions. The FirstBank Group's transformation programme, under the leadership of Adesola, has enabled FirstBank to: grow customer accounts from about 10 million in 2015 to over 30 million, become the second largest issuer of cards in Africa with over 11.3 million issued cards, onboard about 12 million active customers on FirstBank's USSD platform and over 4.4 million users on FirstBank's Mobile Banking App, and initiate and grow the most expansive bank-led Agent Banking Network in Africa with about 100,000 agents.

Adesola is currently on the Boards of the Africa Finance Corporation (AFC), FBN Holdings Plc, FBN Bank UK Ltd, Shared Agent Network Expansion Facilities Ltd (SANEF), and Nigeria Interbank Settlement System (NIBSS). He is a past Executive Director and Chief Financial Officer of FirstBank. Prior to FirstBank, he was a Director and pioneer CFO/Business Manager of Africa Finance Corporation (AFC). At AFC, he led the team that designed and executed the Corporation's "International Credit Rating Strategy", which culminated in the Corporation being assigned an A3 international credit rating by Moody's, making it the second highest rated lending entity in Africa. Adesola also served as a Senior Vice-President & CFO at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen.

His career in banking and finance spans almost three decades and has earned him various recognitions and awards including Forbes Best of Africa – Outstanding Leader in Africa; Distinguished Alumnus Award by both the School of Management, Cranfield University, UK and the University of Ibadan; African Banking Personality of the Year; African Banker of the Year Award and induction into the African Leadership Magazine (ALM) Hall of Fame; Honorary Citizenship of the State of Georgia and Congressional Commendation Award from the Georgia Senate – USA; Bank CEO of the Year by the AES Excellence Club and several other awards.

He holds an MBA from Cranfield University Business School, United Kingdom which he attended as a Chevening Scholar and a Doctor of Veterinary Medicine (DVM) awarded by University of Ibadan. He has attended various executive and leadership programmes at Harvard Business School (USA), Wharton School (USA), London Business School (UK), IESE (Spain), University of Oxford (UK), University of Cambridge (UK), CEIBS (China) and INSEAD (France). He is a fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN).

A philanthropist per excellence, Adesola is a member of the Bretton Woods Committee – the nonpartisan network of prominent global citizens that works to demonstrate the value of international economic cooperation and foster strong, effective Bretton Woods institutions as forces for global well-being. He is also a member of Sigma Educational Foundation – focused on enhancing the quality of tertiary education system in Nigeria, a member of the Steering Committee of the Private Sector Coalition Against COVID-19 (CACOVID) in Nigeria, a member of the Governing Council of CIBN, the Chairman of CIBN's Committee on Establishment of The Banking Museum, the Vice Chairman of CIBN's Body of Banks' Chief Executive Officers, a member of the Board of Lagos State Security Trust Fund and holds the traditional title of Apesinola of Ibadanland.

Adesola is happily married with children and loves music, especially African folk music.

*As at 31 March 2021

LEADERSHIP

Cecilia Akintomide, *OON*
Independent Non-Executive Director

Cecilia Akintomide, *OON*, joined the Board of FBN Holdings Plc in 2016 as an Independent Non-Executive Director. She is also an Independent Non-Executive Director on the Board of Ondo State Development and Investment Promotion Agency (ONDIPA), a state government agency focused on promoting development and investments as well as CcHUB Growth Capital, Nigeria's first social innovation fund, supporting high-potential early-stage businesses. She is also a member of the Board of Regents of Covenant University, one of Nigeria's leading universities, and a member of the Institute of Directors, Nigeria. She is a seasoned executive with expertise in Development Finance, Corporate Governance, Law, and General Management.

Cecilia was Vice President Secretary-General of the African Development Bank (AfDB), where she provided leadership for the dynamic relationship of the AfDB and its then 80 member states, and served as Secretary to the Boards of Directors and the Ministerial Boards of Governors. She was a member of the Presidential Council, as well as the Operations and the Senior Management Coordination Committees.

She was also Vice Chairperson of the Operations Crisis Management Committee and Chairperson of the Annual Meetings Committee and the Committees for the Elections of the President and Executive Directors. Cecilia served as the Head of Private and Public Sector Projects and Policy in the General Counsel & Legal Department of the AfDB, working on the legal aspects of projects, programmes and development policies.

Prior to the AfDB, Cecilia practiced law in Lagos, Washington D.C., and New York, at the law firms of O. Thomas & Co.; Thompson & Co. and Weil, Gotshal & Manges, with a focus on Business Reorganisations, Corporate and Commercial Law.

Cecilia holds a Bachelor of Laws degree from the University of Ife (now OAU); Master of Laws from the University of Miami Law School; Master of Laws from the University of Pennsylvania Law School; and an Executive MBA from TRIUM (a combined programme by LSE, NYU and HEC). She was also admitted to the Nigerian Bar and the New York State Bar.

Cecilia is an ardent champion of girls' and women's economic empowerment. She is passionate about corporate governance, the accelerated and sustainable development of African countries, and innovation and entrepreneurship. She is a member of Women in Management, Business & Public Service (WIMBIZ) and serves on the WIMBoard Committee and the WIMBIZ Endowment Fund Committee. She mentors, and is a deacon and a member of her church choir. She enjoys swimming. She was accorded the National Award of the Officer of the Order of the Niger (OON) by the Federal Republic of Nigeria in recognition of her contribution to sustainable development. In addition, in 2019, Cecilia received the African Business Law Icon of the Year Award.

LEADERSHIP

Seni Adetu

Independent Non-Executive Director

Seni Adetu was appointed to the Board of FBN Holdings Plc in 2020. He was the former Managing Director/CEO of Guinness Nigeria Plc, has 35 years of private sector experience garnered at the highest levels primarily with John Holt Plc, The Coca-Cola Company and Diageo (Guinness) Plc in various countries within and outside Africa. He holds a first degree in Chemical Engineering and a Master's in Business Administration (with specialisation in Marketing), both from the University of Lagos.

Seni was at various times Marketing Director for Coca-Cola Nigeria Limited, Managing Director of Coca-Cola Nigeria, and the first African Managing Director/CEO and Executive Vice Chairman of Guinness Ghana Plc. In 2009, Seni was appointed Group Managing Director/CEO of East African Breweries (EABL), the biggest company in East Africa, based in Kenya, during which time he was named Runner-up Forbes/CNBC CEO of the Year 2012 in East Africa. Subsequently, he was appointed MD/CEO of Guinness Nigeria Plc and Executive Chairman Diageo Brands Nigeria, becoming the first Nigerian in nearly 20 years to lead that company. Seni has had working stints in Hungary and the UK and has been exposed to various high-profile leadership courses internationally, including at the prestigious Harvard Business School.

He has served on the Boards of various multinational companies in both Executive and Non-Executive capacities in Nigeria and abroad, and was until recently an Independent Non-Executive Director on the Board of Fidelity Bank Plc and a Non-Executive Director at APT Pensions Limited, among others.

Seni is the Founder/Group CEO of Algorithm Media Limited and Ogilvy Nigeria Limited, two leading marketing communication agencies in Nigeria, in partnership with WPP, the world's largest advertising and media agency network. He is a member of many reputable social clubs including the Metropolitan Club Lagos. He is also the immediate past National Vice President of the University of Lagos Alumni Association.

LEADERSHIP

Juliet Anammah

Independent Non-Executive Director

Juliet Anammah was appointed to the Board of FBN Holdings Plc in 2020. She is the chairperson of Jumia Nigeria and Head of Institutional Affairs at Jumia Group. Jumia is the largest e-commerce platform in Africa and the first African Tech start-up to be listed on the New York Stock Exchange.

She is an experienced executive with over 28 years of professional experience and over seven years at Partner/Chief Executive level. Before her current role, she was the CEO of Jumia Nigeria. Prior to joining Jumia, Juliet spent 16 years at Accenture and was the Partner managing Accenture's consumer goods practice in West Africa.

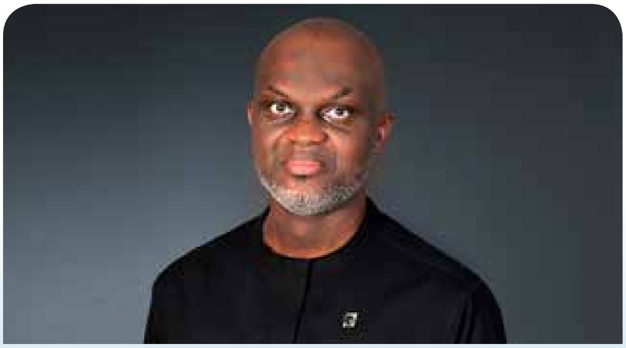
A pharmacist by training, she started her career in Sales and Marketing with May & Baker (Sanofi-Aventis) in 1991 before joining Accenture as a Senior Strategy Consultant in 1999. Juliet also serves on corporate and non-profit Boards in a non-executive capacity.

She is currently on the Boards of Flour Mills of Nigeria and APT Pensions as an independent non-executive member. She is also an EXCO member of the Consultative Group to Assist the Poor (CGAP), a not-for-profit agency funded by the World Bank, Bill and Melinda Gates Foundation, and several bilateral/multilateral agencies.

Juliet holds a Bachelor of Pharmacy degree, an MBA (Finance track) and is an alumna of both Wharton College of the University of Pennsylvania (AMP) and Yale University.

LEADERSHIP

Otu Hughes
Non-Executive Director



Otu Hughes was appointed to the Board of FBN Holdings Plc in 2020. He has over 25 years of experience in operations and strategy, mergers and acquisition, principal investment and capital raising in both the US and Sub-Saharan Africa. He began his career in 1993 with Lehman Brothers, providing strategic and financial advisory services to government entities and companies in privatisation and empowerment issues, notably in Brazil (power and mining), Ghana (mining) and South Africa (empowerment programmes), among others.

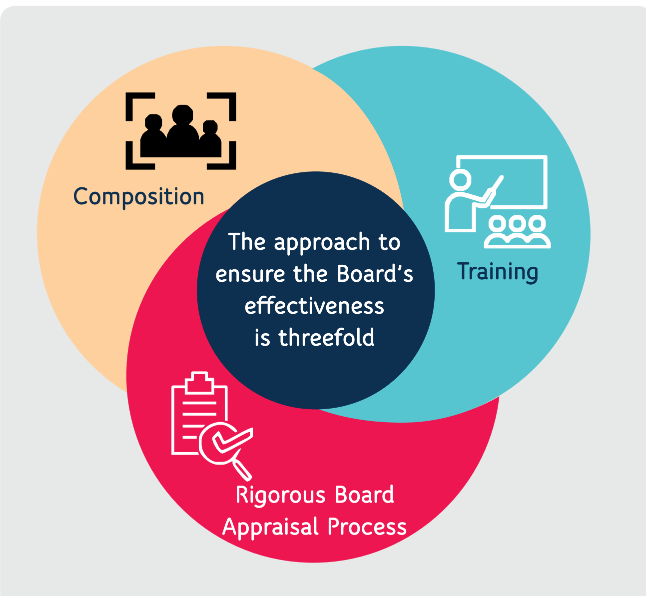
Otu joined Deutsche Bank in 1998 as Associate – Mergers, Acquisitions and Corporate Advisory Group, with the oversight responsibilities of providing mergers, acquisitions, corporate and strategic financial advisory services to companies and government agencies across industries countries, rising to become Vice President. He is the Co-founder and Principal of Rofgam/Hughes Consulting and worked at KeyBanc Capital Markets, among many other organisations.

Otu is the Co-Founder and Managing Director of Candesco Limited, which was set up with the primary responsibility of developing and managing off-grid and independent power projects for the Sub-Saharan Africa market, providing affordable, clean and stable power to clusters of communities.

EFFECTIVENESS

Board Effectiveness

In today's ever-changing business environment, an effective Board must be capable and dynamic in managing a wide range of challenges and risks. With its overarching responsibility for an organisation's performance, a Board must set the strategic direction (often across various structures, markets and geographies), monitor the Company's risk profile, evaluate the performance of the Group Managing Director and other Executives, and be accountable to all stakeholders.



Guiding Principles on Composition

To deliver on its mandate, it is imperative for the Board to appoint the right people: individuals who have displayed excellent business knowledge and Board experience.

Effective observance of Codes of Corporate Governance (Codes) must be complemented by an ethical Board. It is essential that Board members are persons of integrity, willing to comply with the letters and spirit of the Codes, as well as monitor the harnessing of available resources. With this understanding, we have ensured that the current composition of the Board is the best mix of competence and experience required for us to enhance shareholder value.

We have aligned with global best practice on the ratio of Non-Executives to Executives on the Board. The Non-Executive Directors outnumber the Executive Directors by 11:1, underscoring the overwhelming independence of the Board from the management of the Company.

In strategic formation, Non-Executive Directors are expected to monitor and contribute creative and informed ideas for the effective management of the Company and to critically examine the objectives and plans developed by the Executive team.

Training of Directors

In 2020, Directors attended executive education programmes to improve their decision-making capability and contributions. This demonstrates the Company's commitment to maintaining a highly effective Board. An annual training plan was agreed by the Board, with the Company Secretariat tasked with its implementation.

Due to the impact of the COVID-19 pandemic, the majority of the trainings attended by the Directors were virtual.

2020 Board Training Session

S/N	NAMES	COURSE	INSTITUTION	DATE	STATUS
1.	All Directors	Current Global Economy, COVID-19 Impact and Nigeria/Financial Services Sector Specificities	Financial Derivatives Company Limited	May 2020	Attended
2.	Chidi Anya	Improving the Performance of Audit Committees	DCSL Corporate Services Limited	June 2020	Attended
3.	Cecilia Akintomide, *OON*	Improving the Performance of Audit Committees	DCSL Corporate Services Limited	June 2020	Attended
4.	Cecilia Akintomide, *OON*	Company Direction Course		July 2020	Attended
5.	Chidi Anya	Corporate Governance Imperatives in Building Organisational Resilience in the New Normal: The Role of Boards and Senior Management	Institute of Directors (IoD) IoD Centre for Corporate Governance	November 2020	Attended

EFFECTIVENESS

Board Appraisal

The Board engaged the services of an independent consultant, Messrs PricewaterhouseCoopers (PwC), to conduct an appraisal of the Board of Directors and an evaluation of the corporate governance practices for the year ended 31 December 2020.

The Board Appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities, while the corporate governance evaluation covered the Governance structures and practices, including the relationship between the Board and Management, oversight of the Company's performance, the ethical climate within the Company, oversight of risk management, corporate compliance and internal controls, stakeholder engagement and financial reporting.

PwC's appraisal revealed that FBNHoldings' corporate governance practices were largely in compliance with the key provisions of the Code of Corporate Governance of the CBN, Financial Reporting Council of Nigeria and the guidelines of the Securities and Exchange Commission. Specific recommendations for further improvement of the governance practices were articulated and included in a detailed report to the Board.

Access to Independent Professional Advice

The Board has the power to obtain advice and assistance from independent or external professional advisers or experts as it deems necessary or appropriate to aid its effectiveness, at the Company's expense. This option was exercised at different times within the 2020 financial year.

Board Responsibilities

The Board's principal responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value. The Board leads and provides direction by setting policy and strategy directions, as well as overseeing their implementation. The Board seeks to ensure Management delivers on both its long-term growth and short-term objectives, striking the right balance between both goals. In setting and monitoring the execution of the strategy, consideration is given to the impact of those decisions on the Group's obligations to various stakeholders – shareholders, regulators, employees, suppliers, and the community.

The Board is also responsible for ensuring that effective systems of internal controls and risk management are maintained across the Group, determining and promoting the collective vision of the Group's purpose, values and culture.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, approval of risk appetite, capital and liquidity matters, acquisitions, mergers or disposals, Board membership, financial results, and governance issues, as well as the approval of the corporate governance framework.

More specifically, the Board's responsibilities as enumerated in the Board Charter include:

- Building long-term shareholder value by ensuring adequate systems, procedures and policies are in place to safeguard the Group's assets;
- Appointing, developing and refreshing the overall competency of the Board, as necessary;
- Articulating and approving the Group's strategies and financial objectives, as well as monitoring the implementation of those strategies and objectives;
- Approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Director in the Group;
- Reviewing the succession planning for the Board and Senior Management on a regular basis and recommending changes where necessary;
- Overseeing the implementation of corporate governance principles and guidelines;
- Reviewing and approving the recommendations of the Board Governance and Nomination Committee concerning the remuneration of Directors;
- Overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks encountered by the Group;

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- Articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- Maintaining a sound system of internal controls to safeguard shareholders' investments and the assets of the Group; and
- Overseeing the Group's corporate sustainability practices with regards to its economic, social and environmental obligations.

The Role of the Group Chairman

The roles of the Group Chairman and Group Managing Director (GMD) are distinct and are not performed by one individual. The principal role of the Group Chairman is to manage and provide leadership to the Board of Directors of FBNHoldings. The Group Chairman is accountable to shareholders and responsible for the effective and orderly conduct of Board and General meetings.

More specifically, the duties and responsibilities of the Group Chairman are to:

- Act as a liaison between the Management and the Board;
- Provide independent advice and counsel to the GMD;
- Keep abreast of the activities of the Company and Management;
- Ensure the Directors are properly informed and have sufficient information to form appropriate judgements;
- Develop and set the agenda for Board meetings;
- Assess and make recommendations to the Board annually on the effectiveness of the Board, its Committees, and individual Directors; and
- Ensure that upon completion of the ordinary business of a Board meeting, the Directors hold discussions regularly without members of Management present.

The Role of Group Managing Director

The Group Managing Director (GMD) has the overall responsibility for leading the development and execution of the Group's long-term strategy and create sustainable shareholder value. The GMD's mandate is to manage the day-to-day operations of FBNHoldings and ensure that operations are consistent with the policies developed by the Board of Directors and that they are executed effectively. The GMD's leadership role also entails responsibility for all day-to-day management decisions and for implementing the Group's long- and short-term plans.

More specifically, the duties and responsibilities of the GMD are to:

- Lead the development of the Company's strategy in conjunction with the Board, and oversee the implementation of the Company's long-and short-term plans in accordance with its strategy;
- Ensure the Company is appropriately organised and staffed, as well as to hire and terminate staff as deemed necessary, to enable the Company achieve the approved strategy;
- Ensure the Group has appropriate systems to conduct its activities both lawfully and ethically;
- Ensure the Company maintains a high standard of corporate citizenship and social responsibility wherever it does business;
- Act as a liaison between the Management and the Board, and communicate effectively with shareholders, employees, government authorities, other stakeholders and the public;
- Ensure the Directors are properly informed, and that sufficient information is provided to the Board to enable the Directors form appropriate judgements;

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- Abide by specific internally established control systems and authorities, lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, health and safety policies;
- Manage the Group within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- Ensure the Group operates within approved budgets and complies with all regulatory requirements of a holding company; and
- Develop and recommend to the Board the annual operating and capital budget, and upon approval, with fully delegated authority, to implement the plan in its entirety.

The Role of the Company Secretary

The Company Secretary's appointment and duties are regulated by statutes, particularly the Companies and Allied Matters Act (CAMA) (Sections 330-340), regulations and the Articles of Association of the Company. The duties of the Company Secretary include:

- Attending meetings of the Company, Board of Directors and Board committees, rendering all necessary secretarial services in respect of such meetings, and advising on compliance and regulatory issues;
- Setting the agenda of the meetings through consultations with the Group Chairman and the GMD;
- Maintaining statutory registers and other records of the Company;
- Rendering proper and timely returns as required under CAMA;
- Providing a central source of guidance and advice to the Board and the Company on matters of ethics, conflict of interest and good corporate governance; and
- Executing administrative and secretarial duties as directed by the Directors of the Company, and where duly authorised by the Board of Directors, exercising any powers vested in the Directors.

EFFECTIVENESS

MAKING BOARD MEETINGS EFFECTIVE

How FBNHoldings Board meetings work:

- The Board meets quarterly and as required.
- The annual calendar of Board meetings is approved in advance at the last Board meeting of the preceding year.
- The annual calendar of Board activities includes a Board retreat to consider strategic matters and Group policy directions, and to review opportunities as well as challenges encountered by the Group.
- Urgent and material decisions may be taken between meetings through written resolutions.
- Notices for meetings are transmitted to Board members at least two weeks before the scheduled meeting.
- The Company Secretariat circulates memoranda electronically to members of the Board.
- All Directors are provided with an agenda and meeting papers in advance of each meeting. Board memoranda are transmitted in advance to enable Directors have adequate time to review and prepare for meetings.
- Meetings last for an average of four hours. The number of issues identified for deliberation, and more importantly the complexity of the issues, are major factors in determining the duration of the meetings.
- Any Director may request that a topic be considered at meetings. In addition, any Director may raise any issue deemed deserving of discussion; this is usually considered under Any Other Business during the meeting.

EFFECTIVENESS

BOARD DISCUSSION

Major Board discussions in 2020

- Reviewed and approved funding and capital plan across the Group
- Deliberation on the budget for the 2021 financial year
- Board appraisal exercises and outcomes
- Deliberation on the performance of the Group's businesses
- Deliberation on the implementation of the Group's strategy
- Revision and approval of various Group policies and charters
- Consideration of the quarterly unaudited accounts and the audited financial statements for the year ended 31 December 2019
- Consideration of regulatory updates
- Board retreat to discuss the 2020-2024 Strategic Planning Programme
- Consideration of updates on workforce engagement

Attendance at Board Meetings

The Board of FBNHoldings met nine times in 2020

NAMES	31 JANUARY	11 MARCH	17 APRIL	24 APRIL	03 JUNE	29 JULY	27 OCTOBER	03 NOVEMBER	22 DECEMBER
Dr Oba Otudeko, *CFR*	✓	✓	✓	✓	✓	✓	✓	✓	✓
U.K. Eke, *MFR*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓	✓	✓	✓
'Debola Osibogun	✓	✓	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Adesola Adeduntan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oluwande Muoyo*	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
Cecilia Akintomide, *OON*	✓	✓	✓	✓	✓	✓	✓	✓	✓

*Oluwande Muoyo resigned from the Board of FBN Holdings Plc effective 30 April 2020

EFFECTIVENESS

BOARD COMMITTEE REPORTS

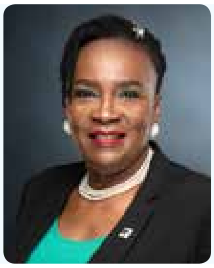
Board and Committee Governance Structure

The Board carries out its oversight function through its standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, and tenure. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. In line with best practice, the Chairman of the Board does not sit on any of the committees.

FBNHoldings has the following constituted Board Committees:

Board Governance and Nomination Committee Membership

- 'Debola Osibogun – Chairman
- Dr Hamza Wuro Bokki
- Oluwande Muoyo* (resigned)
- Omatseyin Ayida



Attendance at Board Governance and Nomination Committee Meetings

The Board Governance and Nomination Committee met four times in 2020.

NAMES	29 JANUARY	16 APRIL	24 JULY	23 OCTOBER
'Debola Osibogun	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓
Oluwande Muoyo*	✓	✓	N/A	N/A
Omatseyin Ayida	✓	✓	✓	✓

*Oluwande Muoyo resigned from the Board of FBN Holdings Plc effective 30 April 2020.

Key Responsibilities

The responsibilities of the Committee are to:

- Develop and maintain an appropriate corporate governance framework for the Group;
- Develop and maintain an appropriate policy on the remuneration of Directors, both Executive and Non-Executive;
- Nominate new Directors to the Board;
- Develop succession plans for the Board of Directors and key Management staff across the Group;
- Nominate and endorse individuals for Board appointments for subsidiary companies;
- Recommend Directors' remuneration to the Group;
- Oversee Board performance and evaluation within the Group;
- Identify individuals for consideration for Board appointment and make recommendations to the Board for approval;
- Recommend potential appointment and re-election of Directors (including the GMD) to the Board, in line with FBNHoldings' approved Director selection criteria;
- Ensure the Board composition includes at least three Independent Non-Executive Directors who meet the independence criteria as defined by CAMA;
- Make recommendations on the amount and structure of the remuneration of the Group Chairman and other Non-Executive Directors to the Board for approval;

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- Review and make recommendations to the Board on all retirement and termination payment plans of the Executive Directors;
- Ensure proper disclosure of Directors' remuneration to stakeholders;
- Ensure compliance with regulatory requirements and other international best practices on corporate governance;
- Review and approve amendments to the Group's Corporate Governance framework;
- Nominate independent consultants to conduct an annual review or appraisal of the performance of the Board and make recommendations to the Board. This review or appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight of corporate culture, evaluation of Management's performance, and stewardship towards shareholders;
- Evaluate the performance of the Board Committees and Boards of subsidiary companies annually. The Committee may utilise the service of the independent consultant duly approved by the Board for the annual Board appraisal as it deems fit. The evaluation process will be in line with the Group's Evaluation Policy;
- Perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- Evaluate the role of the Board Committees and Boards of subsidiary companies and ratify the performance appraisals of the Executive Directors as presented by the GMD; and
- Ensure compliance with the Codes of Corporate Governance of CBN, FRCN, the guidelines of SEC and global best practices on corporate governance.

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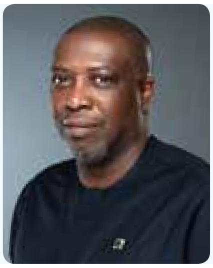
Board Audit and Risk Assessment Committee Membership

- Omatseyin Ayida – Acting Chairman
- Oluwande Muoyo* (resigned)
- 'Debola Osibogun
- Chidi Anya



Attendance at Board Audit and Risk Assessment Committee Meetings

The Board Audit and Risk Assessment Committee met five times in 2020.

NAMES	22 JANUARY	11 MARCH	16 APRIL	23 JULY	21 OCTOBER
Omatseyin Ayida	✓	✓	✓	✓	✓
'Debola Osibogun	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓
Oluwande Muoyo*	✓	✓	✓	N/A	N/A

*Oluwande Muoyo resigned from the Board of FBN Holdings Plc effective 30 April 2020.

Key Responsibilities

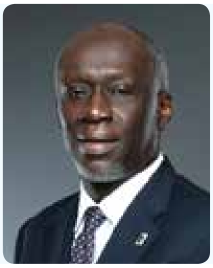
The responsibilities of the Committee are to:

- Ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Group;
- Evaluate the Group's risk profile and the controls in place to mitigate such risks;
- Ensure the development of a comprehensive internal control framework for the Group;
- Review the Group's system of internal control to ascertain its adequacy and effectiveness;
- Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, especially market, liquidity and operational risks, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures, and Management's views on the acceptable and appropriate levels of those risk exposures;
- Review the independence and authority of the risk management function;
- Receive the decisions of the Statutory Audit Committee on the statutory audit report from the Company Secretary and ensure its full implementation; and
- Assess and confirm the independence of the External Auditor annually. The report of this assessment is submitted to the Board and the Statutory Audit Committee.

EFFECTIVENESS

Board Finance and Investment Committee Membership

- Oye Hassan-Odukale, *MFR* – Chairman
- Cecilia Akintomide, *OON*
- Dr Hamza Wuro Bokki
- U.K. Eke, *MFR*



Attendance at Board Finance and Investment Committee Meetings

The Board Finance and Investment Committee met five times in 2020.

NAMES	21 JANUARY	16 APRIL	22 JULY	21 OCTOBER	14 DECEMBER
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓
U.K. Eke, *MFR*	✓	✓	✓	✓	✓

Key Responsibilities

The responsibilities of the Committee are to:

- Understand, identify and discuss with Management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Group's strategy.
- Participate in an annual strategy retreat for the Board and Management, ensuring the Board retains sufficient knowledge of the Group's business and the industries in which it operates to provide strategic input and identify any critical strategic relevance of Management's assumptions for planning purposes;
- Critically evaluate and make recommendations to the Board for approval of the Group's business strategy periodically;
- Periodically engage Management and act as a sounding board on strategic issues;
- Regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- Review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investment portfolio;
- Oversee the Group's investment planning, execution and monitoring processes;
- Oversee the long-term financing options for the Group;
- Review the Group's financial projections, as well as the capital and operating budgets, and have quarterly reviews with Management on the progress of key initiatives, including appraising actual financial results against targets and projections;
- Review and recommend for Board approval the Group's capital structure, which should not be limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure; and
- Recommend for Board approval the Group's dividend policy, including nature and timing; and ensure an effective tax policy is implemented.

EFFECTIVENESS

STATUTORY AUDIT COMMITTEE (SAC)

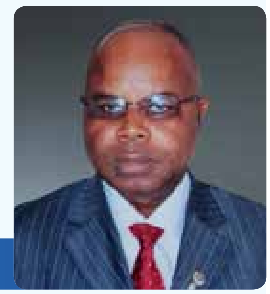
Section 404 (2) and (3) of CAMA 2020 requires every public company to establish a Statutory Audit Committee composed of two Non-Executive Directors and three representatives of its shareholders, subject to a maximum of five members. These provisions will take effect from the election of SAC members at the AGM. The current composition of the SAC was based on the provisions of CAMA 1999.

Shareholder Representative Profiles

Kolawole Durojaiye, *FCA*

Chairman, Statutory Audit Committee

Kolawole Durojaiye, *FCA*, was re-elected as Shareholder Representative on the SAC on 27 April 2020 and brings to the Committee 31 years' experience in auditing and banking. Before his appointment, he worked with the Central Bank of Nigeria for 24 years, rising to the position of Director. He was Assistant Manager at KPMG Nigeria between 1986 and 1996, leading teams in commercial and merchant banks, finance companies and other financial institutions. Kolawole was part of the team that codified the Nigeria Microfinance Policy Framework, following an international study tour of countries with successful microfinance histories, and was fully involved in its implementation as Secretary to the Joint CBN-NDIC Consultative Committee on Microfinance Banking. A Fellow (FCA) of the Institute of Chartered Accountants of Nigeria, Kolawole has attended several training courses and conferences. He also participated in the sixth Global Housing Finance Conference, led by the World Bank Group, in Washington DC, USA in May 2014, and led the specialist team that formulated the recent reforms of primary mortgage banks in Nigeria. Kolawole is married with children.



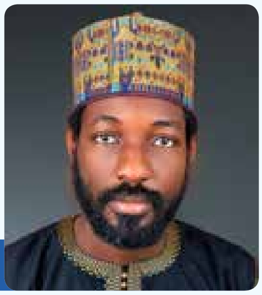
Nnamdi Okwuadigbo, *FCA*

Shareholder Representative

Nnamdi Okwuadigbo, *FCA*, was re-elected as Shareholder Representative on the SAC on 27 April 2020 and brings to the Committee over 30 years' experience in auditing, accounting/financial reporting, taxation, debt recovery, business advisory, financial management, portfolio management and management consulting, within the public and private sectors. He is the Founder and Managing Partner of the firm of Nnamdi Okwuadigbo & Co. He is a professional with industry responsibility, having worked with Gearhart Nigeria Limited as Financial Controller and Barclays Bank Nigeria Limited.

He is a Fellow (FCA) and the immediate past President of the Institute of Chartered Accountants of Nigeria (ICAN). He holds a Certificate in International Financial Reporting (Cert IFR). Nnamdi is married with children.

EFFECTIVENESS



Fuad Umar

Shareholder Representative

Fuad Umar was elected as Shareholder Representative on the SAC on 27 April 2020. His wealth of experience spans his previous roles as the Investment Coordinator, LINKS-Tetra Tech (FCDO funded program), Access to Finance Adviser, MAFITA-Adam Smith International (DFID funded program), and Business Development Service Provider, MAFITA. Thereafter, he established and managed his investment portfolio, Fuad Allied Nigeria Limited where he serves as the Chief Executive Officer.

Fuad has served in several leadership positions in numerous organisations, including Ocean Securities and Stockbrokers Limited, the Association for the Advancement of the Rights of Nigerian Shareholders, Quantico International and Fuad Agro.

His people-centred approach to problem-solving has seen him contribute remarkably to developing sustainable strategies for investment, risk analysis, expansion, and dividend pay-outs.

An exemplary scholar, Fuad holds a first-class Bachelor of Science degree in Management Information Systems from the American University of Nigeria (AUN) and a master of business administration from the Dangote Business School, Bayero University, Kano. His dedication to work and knowledge acquisition has earned him several awards and recognitions. In 2012, while studying at AUN, his outstanding academic performance earned him a place at the Kogod Business School in Washington DC for a year-long exchange program. This was followed by other honours for leadership, academic excellence, community engagement, and development.

His leadership roles in Fuad Allied Nigeria Limited, Quantico International, and the Association for the Advancement of the Rights of Nigerian Shareholders demonstrate his penchant for excellence in professional services. Fuad's mastery and experience in building sustainable business models in Nigeria while adopting new technologies has aided in shaping Nigeria's business landscape.

Statutory Audit Committee Members

S/N	NAMES	ROLE	STATUS	EDUCATIONAL QUALIFICATIONS
1.	Kolawole Durojaiye, *FCA*	Chairman	Shareholder representative	FCA, MBF, BSc (Agric Economics)
2.	Nnamdi Okwuadigbo, *FCA*	Member	Shareholder representative	FCA, BSc (Accounting)
3.	Fuad Umar	Member	Shareholder representative	BSc Management Information System, MBA
4.	Oye Hassan-Odukale, *MFR**	Member	Non-Executive Director	MBA Finance, BBA, BSc (Business Administration)
5.	Chidi Anya*	Member	Non-Executive Director	MILD, BL, LLB
6.	Cecilia Akintomide, *OON**	Member	Independent Non-Executive Director	LLM, BL, LLB

*Please refer to the Leadership section for the profiles of the Directors.

Independence of the Statutory Audit Committee

The independence of the SAC is fundamental to upholding public confidence in the reliability of its reports and the Company's financials. The Committee has access to the external auditor to seek explanations and additional information.

The Committee is composed of six members as required in the former CAMA of 1999; three of these, including the Chairman, are shareholder representatives, who are independent and answerable to the shareholders. The other three members include two Non-Executive Directors and an Independent Non-Executive Director. This composition underpins the independence of the SAC from executive influence.

EFFECTIVENESS

Attendance at Statutory Audit Committee Meetings

The Statutory Audit Committee met four times in 2020.

NAMES	11 MARCH	23 JUNE	22 SEPTEMBER	10 DECEMBER
Kolawole Durojaiye, *FCA*	✓	✓	✓	✓
Nnamdi Okwuadigbo, *FCA*	✓	✓	✓	X
Fuad Umar*	N/A	✓	✓	✓
Oye Hassan-Odukale, *MFR*	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓
Cecilia Akintomide, *OON*	✓	✓	✓	✓

*Fuad Umar was elected at the Annual General Meeting of 27 April 2020.

Key Responsibilities of the Committee

The statutory duties and role of the SAC are encapsulated in Section 404 (7) of CAMA. In addition, the various Codes of Corporate Governance, including the CBN and FRCN Codes, set out the role and responsibilities of the SAC, which are to:

- Ascertain whether the Company's accounting and reporting policies are in accordance with legal requirements and agreed ethical practices;
- Review the scope and planning of audit requirements;
- Review the findings on Management matters in conjunction with the external auditor and departmental responses thereon;
- Keep under review the effectiveness of the Company's system of accounting and internal control;
- Make recommendations to the Board regarding the appointment, remuneration and removal of the external auditor of the Company, ensuring the independence and objectivity of the external auditor and ensure there is no conflict of interest, which could impair the independent judgement of the external auditor;
- Authorise the internal auditor to carry out investigations into any activity of the Company that may be of interest or concern to the Committee; and
- Assist in the oversight of the integrity of the Company's financial statements and in the establishment and development of the internal audit function.

EFFECTIVENESS

Group Executive Committee (GEC)

The role of the GEC is to ensure the implementation and alignment of the Group's strategy. The GEC is a management committee and meets quarterly, or as may be required. The GEC met four times in 2020.

Membership

The GMD of FBN Holdings Plc serves as the Chairman while the other members are:

- MD/CEO, First Bank of Nigeria Limited
- MD/CEO, FBNQuest Merchant Bank Limited
- MD/CEO, FBNQuest Capital Limited
- MD/CEO, FBNQuest Trustees Limited
- MD/CEO, FBN Insurance Brokers Limited
- Chief Financial Officer, FBN Holdings Plc
- Company Secretary, FBN Holdings Plc
- Head, Strategy and Corporate Development, FBN Holdings Plc
- Chief Financial Officer, First Bank of Nigeria Limited
- Chief Risk Officer, First Bank of Nigeria Limited

Key Responsibilities

The responsibilities of the GEC are to:

- Ensure overall alignment of the Group strategy and plans;
- Review strategic and business performance against approved plans and budget of the Group and agree on recommendations and corrective actions;
- Promote the identification of synergies and ensure the implementation of synergy initiatives;
- Monitor the progress of Group synergy realisation initiatives and make recommendations;
- Discuss and monitor compliance of Group policies such as risk management, internal audit and others; and
- Review and recommend modifications to Group policies.

EFFECTIVENESS

Management Committee (MANCO)

The role of the MANCO is to deliberate and take policy decisions on the efficient and effective management of the Holding Company.

Membership

The GMD of FBN Holdings Plc serves as the Chairman, while the other members are:

- Chief Financial Officer
- Company Secretary
- Head, Risk Management and Compliance
- Head, Investor Relations
- Head, Internal Audit
- Head, Strategy and Corporate Development
- Head, Marketing and Corporate Communications
- Head, Human Resources

Key Responsibilities

The responsibilities of the MANCO are to:

- Develop and review, on an ongoing basis, the Holding Company's business focus and strategy, subject to the approval of the Board;
- Confirm alignment of the Holding Company's plan with the Group's overall strategy;
- Recommend proposals to the Board on the strategies to achieve the Group's objectives regarding investment and divestment activities;
- Track and manage the strategic and business performance of the Group against approved plans and the budget of the Holding Company; and
- Make proposals to the Board and Board Committees on major policies and decisions relating to staff compensation, major capital spending, organisational structure, and other issues related to the business.

EFFECTIVENESS

Going Concern

On the recommendation of the SAC, the Board annually considers and assesses the Company as a going concern for the preparation of the financial statements at year-end. The Board continues to view the Company as a going concern for the foreseeable future.

External Auditors

The external auditor for the 2020 financial year was Messrs. KPMG Professional Services (KPMG).

FBNHoldings is in full compliance with the CBN and FRCN Codes as its external auditor was appointed as auditor in the 2020 financial year, and hence has been retained for a year.

2020 Audit Fees

In April 2020 at the Annual General Meeting (AGM), Messrs. KPMG Professional Services (KPMG) was appointed as external auditor to replace Messrs. PricewaterhouseCoopers (PwC) that retired after serving as auditors to First Bank of Nigeria Limited (FirstBank) and FBN Holdings Plc. for ten years and eight years respectively. The audit fee paid by the Company to KPMG for the 2020 statutory audit was ₦25mn.

Prior to this time, KPMG offered non-audit service to the Company in relation to the appraisal of the Board of Directors of FBNHoldings for the year ended 31 December 2019. The service was completed prior to its appointment as external auditor in April 2020. The Company paid the sum of ₦9mn for this service. Upon the appointment of KPMG as external auditors in April 2020, the service was discontinued.

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Prohibition of Insider Dealing

In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, structures have been put in place to ensure compliance, and to communicate closed periods to insiders and the Nigerian Stock Exchange. Compliance is ensured through the Registrars that within this period, Directors, persons discharging managerial responsibilities, advisers, and other persons with access to insider information or their connected persons, are not allowed to deal in the securities of FBNHoldings.

Succession Planning

The Board Governance and Nomination Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and Executive Management level that are deemed important to the achievement of the Company's business objectives and strategies and have a significant impact on the operations of the Group. These critical positions include the following:

- Board Chairman
- Non-Executive Directors
- Executive Management
- Subsidiary Managing Directors
- Subsidiary Board Chairman

The Committee defines the competency requirements for the key positions. The competency requirements provide a blueprint of the requirement to succeed in each position and include the required knowledge, skills and attitude, ethics, value and codes of conduct.

The competency requirements are identified and defined in line with the future needs and strategic objectives of the Group. They also provide the basis to assess potential successors for the identified key positions and identify skills gaps and developmental needs.

On conclusion of this phase, the Committee determines the scale and competency gaps as well as identifies the talent pool.

For the Chairman's position, the existing Chairman of the Board will articulate the developmental needs of each Non-Executive Director on the Board, develop a plan to bridge those gaps and thereafter position them as potential successors.

For Non-Executive Directors, the Governance and Nomination Committee will periodically undertake a detailed analysis of the existing Board's strengths and weaknesses, and skills and experience gaps, based on the exit of Directors from the Board and current deficiencies, while noting the Company's long-term business strategy and plans. Based on this assessment, the Committee shall define the skills and competency profile that reflects the needs of the Board.

For Executive Management positions, the Committee, in conjunction with the GMD, shall note and review the skills and gaps of possible successors against expected competencies.

EFFECTIVENESS

Performance Monitoring

As part of its oversight role, the Board continually engages the Management and contributes ideas to the Group's strategy, from the planning phase to execution. The Board holds an annual Board retreat at which it formulates and monitors strategy. Once a strategy is defined, updates on specific strategic objectives become part of the ongoing Board agenda, providing the Board with access to sufficient detail to critique the implementation of the strategy.

During this process, the Board is continually updated on significant issues, risks or challenges encountered during strategy implementation across the Group, and on the steps taken to alleviate those risks.

The Management reviews the Group's financial and performance indicators with the Board quarterly, and the Board continually assesses progress and confirms alignment or otherwise, with the Group's strategic goals and objectives.

The Group's actual performance relative to budget is presented to the Board to give insights on achievement or otherwise and address challenges where they exist.

In addition, peer benchmarking is a regular part of Board meetings to compare FBNHoldings' performance against competitors.

REMUNERATION STRUCTURE

Introduction

This section provides stakeholders with an understanding of the remuneration philosophy and policy adopted at FBNHoldings for Non-Executive Directors, Executive Directors and employees.

Remuneration Philosophy

FBNHoldings' compensation and reward philosophy represent the values and beliefs that drive the Company's Compensation Policy.

The compensation philosophy is in line with the Group's quest to attract and retain highly skilled personnel who will keep the Group ahead of the competition. In reviewing the compensation packages, factors to be considered include organisational policy, market positioning, the Group's financial performance, government policies, regulations, industry trends, inflation and the cost-of-living index.

Remuneration Strategy

FBNHoldings' compensation and reward strategies aim to attract, reward and retain a motivated talent pool to drive the Company's values, ideology and strategic aspirations. The compensation strategy supports the corporate strategy and is reviewed as required to reflect changes in internal and external conditions. The compensation and reward strategies seek to position the Group as an employer of choice within its market by offering an attractive and sustainable compensation package. Compensation is also differentiated and is used as a tool for retaining high-potential talent and driving our desired culture and values.

Compensation Policy

The Group's Compensation Policy provides the guidelines for administration of staff compensation and is aimed at attracting, rewarding and retaining a motivated talent pool. The compensation structure is categorised into Remuneration, Perquisites and Benefits. Remuneration includes base pay and allowances, as well as performance-based bonuses and incentives, detailed as follows:

- Base pay includes the salary component for the defined job grade and is mainly cash-based. It is guaranteed and payable monthly in arrears, as per the employment contract. It is the basis for the computation of some allowances and most benefits.
- Allowances are other pay items outside base pay and are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch and clothing. They are payable in cash and are paid monthly, quarterly, or yearly for tax planning, liquidity

EFFECTIVENESS

planning and staff convenience. Allowances are separated into two: those that form part of staff salary and those categorised purely as allowances.

- Bonuses and incentives are related to the achievement of organisational and individual targets and may be cash or non-cash, such as performance bonuses and commendation letters.
- Perquisites are usually lifestyle-oriented and designed to ensure comfort, motivation, commitment and the retention of staff, particularly those at the senior level or with high potential. These may include status cars, power generators, gym equipment and other choice items.
- Benefits are entitlements usually attainable subject to organisational conditions. They include leave, medical allowances and social club subscriptions. To guarantee staff convenience and in line with the Group's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that while ensuring adequate cash flow for staff, the Group does not run contrary to tax laws and other statutory regulations.

Executive Remuneration

As a Board, we are mindful of the views of the various stakeholders on Executive remuneration. We aim to motivate, incentivise and retain best talents while keeping an eye on the prevailing economic outlook.

The remuneration for Executive Directors is determined by the Board and usually reflects competitive benchmarking in the industry, while ensuring that it adequately attracts and retains the best and most experienced individuals for the role. This also applies to Non-Executive Directors, who are entitled to Directors' fees, reimbursable expenses and sitting allowances.

BOARD COMPENSATION

Non-Executive Directors

In line with the FRCN and CBN Codes, Non-Executive Directors receive fixed annual fees and sitting allowances for their services to the Board and Board Committee. There are no contractual arrangements for compensation for loss of office. Non-Executive Directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

Remuneration for Executive Directors

Remuneration for Executive Directors is performance-driven and restricted to base salaries, allowances, performance bonuses. Executive Directors are not entitled to sitting allowances.

For more details on remuneration, please refer to Note 48 of FBNHoldings' 2020 Financial Statements.

The Group continually ensures that its remuneration policies and practices remain competitive and are in line with its core values to incentivise and drive performance.

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE WITH THE NIGERIAN STOCK EXCHANGE (NSE) LISTING RULES ON SECURITIES TRADING POLICY

In line with Section 14 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.

FBNHoldings' Securities Trading Policy (Policy) is embedded in the Board-approved Group Disclosure Policy, and having made specific enquiries from all our Directors regarding compliance with the Policy, we hereby confirm to the best of our knowledge that our Board of Directors are compliant with FBNHoldings' Securities Trading Policy and the Rules on Securities Trading.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

STATEMENT OF COMPLIANCE WITH THE NIGERIAN STOCK EXCHANGE ON LISTING ON THE PREMIUM BOARD

In compliance with Section 4 of the Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the SEC Code of Corporate Governance (Code) governs the operations of FBN Holdings Plc.

We hereby confirm to the best of our knowledge that FBNHoldings is in full compliance with the Code.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

STATEMENT OF COMPLIANCE WITH SECTION 34 OF THE SEC CODE OF CORPORATE GOVERNANCE

In compliance with Section 34 of the SEC Code of Corporate Governance (SEC Code), we hereby confirm to the best of our knowledge the following.

- That FBNHoldings has in place effective internal audit functions and the Risk Management Control and Compliance system operates efficiently and effectively.
- That FBNHoldings' sustainability initiatives are in alignment with Part D of the SEC Code.
- That FBNHoldings' related party transactions are being monitored in compliance with the provisions of the SEC Code.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

CENTRAL BANK OF NIGERIA (CBN) AND SECURITIES AND EXCHANGE COMMISSION'S (SEC) CODES OF CORPORATE GOVERNANCE

In compliance with Section 4.2 of the Listings Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the CBN and SEC Codes of Corporate Governance (Codes) govern the operations of FBN Holdings Plc.

We hereby confirm that to the best of our knowledge we are in compliance with the Codes.

Oluseye Kosoko
Company Secretary

Dr Oba Otudeko, *CFR*
Group Chairman

WHISTLEBLOWING PROCEDURES

The Board and Management of FBN Holdings Plc actively encourage employees to embrace the Group's values of integrity, dependability and transparency. The Group has a robust whistleblowing procedure that encourages reporting of financial and ethical improprieties through dedicated and confidential channels. Employees and other stakeholders are obliged to report any unlawful, irregular or unethical conduct observed.

Furthermore, the policy and practice provide effective protection for whistleblowers, as part of an open organisational culture where employees are not only aware of how to report, but also have the confidence to make such reports. The identity of any whistleblower is protected, and details of whistleblowing incidents are kept confidential in line with the Whistleblowing Policy. The Group does not condone or tolerate any acts of retaliation against those who raise concerns.

All escalated concerns are thoroughly investigated and reported to the appropriate authorities, including the Chairman, Board Audit and Risk Assessment Committee. The full version of the Group's Whistleblowing Policy can be accessed on the website: www.fbnholdings.com/whistle-blowing/

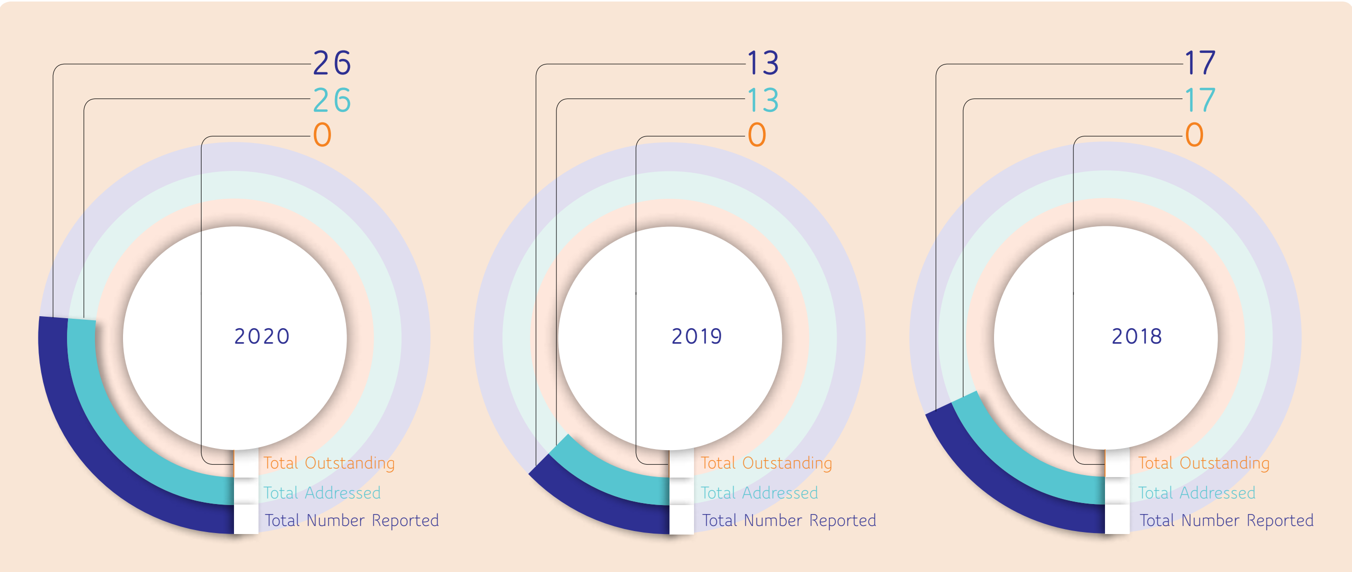
The whistleblower can report through any of the following channels, either by declaration or in confidence/anonymously:

- A formal letter to the Group Managing Director, FBN Holdings Plc and/or Head, Internal Audit FBN Holdings Plc
- Dedicated phone number: 0817 597 8505
- Dedicated email address: FBNHoldingsWhistleBlowing@fbnholdings.com

Any issue raised should include all relevant background information (including dates), as well as the reason(s) why the whistleblower is particularly concerned about the situation.

The whistleblower, whether internal or external, may elect to disclose information directly to any of the listed regulatory bodies, such as the Central Bank of Nigeria (mail to: anticorruptionunit@cbn.gov.ng), the Nigeria Deposit Insurance Corporation (mail to: info@ndic.org.ng/helpdesk@ndic.org.ng), the Securities and Exchange Commission (mail to: sec@sec.gov.ng), the Nigeria Insurance Commission (mail to: info@naicom.gov.ng), the National Pension Commission (mail to: info@pencom.gov.ng) or the Nigerian Stock Exchange (mail to: x-whistle@nse.com.ng).

FBNHoldings Three-Year Analysis of Whistleblowing Cases



DIRECTORS' REPORT

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 2020.

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 26 November 2012, after the shares of First Bank of Nigeria Plc (now First Bank Nigeria Limited) were delisted on 23 November 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 responsible for coordinating Group-wide financial reporting to shareholders and managing shareholder, investor, and external relations of the Group, as well as developing and coordinating the implementation of Group strategies.

COMMERCIAL BANKING	MERCHANT BANKING	CAPITAL MARKETS	TRUSTEESHIP	INSURANCE BROKERAGE
First Bank of Nigeria Limited • FBNBank (UK) Limited • FBNBank DRC Limited • FBNBank Ghana Limited • FBNBank The Gambia Limited • FBNBank Guinea Limited • FBNBank Sierra Leone Limited • FBNBank Senegal Limited • First Pension Custodian Nigeria Limited	**FBNQuest Merchant Bank Limited** • FBNQuest Asset Management Limited • FBNQuest Securities Limited	**FBNQuest Capital Limited** • FBNQuest Funds Limited	**FBNQuest Trustees Limited**	**FBN Insurance Brokers Limited**
The Group's core business is providing financial services to individuals, corporate customers, and public institutions. This business segment includes the domestic, international, and representative offices offering commercial banking services in 10 countries. The Flagship, First Bank of Nigeria Limited founded 1894.	These businesses comprise corporate banking, investment banking, asset and wealth management, fixed income securities trading and trust services, serving a diverse customer base of corporates, banks, public institutions, institutional investors, high-net worth individuals (HNIs) and the retail market.			This Company offers expert risk management and insurance brokerage as well as advisory services in life and general insurance businesses.

DIRECTORS' REPORT

c. Operating Results

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

	GROUP		COMPANY	
	31 Dec 2020 ₦'mn	31 Dec 2019 ₦'mn	31 Dec 2020 ₦'mn	31 Dec 2019 ₦'mn
Gross earnings	579,429	590,386	38,601	18,396
Profit before tax	83,703	75,286	34,073	13,874
Income tax expense	(8,111)	(9,242)	(213)	(12)
Profit for the year from continuing operations	75,592	66,044	33,860	13,862
Profit for the year from discontinued operations	14,138	7,621	-	-
Profit for the year	89,730	73,665	33,860	13,862
Profit attributable to:				
Non-controlling interests	1,744	3,747	-	-
Equity holders of the parent entity	87,986	69,918	33,860	13,862
Earnings per share (kobo) - Basic	245	195	94	39
Earnings per share (kobo) - Diluted	245	195	94	39

d. Dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act (CAMA) 2020, has recommended a dividend of 45 kobo per ordinary share of 50 kobo each, amounting to ₦16,152,881,755.95. Withholding tax will be deducted at the time of payment.

e. 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 301 and 302 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange, are noted as follows:

S/N	Name	2020 HOLDINGS		2019 HOLDINGS		Entities
		Direct	Indirect	Direct	Indirect	
1.	Dr Oba Otudeko, *CFR*	5,895,264	113,079,843	5,895,264	113,079,843	Metropolitan Trust Nig. Limited
		-	44,188,168	-	44,188,168	Honeywell Staff Ct & Cs
		-	70,206,271	-	70,206,271	Orbit International Limited
		-	111,663,659	-	111,663,659	Springwater Limited
		-	72,138,423	-	72,138,423	Landbond Limited
		-	52,394,669	-	52,394,669	Coral Products Limited
		-	68,404,806	-	68,404,806	Network Securities Limited
	TOTAL	5,895,264	532,075,839	5,895,264	532,075,839	
2.	Oye Hassan-Odukale, *MFR*	8,854,003	112,552	8,854,003	112,552	Lac Investments Limited
		-	13,229,148	-	13,229,148	Haskal Holdings Limited
		-	34,917,414	-	29,917,414	Oho Investments Limited
		-	1,004,528	-	1,004,528	Leadway Capital & Trusts Limited
		-	311,697,449	-	266,697,449	Leadway Assurance Co. Limited
	TOTAL	8,854,003	360,961,091	8,854,003	310,961,091	
3.	Chidi Anya	-	52,168	-	52,168	Muonta and Guonta Limited
		-	500,000	-	500,000	Guonta & Yonta Limited
	TOTAL	-	552,168	-	552,168	
4.	Dr Hamza Wuro Bokki	6,680,863	-	6,680,863	-	-
5.	'Debola Osibogun	4,127,659	-	1,171,612	-	-
6.	Omatseyin Ayida	1,100,000	4,018,131	1,100,000	4,018,131	Alemaje and Company Limited
		-	40,627,606	-	40,627,606	Apricot Securities Limited
		-	89,994,505	-	99,994,505	Jurewa Investment Limited
	TOTAL	1,100,000	134,640,242	1,100,000	134,680,565	
7.	U.K. Eke, *MFR*	85,268,414	-	65,196,390	-	-
8.	Dr Adesola Adeduntan	18,871,689	-	18,871,689	-	-
9.	Oluwande Muoyo*	2,814,714	798,596	1,971,481	798,596	Clayder Limited
10.	Cecilia Akintomide, *OON*	1,005,500	-	5,500	-	-
11.	Seni Adetu	-	-	-	-	-
12.	Juliet Anammah	-	-	-	-	-
13.	Otu Hughes	-	-	-	-	-

*Resigned with effect from 30 April 2020

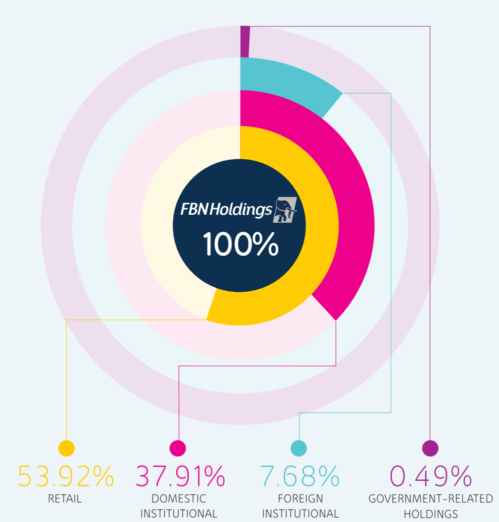
f. Shareholding Analysis

Shareholding Range Analysis as at 31 December 2020

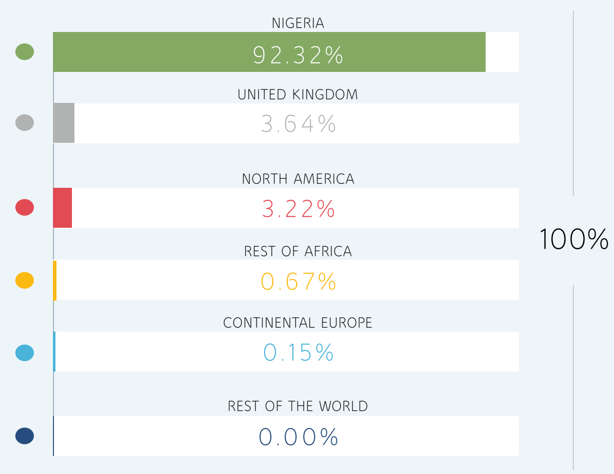
RANGE			No. of Holders	% Holders	Units	% Units
1	-	1,000	292,365	24.33	212,776,599	0.59
1,001	-	5,000	491,819	40.94	1,182,644,697	3.29
5,001	-	10,000	170,414	14.18	1,171,659,435	3.26
10,001	-	50,000	204,022	16.98	4,144,495,378	11.55
50,001	-	100,000	20,922	1.74	1,458,108,857	4.06
100,001	-	500,000	17,401	1.45	3,469,556,250	9.67
500,001	-	1,000,000	2,184	0.18	1,539,101,963	4.29
1,000,001	-	5,000,000	1,821	0.15	3,507,609,127	9.77
5,000,001	-	10,000,000	215	0.02	1,518,067,538	4.23
10,000,001	-	50,000,000	213	0.02	4,423,273,877	12.32
50,000,001	-	100,000,000	31	0.00	2,129,282,620	5.93
100,000,001	-	35,895,292,791	40	0.00	11,138,716,450	31.03
			1,201,447	100.00	35,895,292,791	100.00

Shareholding Analysis as at 31 December 2020

BREAKDOWN OF SHAREHOLDERS BY TYPE



GEOGRAPHICAL BREAKDOWN OF SHAREHOLDERS



g. Substantial Interest in Shares

According to the Register of Members as at 31 December 2020, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

h. Directors Interests in Contracts

In accordance with Section 303 of CAMA 2020, none of the Directors had direct or indirect interests in contracts or proposed contracts with the Company during the year.

i. Donation and Charitable Gifts

The Company, a non-operating financial holding company, did not make any donation during the year ended 31 December 2020. However, the subsidiaries of the company that are operating entities made donations to various worthy causes, such as FirstBank's participation in the Coalition Against COVID-19 (CACOVID) where the sum of ₦1bn and other relief materials were donated.

j. Property and Equipment

Information relating to changes in property and equipment is given in Note 31 to the Accounts. In the Directors' opinion, the market value of the Company's properties is not less than the value shown in the financial statements.

k. Events after the Reporting Date

There were no other events after the reporting date which could have a material effect on the financial position of the Group as at December 31, 2020 and profit attributable to equity holders on the date other than as disclosed in the financial statements.

l. Human Resources Policy

Recruitment

The Company conforms with all regulatory requirements in the employment of staff, while also ensuring that only fit and proper persons are approved for appointment to the Board or top management positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointments are duly implemented.

Employment of Physically Challenged 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 physically challenged or not, are given equal opportunities to develop.

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

Employee Involvement and Training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their wellbeing through various forums including Town Hall meetings. Towards this end, the Company provides opportunities for employees to deliberate upon issues affecting the Company and employees' interests, with a view to making inputs to decisions therein.

The Company places a high premium on the development of its workforce. Consequently, the Company sponsored its employees for various training courses in the year under review.

Health, Safety and Welfare at Work

The Company maintains business premises designed with a view to guaranteeing safe and healthy working conditions for its employees. Employees are adequately insured against occupational and other hazards. In the wake of the COVID-19 pandemic, emergency preparedness and response activities were strengthened under the steering of the Incident Management Team, a work from home program leveraging on technology was adopted along with a segmented work on site program.

The Company has a comprehensive health insurance scheme for staff, through which the medical needs of staff and their immediate family members are met.

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

The Company operates a Group Life and Group Personal Accident (formerly known as Workmen's Compensation) Insurance cover and makes Employee Compensation Act contributions for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act of 2004 (amended in 2014).

DIRECTORS' REPORT

Gender Analysis

The number and percentage of men and women employed as at 31 December 2020 relative to the total workforce are as follows:

	Number		%	
	Male	Female	Male	Female
Employees	23	14	62	38

Gender analysis in terms of Board and Management as at 31 December 2020 is as follows:

	Number			%	
	Male	Female	Total	Male	Female
Board	9	3	12	75	25
Management	7	2	9	78	22

m. Auditors

During the year, Messrs. PricewaterhouseCoopers (PwC) resigned as auditors of both FBN Holdings Plc and First Bank of Nigeria Limited having acted as auditors for eight years and ten years respectively.

In accordance with Section 401(1) of the Companies and Allied Matters Act (CAMA) 2020, a new auditor, Messrs. KPMG Professional Services was appointed at the last Annual General Meeting of the Company. Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditor to the Company. In accordance with Section 401(2) of the Companies and Allied Matters Act (CAMA) 2020, therefore, the auditor will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
Lagos, Nigeria.

REPORT ON THE OUTCOME OF THE BOARD EVALUATION

FOR THE PERIOD ENDED 31 DECEMBER 2020

pwc

PricewaterhouseCoopers ('PwC') was engaged to carry out an evaluation of the Board, it's committees, and the individual directors of FBN Holdings Plc's ('FBNH') or ('FBN Holdings') as prescribed by Principle 14 of the Nigerian Code of Corporate Governance (NCCG) for the period ended 31 December 2020.

Our responsibility was to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 28 January 2021. In carrying out the evaluation we have relied on representations made by members of the Board and Senior Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the Securities and Exchange Commission (SEC) Guidelines and the NCCG. Areas of strength include: the Board's oversight of strategy development and execution, devotion of sufficient time to the governance of the Company, all Directors having achieved 100% attendance at all Board and Board Committee meetings in the year under review. The Board also displayed resilience and agility in its operations and processes by leveraging the use of technology following the onset of the COVID-19 pandemic in the course of the year.

Details of our other findings and recommendations are contained in our report.

Yours faithfully,

for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659

REPORT ON THE OUTCOME OF THE CORPORATE GOVERNANCE EVALUATION
FOR THE PERIOD ENDED 31 DECEMBER 2020

PricewaterhouseCoopers ('PwC') was engaged to carry out a Corporate Governance Evaluation of FBN Holdings Plc's Corporate Governance practice as prescribed by Principle 15.1 of the Nigerian Code of Corporate Governance and the SEC Corporate Governance Guidelines for the period ended 31 December 2020.

Our responsibility was to reach a conclusion on the adequacy and effectiveness of FBN Holdings Plc's Corporate Governance practices and processes based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 28 January 2021. In carrying out the evaluation we have relied on representations made by members of the Board and Senior Management and the documents provided for our review.

FBN Holdings Plc has complied significantly with the principles set forth in the Nigerian Code of Corporate Governance, and the provisions of the SEC Corporate Governance Guidelines. In the 2020 period, the Company maintained a strong ethical and business culture flowing from the tone at the top emanating from the Boardroom. The Board maintained oversight of the following amongst others - strategy development and execution, risk management, compliance, internal control systems and processes, and deployed effective crisis response protocols in response to the pandemic. Furthermore, members of the Board demonstrated strong commitment to the business and affairs of the Company having achieved 100% attendance rating in all Board and Committee meetings during the year.

Details of our other findings and recommendations are contained in our report.

Yours faithfully,

for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659

Risk Overview

FBNHoldings has implemented the Enterprise Risk Management approach to managing risk across its business entities.

RISK SUMMARY

The year 2020 was dominated by the COVID-19 pandemic with its associated risks to the financial services industry. The effect of the pandemic, together with the sharp reduction in the international prices of crude oil had significant impact on the world economy.

The immediate impact on Nigeria was the significant decline in revenue from sales of crude oil which in turn led to foreign exchange rationing and the eventual adjustment in Naira/US Dollar exchange rates. Although the proactive intervention of the CBN addressed the impact of the pandemic on loan performance to an extent, the Group had to contend with the reduction in revenues arising from declining interest rates on fixed income and the impact of movement restrictions, as a result of the control measures adopted by the Federal Government.

There were various policy measures in 2020 aimed at stabilising the financial services system and increase lending to stimulate the production of goods and services. These policies, in addition to the devastating impacts of contracting GDP growth rates, fluctuating exchange rates and rising inflation, had an effect on the performance of the Group.

The upward review of the Cash Reserve Requirement from 22.5% to 27.5% for commercial banks and 2% to 27.5% for merchant banks, impacted our capacity to harness opportunities, and ultimately, profitability.

Vulnerability to cyber-security threats heightened in 2020 due to the remote working arrangement adopted by the members of the Group. Before the advent of the COVID-19 pandemic, cybercrime was a global concern for individuals, organisations and governments. COVID-19 has since escalated these concerns. Remote working, use of personal digital devices for official work, extended use of email platforms for business instructions, extension of business application usage to the internet, virtual private network (VPN) access from personal devices and poor end-user knowledge of basic internet protocols and practices are just a few of the changes that impacted the vulnerability of institutions to cyber-security risks.

The restriction of movement locally and internationally put enormous pressure on our fees and commissions, trading income and net-interest income. The pandemic disrupted the supply-chain world-wide, impacting many businesses, which resulted in a reduction of the income from the Group's international operations department.

Furthermore, the financial services industry was inundated with series of policies in 2020, in response to the pandemic. The Group kept abreast of all the polices and pronouncements by the various regulatory agencies to strengthen our processes.

Some of the Group's Responses

- Setting up of Incident Management and COVID-19 response teams across the Group, with the sole mandate of developing management and scenario plans that are specific to the COVID-19 crisis. The teams have Management Sponsors, who are responsible for reporting to the various Management Committees every 24 hours. The response teams focused on information obtained from the Federal Government of Nigeria and other international agencies, with a view to communicating accurate information to staff and other stakeholders, complying with government priorities and minimising the risk of business disruptions.

- The entire workforce was profiled to gain an understanding of the implication of the Federal Government pronouncement on the business and ensure appropriate resource planning to mitigate business disruption. The Group enabled full remote working arrangements during the lockdown by enabling the necessary information technology (IT) infrastructure, providing support for remote working at an unprecedented scale.

- To facilitate remote working arrangement, work tools were made available to staff to ensure seamless remote working and enhance productivity. IT systems were enabled for remote access and implementation as a prerequisites, while additional software (Microsoft Teams, VPN applications) were installed. Crucial third parties (especially for cloud computing and general IT infrastructure) were identified, and basic telephone lists drafted and distributed among staff in the event that infrastructure fails. Penetration tests were conducted to assess IT vulnerabilities. Across the Group, staff awareness activities were increased, especially on phishing and information protection. The group VPN was monitored 24 hours a day, throughout the week by the cyber-security team.

RISK SUMMARY

- The banking subsidiaries re-priced, restructured and converted existing foreign currency exposures, and significantly reduced foreign currency exposures. Furthermore, our subsidiaries restructured existing loans impacted by the COVID-19 pandemic, in line with the CBN circular on forbearance and repayment extension on impacted accounts.

Emerging Risks

Emerging enterprise risks which is intricately linked to the Group's strategy, are identified periodically to empower risk-taking. These risks include cyber-risks, environmental and social responsibility risks, regulatory compliance risks, foreign exchange volatility risk and business continuity risk.

There was a marked increase in the volume and sophistication of cyber-security threats such as ransomware and targeted phishing attacks which became prevalent due to the COVID-19 pandemic and the remote working arrangement. Information technology is required to expedite transactions and as such, financial institutions must remain resilient, deploy robust systems and take proactive steps to safeguard critical information assets, especially customer information accessible through cyberspace.

As the global financial indices continue to show a downward decline amid the COVID-19 pandemic, cyber-security continues to be of interest and top priority for organisations. In 2020, the Group successfully revamped and upgraded its cyber-security capabilities and practices. Through the 'Contain-Treat-Sustain' strategic security initiative, which is in its last stage of implementation, the Group continued the reinforcement of the implementation of the globally acclaimed security initiatives and practices to predict, identify, prevent, respond and recover from cyber attacks across operating entities. Cyber-security resilience is fully integrated into the business, goals and objectives of the Group, and it is an integral part of the risk management processes for the sustainability of the organisation.

> **The Group maintains a full-fledged compliance team to drive and implement the Group's compliance framework. A robust process to identify, monitor and reflect new and amended regulatory requirements has been established in the Group's process and rule book.**

There has been an increase in environmental sustainability risks in recent years, characterised by extreme weather conditions and environmental degradation caused by deforestation, floods, oil spillages and a rise in carbon emissions. There has also been a decrease in biodiversity. As a result of the above, agricultural systems have been impacted and pollution of the air and sea has become a threat to human health.

The Group maintained a two-pronged approach to environmental sustainability based on the impact of the business operations and customers on the environment.

We are conscious of our lending activities across the Group, making sure that our customers' business activities are eco-friendly. To this end, the approach towards the reduction of the direct impact of business operations on the environment is to minimise our carbon footprint. We achieved this through increased energy efficiency and reduction in the use of paper, and the promotion of wildlife as well as biodiversity conservation or preservation in partnership with the Nigerian Conservation Foundation.

The banking sector remains the most dominant and regulated industry in Nigeria. Consequently, the CBN has consistently initiated policies to strengthen the sector, encourage financial inclusion and promote stability in the banking sector.

The Group maintains a full-fledged compliance team to drive and implement the Group's compliance framework. A robust process to identify, monitor and reflect new and amended regulatory requirements has been established in the Group's process and rule book. We also ensure prompt submission of the regulatory reports.

As the COVID-19 pandemic triggered the oil price decline, the Nigerian government's revenue from oil was greatly impacted resulting in an increase in foreign exchange risk. This affected many multinationals as capital importation and repatriation are

RISK SUMMARY

largely dependent on foreign exchange. The Naira was technically devalued by the CBN within the financial year.

Across the Group, we are exposed to a variety of risks due to foreign exchange volatility, including transaction risk, conversion risk, credit risk, interest rate risk and inflation risk, thereby reducing the profitability within the period. As such, foreign exchange volatility risk had a negative impact on the return on the Group's assets.

The Group has a policy in place to match the currency of the assets against the currency of the liabilities, as well as the currency of the assets in the shareholders' equity account against the currency of the required capital. Where assets and liabilities do not match, there is a need to stabilise the capital ratios using forward contracts and currency swaps.

The pandemic questioned the robustness and adequacy of Business Continuity Management of many organisations. Ideally, risk management frameworks allow companies to identify, mitigate, report and monitor the risks encountered and offer immediate Business Continuity Management plans when businesses are threatened by human and/or natural disasters like the COVID-19 pandemic. The advanced risk management strategies have turned out to be inadequate in mitigating impacts of the COVID-19 pandemic on businesses. That is because a pandemic such as COVID-19 represents a systemic risk, requiring systemic preparedness and response.

Incident Management and COVID-19 response teams were set up across the Group with the sole mandate of developing management and scenario plans specific to the COVID-19 crisis. The teams were able to curtail the effects of the pandemic through the various management actions instituted.

Major Risks that Increased in 2020 and the Associated Mitigants

RISK TYPE	RISK DRIVER	MITIGANTS
Cyber-Security Risk	• The probability of exposure or loss resulting from a cyber-attack or data breach on an organisation.	• In 2020, the Group successfully revamped and upgraded its cyber-security capabilities and practices.
		• The Group continued the reinforcement of its implementation of globally acclaimed security initiatives and practices to predict, identify, detect, prevent, protect, respond and recover from cyber-attacks across the subsidiaries.
		• Aging infrastructure were revamped while acquiring new technology and practices required for the future.
People Risk	• Risk that people do not adhere to the organisation's procedures, practices and/or rules, thereby deviating from expected behaviour in a way that could be detrimental to the performance and reputation of the business. • People risk increased in 2020 as homes were turned into mini branches of the organisation when the remote working arrangement was implemented.	• Training and development of employees.
		• Across the Group, staff awareness activities were increased, especially on phishing and information protection.
		• The Group's VPN was monitored 24 hours a day, throughout the week by the cyber-security team.

RISK SUMMARY

RISK TYPE	RISK DRIVER	MITIGANTS
Technology Risk	• Loss arising from system failures that could result in service outage and disruption to business operations.	• Regular testing of technology and applications to identify and rectify potential weaknesses that can result in downtime.
	• Increase in digital transactions during the lockdown stretching the IT infrastructure.	• Recruitment of talent into our IT department within and outside the country.
Regulatory and Compliance Risk	• Loss arising from non-compliance with circulars, guidelines or codes applicable to the financial services industry.	• Robust compliance risk assessment.
		• Sound corporate governance practices and effective monitoring of all directives and disclosures.
Third-Party Risk	• Loss arising from vendors or suppliers reneging on contractual obligations.	• Engagement of reputable service providers with proven pedigree.
		• Establish appropriate insurance policies against identified contractual risks.
Credit Risk	• Loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations.	• Regular monitoring and review of all credits.
		• Strong supervision of risk assets by Credit Committees across the Group.
		• Existing loans affected by the COVID-19 pandemic were restructured in line with the CBN circular on forbearance and repayment extension on impacted accounts.

RISK SUMMARY

2021 Focus Areas

Cyber-Security Risk

Customers' and stakeholders' information will continue to be safeguarded by the Group security efforts, which will include:

- Driving risk consciousness and creating security awareness among our employees, contractors and customers.
- Providing innovative solutions to combat insider-related fraud and compromises.
- Improving the metrics across different cyber-security indices.
- Providing updates on emerging trends in cyber-security and its threats.

Credit Risk

The Group will continue to promote risk management practices through careful selection of risk assets across target sectors.

There will be close monitoring of all credits with special focus on sectors affected by the pandemic for timely intervention for credits that are challenged.

Furthermore, there will be strict adherence to target market and Risk Acceptance Criteria, in line with the Group's risk appetite, and proactive management of concentration risk in the portfolio.

Compliance Risk

To achieve a best-in-class compliance culture, the compliance functions will continue to work with the businesses and collaborate with other second line of defence functions.

Subject to regulatory peculiarities in the different geographies, the compliance function will continue to standardise its compliance risk management practices across the operating entities.

The Group will rotate compliance staff across the business to ensure all staff are positioned to deliver sustainable business growth and profitability.

Market Risk

The Group will continue to manage trading and non-trading market risk exposures within its risk appetite and tolerance level to protect shareholders' wealth.

Emphasis will be on monitoring and managing market risk factors and monetary policy decisions in the current market volatility.

Operational Risk

Operational risk management continues to be paramount across the Group, with emphasis on personal accountability by:

- Assigning accountability and authority to all staff in the organisation; and
- Making sure managers of business units and functions assess the risk processes, rectify defaults and sign-off on the risk undertaken.

The Group will continue to emphasise the need for business managers to prioritise risk management by regularly reviewing key risks and implementing adequate consequence management.

Business Continuity Management Risk

The Group will continue to review its Business Continuity Management on an ongoing basis with special attention on lessons learnt from the COVID-19 pandemic.

Continuous review of staff priority categorisation based on job descriptions and other requirements.

Increase staff awareness and training within the financial year.

RISK MANAGEMENT

Introduction

FBNHoldings has implemented a holistic and integrated Enterprise Risk Management (ERM) approach to managing risk and return across its business entities. The approach is aimed at balancing the level of risk-taking activities with the business goals and providing integrated customer solutions while attaining consistent and sustainable performance. The Group ensures risk appetite is aligned with strategic objectives which focus on the protection of customers' deposits while delivering appreciable returns to shareholders.

The Group strives to set a high standard for risk management. Our risk organisation supports this ambition, and it has developed in-depth risk management expertise. The Board of Directors sets out the overall risk policies for all types of material risk, while the Management at each operating entity is responsible for the day-to-day implementation of these policies and overall risk management.

Enterprise Risk Management (ERM) framework provides an organised approach to implementing risk-taking and risk management activities across the Group, supporting the long-term revenue, earnings and capital growth strategy. Risk policies and standards are established to provide consistent design and execution of strategies across the organisation. There is a common approach to managing all the risks to which the Group is exposed and to evaluating risk-adjusted returns on contemplated business activities. The entities within the Group are primarily accountable for the risk undertaken through a three-pronged line of defence risk management model.

Each business process and activity are entrenched with the appropriate controls, while the independent risk function provides proactive support and constructive challenges to the first-line risk owners to deliver sustainable growth within the Group's risk appetite.

The Group's Risk Policies and Standards Cover

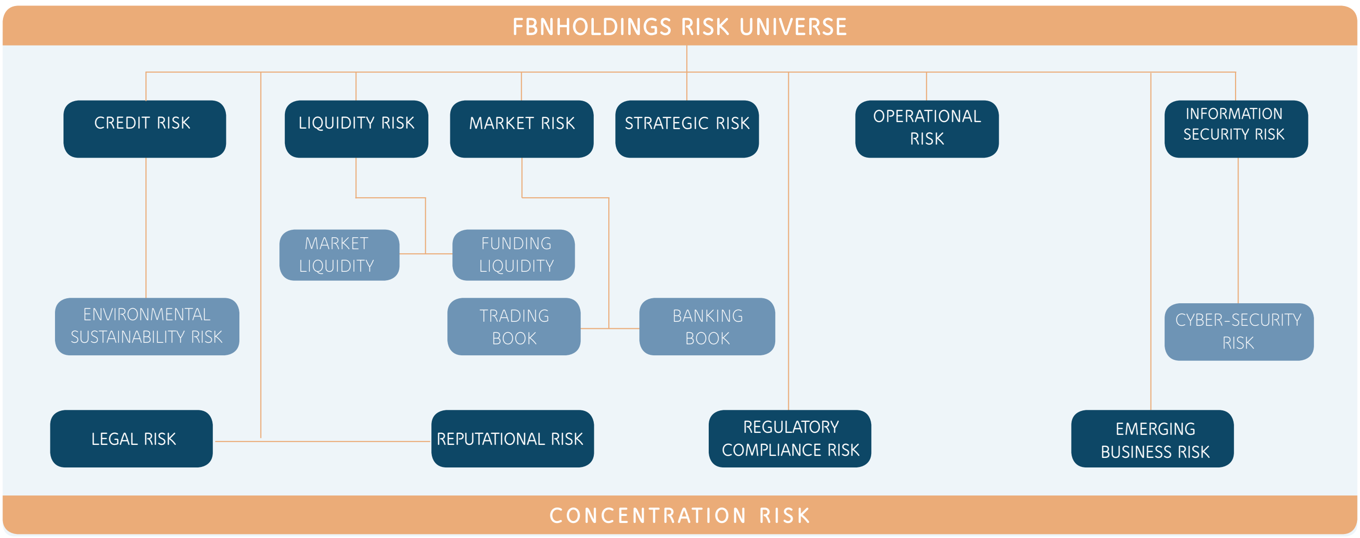
- A clear definition of the three-pronged line of defence management framework and the assignment of accountability as well as delegation of authority for risk oversight and management
- Alignment of various types and levels of the risks with its strategic plan and risk appetite
- Risk identification, measurement, assessment and mitigation methodologies that enable effective management and monitoring of risks
- Internal Audit independent overview, providing reasonable assurance that the Management processes and controls embedded across the various policies align with the Group risk profile

There are internal and external factors that influence and impact the risk management practices, such as economic conditions, political environments, technology and risk cultures. These variables can significantly impact the levels and types of risks the Group encounters in the pursuit of its strategic objectives. The ERM framework incorporates relevant impacts and mitigating actions as appropriate.

RISK MANAGEMENT

The Risk Profile of the Group

The diversity of the Group is associated with some key risks as highlighted in this diagram:



Risk Management Model: Three Lines of Defence

Risk is managed in the Group through a 'three lines of defence' model, which clearly describes the responsibilities and accountabilities and ensures effective independent oversight and assurance that activities are in place to inform key decisions.

This model offers an extensive risk management procedure where the responsibilities for managing risks are embedded at every level within the organisation.

The first line of defence involves the business units and other risk owners with the primary responsibility for making risk decisions to identify, measure, monitor and control risks within their areas of accountability. They are mandated to establish effective governance and control frameworks for their business entities to ensure compliance with the Group policies, procedures and regulatory pronouncements, sustaining the relevant risk management skills, mechanisms and toolkits, and acting within established Group risk appetite parameters as approved by the Board.

The second line of defence is responsible for monitoring the internal control systems designed through various Board-approved risk management policies and processes.

It strategically links the control systems to all the activities of the first line of defence on an enterprise-wide basis, providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions etc.), initiating changes where and when necessary, and providing additional monitoring processes for emerging threats and vulnerabilities.

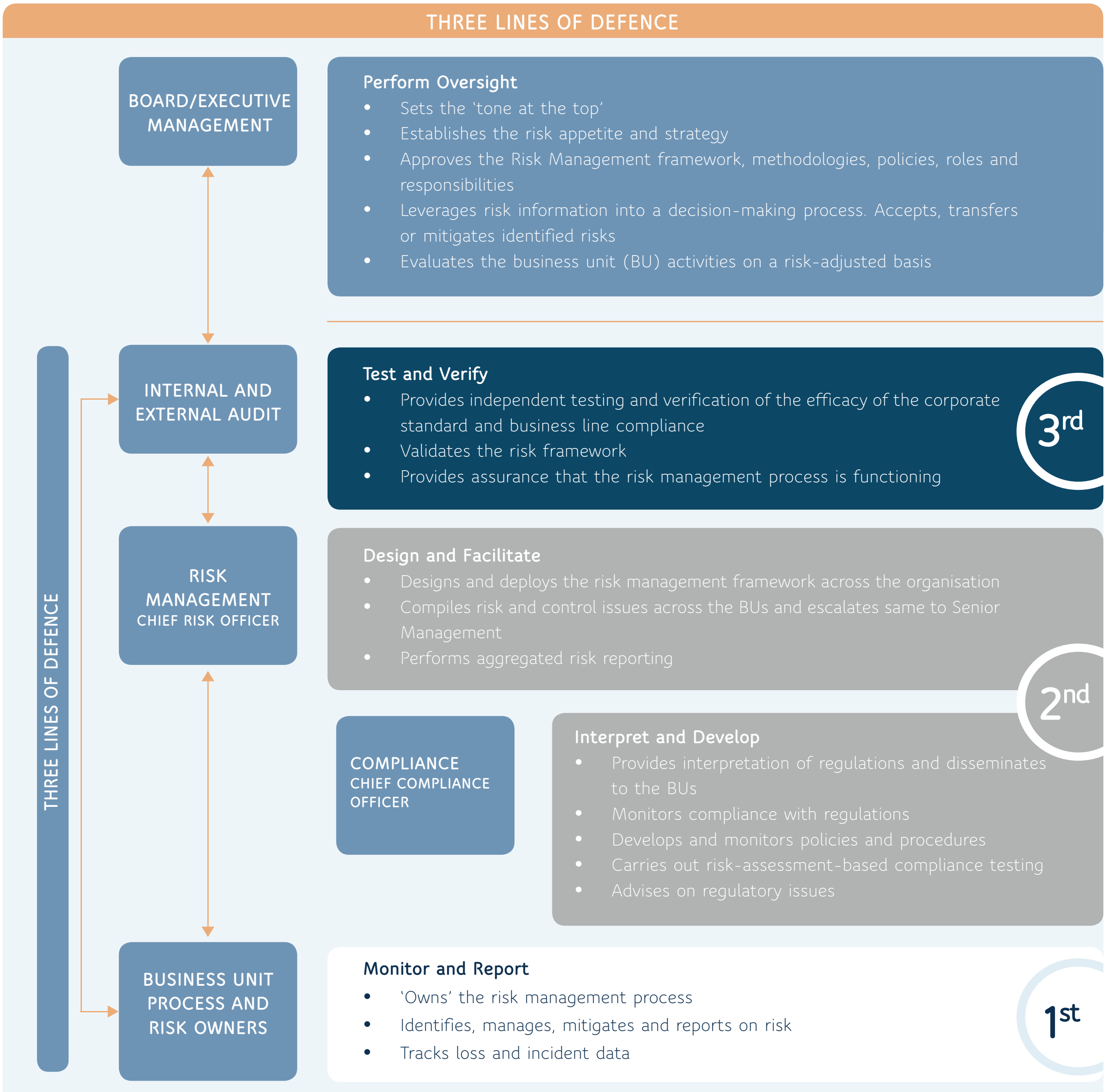
The third line of defence is responsible for assessing and providing independent guarantees on the adequacy, appropriateness and effectiveness of the Group's overall risk management and framework, and the implementation of the policy and risk plan.

Furthermore, it provides independent perspectives on the overall control framework and tests the adequacy and effectiveness of the controls. The main responsibilities of this line of defence are performing periodic reviews based on a rationalised and systematic approach that allows risk assessment and governance reporting, providing oversight on the risk management processes, and reporting to the Board Audit and Risk Assessment Committee (BARAC) and the Board of Directors on the state of the control environment and the gaps therein.

The Board Audit and Risk Assessment Committee assesses the processes for identifying, assessing, monitoring and managing key risk areas, and evaluates the capability of the Group's risk management systems and control environment.

The Management Committee's duties include formulating policies, monitoring implementation of risk policies, reviewing risk reports for presentation to the Board and Board Committees and implementing Board decisions across the Group.

RISK MANAGEMENT



Risk Governance

The Group's risk appetite and risk strategy are adopted and supervised annually by the Board of Directors, assisted by the Board Audit and Risk Assessment Committee. They are responsible for the development of a sound and consistent Group-wide risk culture that is based on a clear understanding of the risk exposure of the Group and how to manage the risks.

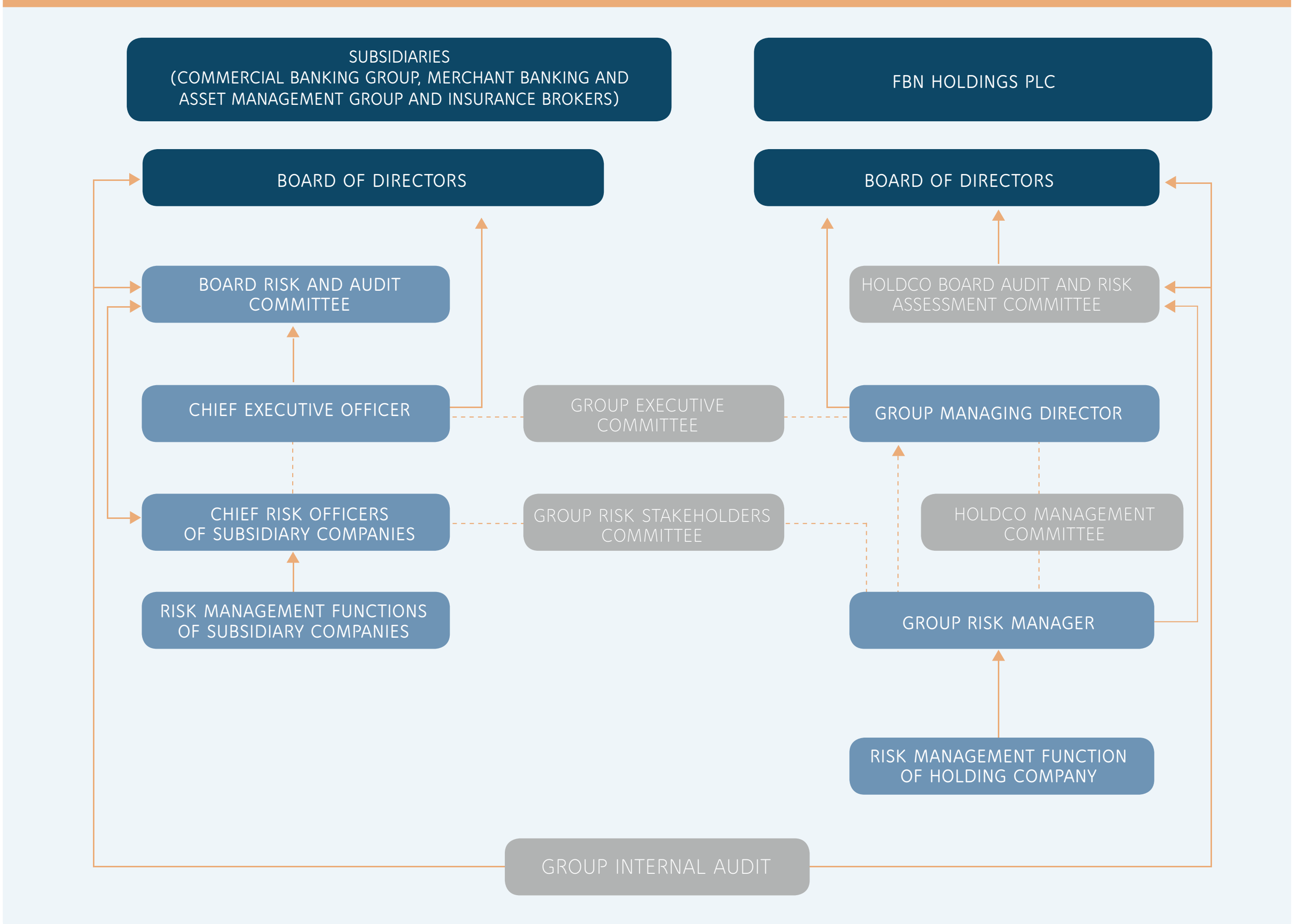
The Board effectively delegates risk governance across the Group through the Management hierarchy, supported by a committee structure at the Board and Management levels. The delegation of the risk management responsibilities across the Group is structured to ensure decisions are ratified at the appropriate level, in line with the business objectives and subject to robust and effective reviews. Strategic business decisions are taken within Board-approved risk appetite with the Executives and Risk Committees closely monitoring the risk profiles against the risk appetite.

RISK MANAGEMENT

The Group Risk Stakeholders Committee is made up of the Chief Risk Officers, Heads of department of the risk directorates, Chief Compliance Officers, Chief Internal Auditor of all the operating entities and the Head, Risk Management and Compliance of FBNHoldings. The Committee meets quarterly to deliberate on the various risks that the Group is exposed to.

The Group's continues to modify and enhance its risk management policies and systems to reflect changes across markets, products and global best practices. Risk management across the Group is a joint responsibility as demonstrated in the Group Risk Governance Model.

THE GROUP RISK GOVERNANCE MODEL



Risk Appetite

Risk appetite is the level and type of risk the Group is willing to undertake in its interactions and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes.

In addition, risk appetite reflects potential impact on earnings, capital and funding or liquidity. The Group's risk appetite is the level of risk it is willing to accept to align with and support the financial and strategic objectives, relative to the capacity to assume losses.

RISK MANAGEMENT

Risk Appetite Statement

This is the maximum level of risk the business is willing to undertake across the major risk exposure to the business in the pursuit of the strategic objectives. The Group accepts moderate risk in every activity it undertakes to achieve the strategic objectives.

Risk Tolerance

Risk tolerance refers to the quantitative threshold that allocates the Group's risk appetite to specific risk types, business units, products, customer segments and other levels. Certain risk tolerances are policy limits that will not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or triggers for risk reviews and mitigation (soft limits). The risk appetite is a strategic determination based on long-term objectives while risk tolerance is a tactical readiness to bear a specific risk within established parameters. The enterprise-wide strategic risk appetite is translated into tactical risk tolerance that constrains risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.

Once established, these parameters are communicated across the Group to provide clear guidelines to stakeholders and to provide feedback when exceeded.

Risk Culture

The Group's Enterprise Risk Management Framework is supported by an underlying culture and shared behaviour guided by the values which clearly state what constitutes good behaviour and practice. There is a strong risk culture and common risk language across the Group. There are three lines of defence to effectively manage risks across the Group. The Group also has an established risk appetite, business strategy and risk mitigants across its business entities.

To reinforce the importance of the culture, the Whistleblowing Policy has been established with a dedicated phone number and email address through which staff can confidentially report matters of concern. All the businesses across the Group maintain whistleblowing policies with well-defined escalation processes for timely investigation.

A number of management actions have been instituted to constantly reinforce the risk culture, such as the tone at the top, accountabilities, effective communication and appropriate performance incentive. Over the years, our Management has created a work atmosphere that encourages our people at all levels to speak up when things are not going the right way and to always do what is right.

EMERGING RISKS

The Group's businesses and operations are exposed to global and local economics, market conditions as well as geopolitical developments. These conditions have a substantial effect on the businesses across the Group, operational outcomes, financial position and prospects.

As a Group, we continue to examine our environment for vulnerabilities and threats to promptly identify emerging risks. Once the risks are identified, processes are immediately put in place to prevent the probability of occurrence, or to limit the impact should it occur.

The table below highlights the major areas of focus for emerging risks across FBNHoldings and the management actions to mitigate these risks.

RISKS	KEY MITIGATING STRATEGIES
Regulatory and Compliance Risks The Nigerian financial services industry continues to evolve with the associated regulations from various regulatory bodies. In 2020, a total of 176 circulars and regulations were issued by various regulators. The notable directives were: • The Banks and Other Financial Institutions Act (BOFIA) 2020, which repealed the extant BOFIA 1991 as amended, was signed into law. • The Finance Act 2020 (the Act), that has a commencement date of 1 January 2021, was signed into law alongside the 2021 Appropriation Bill (now Appropriation Act). The Act introduces significant changes to some tax and regulatory laws in Nigeria including the following, among others: ▸ Transfer of unclaimed dividends in a listed company and unutilised amounts in dormant bank accounts, outstanding for six years or more to the Unclaimed Funds Trust Fund as a special debt to be managed by the Debt Management Office. ▸ Exemption of low-income earners from paying personal income tax. ▸ Review of excise duty payments on some imported equipment.	• Ensure the Group's process and rule book identifies, monitors and reflects the new and revised regulatory and compliance requirements. • Ensure the Group's compliance framework is driven and implemented by competent and experienced compliance teams. • Effective monitoring of the Group's compliance with laws and regulations, its code of conduct and corporate governance practices. • Ensure manuals for operational procedures are kept up-to-date and regulatory requirements are incorporated therein. • Prompt submission of regulatory reports. • Sound corporate governance practices and leadership by example, with respect to regulatory compliance across the businesses.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Information and Cyber-Security Risks Vulnerability to cyber-security threats heightened in 2020 due to the remote working arrangement adopted by the Group. Working from home, use of personal digital devices for official work, extended use of email platforms for business instructions, extension of business application use to the internet, VPN access from personnel devices and poor end-user knowledge of basic internet protocols and practices are just a few of the alterations made by organisations, increased cyber-attacks and actions of cyber-threat activists. These cyber-criminals have taken advantage of the pandemic to exploit the weakest link in cyber-security – the human element. Organisations that had not fully implemented data privacy requirements were adversely affected. Malware and zero-day attacks became more sophisticated, with the adoption of AI and Machine learning under the guise of COVID-19.	• In 2020, the Group successfully revamped and upgraded its cyber-security capabilities and practices. • Revamped and updated ageing infrastructure while acquiring new technology and practices in preparation for the future. • Improved the Group's capacity to obtain advanced intelligence on cyber-threats and to act on same. • Continued risk evaluation using proven risk assessment methodology that identified key risk areas and recommended the necessary controls to reduce these risks to acceptable levels. • Documented and standardised the processes within the Group while building appropriate controls. • Classified information assets with appropriate priorities, assigning ownership and making sure assets are handled in line with the documented handling procedures. • Ensured a Group-wide security risk assessment was carried out by an independent security assessment company to determine the security risk position of the Group and recommend appropriate safeguards. • Developed a Group-wide awareness programme and making information security the responsibility of all staff. • Aligned the Group's processes to international standards and best practices such as the ISO 27001 and PCI DSS.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Environmental and Social Responsibility Risks There has been an increase in environmental sustainability risks in recent years, characterised by extreme weather conditions and degradation of the environment as a result of deforestation, flood, oil spillage and a rise in carbon emissions. There has also been a decrease in biodiversity; consequently, agricultural systems are strained, and pollution of the air and sea have increasingly become a threat to human and marine health.	• The Group maintained a two-pronged approach to environmental sustainability, based on the impact of the business operations and customers on the environment. • The approach to reducing the direct impact of the business operations on the environment is to minimise carbon footprint through increased energy efficiency and reduction in the use of paper, and through the promotion of wildlife and biodiversity conservation or preservation in partnership with the Nigerian Conservation Foundation. • We are conscious of our lending activities across the Group, making sure our customers' business activities are eco-friendly.
Foreign Exchange Volatility Risk As the pandemic triggered the decline of oil prices, the Nigerian government revenue from oil was greatly impacted, which led to an increase in foreign exchange risk. This affected many multinational organisations as capital importation and repatriation are largely dependent on foreign exchange.	• The Group has the policy to match the currency of its assets against the currency of its liabilities as well as the currency of the assets in the shareholders' equity account against the currency of the required capital. • Where assets and liabilities do not match, there is a need to stabilise the capital ratios using forward contracts and currency swaps. • Daily monitoring of foreign exchange trading positions against risk limits. • Daily reporting of foreign exchange exposures to the Executive Management. • Execute the hedging policy. • Regular review of the Group's currency exposures and limiting transactions to approved counterparties.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Business Continuity Management Risk The pandemic questioned the robustness and adequacy of Business Continuity Management of many organisations. Ideally, risk management frameworks allow companies to identify, mitigate, report and monitor the risks it encounters and offers immediate Business Continuity Management plans when the business is threatened by human and/or natural disasters, such as the COVID-19 pandemic. The advanced risk management strategies appear to be inadequate in mitigating the business impacts of COVID-19. This is because a pandemic such as COVID-19 represents a systemic risk, requiring systemic preparedness and response.	• Set up Incident Management and COVID-19 response teams across the Group, with the sole mandate of developing management and scenario plans specific to the COVID-19 crisis. • The Group enabled full remote working arrangements during the lockdown by enabling the necessary IT infrastructure and providing support to the remote working concept on an unprecedented scale.

PRINCIPAL RISKS

The Group is a diversified financial institution with various risk exposures across its operating entities. The incidence of these risks could have an adverse effect on the achievement of the strategic objectives and financial position of the Group. All risks categorised as principal are regularly reported to the Boards of the subsidiaries as well as the Board of FBN Holdings Plc.

Insurance risks such as claims risk, policy holder behaviour risk, reinsurance risk and underwriting risk have been expunged from our list of principal risk, consequent to our decision to exit risk underwriting during the financial year. The major risks across the operating entities are as follows:

CREDIT RISKS

This is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations. Direct and contingent lending as well as counterparty risk from trading activities, form part of the Group's credit risk. Credit risks are defined as default or counterparty risks, performance risks, payment risks, diversion risks and managerial risks.

Potential Impacts on Business

The crystallisation of the credit risks could lead to loss of revenue and erosion of capital through provision for non-performing loans and eventual write-off, disruption of cash flow, collection cost and damaged reputation.

Credit Risk Mitigating Strategies

- Credit risk is administered by the Credit Committee that oversees the overall Credit Risk Management programme. The Group oversees the quality and diversification of the credit portfolio and the criteria for the selection of obligors and counterparties, derivative counterparties. The policies establish exposure limits for single or connected borrowers, corporate connections, quality ratings, industry and geographic regions that govern the usage of credit derivatives. The corporate connection limits are governed by the large exposure policy

- There is a defined evaluation process which credit-granting operating entities follow, that provides an objective assessment of credit proposals. A risk rating is assigned based on a detailed examination of the borrower, which includes a review of the business strategy, market competitiveness, industry trends, financial strength, access to funds and other risk exposures to the organisation

- Established delegated credit approval authorities that make credit decisions on a case-by-case basis, at the Management level appropriate to the size and risk level of the transaction, based on the delegated authorities, which varies according to the risk rating

- Regular monitoring and review of the credits within the various portfolios; identifying changes to credit quality, and where appropriate, taking corrective action. This is because prompt identification of problematic credits is a key objective

Credit Risk Measurement

The Group lending entities have a clearly defined risk rating system and model for countries, industries, products and obligors as well as scoring models for retail customers to measure and manage related risks. The establishment of the overall risk rating process is the responsibility of the Credit Risk Management department, in conjunction with other risk management strategic units within each lending company.

PRINCIPAL RISKS

COLLATERAL COVER RISKS

The risk of loss arising from errors in the nature, quantity, pricing or characteristics of collateral securing a transaction with credit risk. As an institution that actively accepts and delivers collaterals, the Group encounters collateral risks when it is unable to manage the process accurately and becomes susceptible to loss.

Potential Impact on Business

Loss of revenue, weak legal position in recovery efforts, increase in litigation and an attendant negative impact.

Collateral Cover Risk Mitigating Strategies

- Thorough and experienced credit proposal reviews.
- Engagement of independent experts for asset valuations.
- Conduct due diligence on security of assets.
- Quality and legally defensible documentation to protect the Group's security interests.
- Engagement of result-oriented solicitors for end-to-end perfection exercises.
- Effective and proactive credit monitoring.

PRINCIPAL RISKS

MARKET AND LIQUIDITY RISKS

MARKET RISKS

The risk that the value of a trading or an investment portfolio could decrease due to changes in market risk factors, such as interest rates, stock prices, foreign exchange rates and commodity prices.

This represents the potential for a negative impact on the balance sheet or income statement resulting from adverse changes in the value of financial instruments due to movements in certain market variables and implied volatilities.

Potential Impacts on Business

This could result in significant financial loss from reduction in net-interest income and impairment of interest rate-related instruments, including fixed-rate and floating-rate debt securities and similar instruments as well as non-convertible preference shares.

Market Risk Mitigating Strategies

Market risk is handled by the Assets and Liabilities Management Committee of each operating entity which oversees the overall market and liquidity risk programme. The Group's overall strategy for managing market risks incorporates several component strategies, each targeted at managing one or more of the market risks arising from the businesses. At the Group level, these strategies are designed to manage the aggregate exposures to market risks against economic or regulatory capital and earnings at risk.

Foreign Exchange Mitigating Strategies

The Group's policy on foreign exchange is to match the currency of the assets against the currency of the liabilities, as well as the currency of the assets in the shareholders' equity account against the currency of the required capital. Where assets and liabilities do not match, there is a need to stabilise the capital ratios using forward contracts and currency swaps.

Other strategies are:

- Daily monitoring of foreign exchange trading position against risk limits.
- Daily reporting of all foreign exchange exposures to the Executive Management.
- Execute the hedging policy.
- Conduct regular reviews of the Group's currency exposures and limiting transactions to approved counterparties.

PRINCIPAL RISKS

INVESTMENT RISKS

The probability that the actual return on an investment will be lower than expectations.

Potential Impacts on Business

This could lead to reduction in the value of the investments with its attendant impact on capital.

Investment Risk Mitigating Strategies

- The approval of significant investments by the Board and others by the Management Committee.
- The approval of counterparties for investments by the Executive Management and the Board.
- Advice on strategic investments is administered by highly experienced professionals in the strategy unit.
- Strong supervision by the parent Company's appointed Board of operating entities.
- Portfolio selection and the administration of diversification strategies.

PRINCIPAL RISKS

LIQUIDITY RISKS

The Group is exposed to liquidity risk in the Holding Company, and in each of the operating companies. Expected cash and collateral demands in the operating companies arise from day-to-day needs to fund anticipated withdrawals of customer deposits, derivative instrument settlements and collateral pledging, expenses, investment, and hedging activities. The Group depends mainly on the ability of its operating entities to upstream funds to meet its obligations and pay dividends.

Potential Impact on Business

This could lead to insolvency and eventual reputational risk.

Liquidity Risk Mitigating Strategies

The asset mix of the balance sheet takes into consideration the need to retain adequate unencumbered and appropriate liquid assets to satisfy the requirements arising under stress scenarios and to strengthen the ratios.

Other strategies include:

- Ensure the business is diversified across different products, markets, geographical regions and funding sources.
- Establish and implement investment strategies intended to match the term profile of the assets to the liabilities supported.
- Daily forecast and monitoring of liquidity and cash movements in various individual entities and operations, to ensure liquidity is retained and cash is utilised optimally.
- Control risk-taking by setting appropriate portfolios and risk limits.
- Maximise returns on treasury portfolios within the approved risk limits.
- Execute the contingency plan to address possible liquidity challenges.
- Ensure assets are liquid enough to be liquidated without significant losses.
- Operating entities to monitor obligations and commitments by estimating the cash flows to be derived from all assets and liabilities for the different maturity tenures as well as determine the net surplus or funding requirement. Limits will be set for tenure in relation to the estimated liquidity requirement.

PRINCIPAL RISKS

STRATEGIC RISKS

This is the risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy or to adapt to changes in external businesses.

Potential Impact on Business

This could lead to loss of market share and in extreme cases, business failure.

Strategic Risk Measurement

Strategic risk is measured through risk-adjusted return on capital and economic capital.

Strategic Risk Mitigating Strategies

The various Executive Committees of the operating entities are responsible for establishing and overseeing the execution of their business strategies, including identifying and managing the risks embedded in these strategies.

Other mitigating strategies include:

- Group-wide review and analysis of previous strategies and development of new businesses, and risk and capital planning that is reviewed with the Board of Directors as well as the Executive Committees of the operating entities.
- Review of key businesses performances and their alignment with established key risk indicators by the Management and annual reviews by the Board of Directors.

Strategic Risk Monitoring

Key Performance Indicators (KPIs), Key Risk indicators (KRIs) and tolerance levels are established by the Management and Board of the operating entities to monitor strategic risks. Through regular reporting, KPIs and KRIs are monitored to mitigate strategic risks and take advantage of unexpected opportunities that may arise.

PRINCIPAL RISKS

OPERATIONAL RISKS

These are risks that arise as a result of inadequate or failed internal processes, system failures, human performance failures (People Risks) or from external events. The Group recognises the significance of the operational risks inherent across the businesses and ensures they are managed within acceptable levels through an appropriate level of management focus and resources.

People and process risks are further explained below:

People Risks

The risk of financial loss or reputational damage emanating from the failure to effectively manage the Group's human capital. This can manifest as high staff turnover, staff fraud, knowledge gaps or a demotivated and disgruntled workforce.

Potential Impact on Business

This risk can impact the Group through negative service experiences for customers and the consequent loss in market share, financial loss and reputational damage. It also includes the inability to deliver a strong business performance that meets or exceeds stakeholders' expectations.

The Group has an Enterprise-wide Risk Management Programme for specific operational risks that can materially impact the ability to do business or impact the Group's reputation.

Other strategies include:

- Extensive human capital management and development (HCMD) practices to achieve a strong workplace.
- Conduct effective background checks and a comprehensive confirmation process for new hires.
- Competitive remuneration package to attract and retain the best talents.
- Enforcement of strong supervisory control.
- Zero tolerance for staff integrity related issues and fraud.
- Strict enforcement of the requirements outlined in the staff handbook.
- Hold regular disciplinary committee meetings to deal with and resolve employee issues.
- Sustain the comprehensive and reliable insurance policy.
- Encourage healthy work-life-balance.

PRINCIPAL RISKS

Process Risks

The risk of incurring financial loss resulting from inadequacies or failures in operational processes, systems or people. This also includes the risk arising from the disruption of operational activities due to external events. Examples are:

- Transaction capture, execution and maintenance errors or failures.
- Failure in the customer intake and documentation process.
- Failed mandatory reporting obligations.
- Breach of limit due to inadequate internal processes.
- Inadequate reconciliation processes.
- Manual-intensive processes.

Potential Impact on Business

Process risk impact on the business ranges from negative customer feedback and the attendant loss in market share, financial loss, reputational damage and inability to deliver strong business performance that meets or exceeds stakeholders' expectations.

Process Risk Mitigating Strategies

- Implementation of a Comprehensive Control Administrative and Accounting Procedures Manual to guide operational activities and processes of the Group.
- Introduction of a functional reporting structure to allow effective supervisory control of the operations of the Group.
- Introduction of self-assessment programme to allow process owners to identify and control weaknesses, with a view to taking proactive remedial action.
- An effective business continuity plan and disaster recovery programme.
- Process automation and re-engineering.
- Increased operational risk awareness training and programmes.

PRINCIPAL RISKS

SUSTAINABILITY RISKS

The risk that financial services provided by the Group to customers indirectly result in unacceptable impacts on people or the environment.

Potential Impact on Business

This could damage the reputation of the Group result in regulatory sanctions. The long-term sustainability of the business is paramount in assessing the impact of this risk while providing financial services to companies or projects.

Sustainability Risk Mitigating Strategies

At FBNHoldings, the operating entities ensure sustainability risk is reduced to its barest minimum by:

- Measuring and assessing the potential environmental impact of a customer's activities and assigning a sustainability risk rating to all high-risk transactions.
- Monitoring on a quarterly basis by the Group Risk Management team and monthly by the operating companies.
- Sustainability risk management, using risk policies, covering project finance lending and sector-based sustainability policies for sectors with potentially large environmental or social impacts.

PRINCIPAL RISKS

REGULATORY COMPLIANCE RISKS

Regulatory compliance is designed to promote compliance with regulatory guidelines across the Group's business entities and to create awareness within the operating entities of the laws and regulations that affect the Group as well as the risks associated with failure to comply.

Causes of regulatory compliance risk can be stated as:

- Lack of understanding of laws and regulations.
- Misinterpretation of the law.
- Lack of awareness of the regulatory updates.
- Failure to communicate changes to relevant stakeholders.
- Inadequate controls to meet requirements.
- Failure to monitor procedural effectiveness.

Potential Impact on Business

The impact of this risk on the Group ranges from financial loss arising from fines and penalties, loss of revenue due to temporary suspension or bans from certain market activities to possible decline in share price and negative investor perception, occasioned by disclosure of regulatory infractions in the Annual Report or withdrawal of licence.

Regulatory and Compliance Risk Mitigating Strategies

- Ensure a fully fledged compliance team drives and implements the Group's compliance framework.
- Effective monitoring of the Group's compliance with laws and regulations, its code of conduct and corporate governance practices.
- Ensure processes to identify, monitor and reflect new and amended regulatory requirements in the Group's processes and rule book are executed.
- Ensure regulatory requirements are incorporated in the operational procedure manual where appropriate.
- Prompt submission of regulatory reports.
- Sound corporate governance practices and setting the right tone at the top with regards to regulatory issues.

PRINCIPAL RISKS

LEGAL RISKS

The risk of loss or imposition of penalties, damages or fines from the Group's failure to meet its legal obligations including regulatory or contractual requirements.

Potential Impact on Business

Increased costs, loss of revenue, abuse or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, employees, service providers, investors, regulators and other stakeholders as well as possible disruption of business activities.

Legal Risk Mitigating Strategies

- Consistent application of professional standards
- Availability of a well-resourced legal department manned by senior and competent resources, with vast experience.
- Transparency and fairness while transacting business.
- Bespoke documentation and clarity to reduce areas of possible conflict.
- Availability of a dependable record retention system.
- Protection of intellectual property through licensing.
- Engagement of an external counsel with proven competence in the prosecution of the Group's claims against third parties and in the conduct of the Group's defence, as well as exploring alternative dispute resolution mechanisms, among others.

PRINCIPAL RISKS

REPUTATIONAL RISKS

The risk that an organisation's reputation may be damaged by one or more reputational events, such as negative publicity, regarding its business practices, conduct or financial condition.

This arises when a reputational event has the potential to materially influence the public and stakeholders' perceived trust and confidence in an institution. It may also be considered as falling short of the expectations of an organisation's stakeholders.

Reputational risk may result from many of the Group's activities, including those related to the management of the strategic, operational, compliance and credit risks.

The Group manages reputational risk through established policies and controls in its businesses and risk management processes, and through proactive monitoring and identification of potential reputational risk events.

The Group ensures processes and procedures are in place to respond to events that give rise to reputational risks, including educating individuals and organisations that influence public opinion, implementing external communication strategies to mitigate the risks, and informing key stakeholders of potential reputational risks. The Group's organisation and governance structure provide oversight of reputational risks, and reputational risk reporting is provided regularly and directly to the Management and the Board.

Potential Impact on Business

- Negative publicity
- Loss of revenue
- Litigation
- Loss of customers
- Exit of key employees
- Decline in share price
- Difficulty in recruiting talent
- Loss of correspondent banking relationships
- Loss of investor community confidence
- Significant financial loss.

Reputational Risk Mitigating Strategies

- Maintain timely and efficient communication among shareholders, customers, Board of Directors, employees and other stakeholders.
- Implement strong enterprise risk management policies and procedures throughout the Group, including an effective anti-fraud programme.
- Reinforce the risk management culture by creating awareness across the Group.
- Prompt and accurate response to the Group's regulators, oversight professionals such as internal and external auditors, and law enforcement agencies.
- Establishment of a crisis management team in all our operating entities in the event of a significant action that may trigger a negative impact on the organisation.

PRINCIPAL RISKS

CYBER-SECURITY RISKS

The probability of exposure or loss resulting from a cyber-attack or data breach on an organisation. It is the potential loss or harm related to technical infrastructure, use of technology or reputation of an organisation.

The year 2020 was to start off on a high business expectation, with most global organisations anticipating a positive outcome and financial growth. However, these projections took a drastic turn as a result of the COVID-19.pandemic.

The COVID-19 restrictions of physical contacts have made popular new service offerings such as digital onboarding and omnichannel service offerings. Organisations must strive to ensure that the key element of business transaction, which is trust, is not eroded. Defending the integrity, confidentiality and availability of data, information and records is key to the preservation of this key element with our customers.

Several high-profile attacks were recorded within the early months following the outbreak of the COVID-19 pandemic, with top brands experiencing issues of data breaches and theft. Global statistics on cybercrime and associated losses have continued to rise and these continue to paint a gloomy picture on the efforts of cyber-security professionals and extensive resources committed to combat cybercrime.

Potential Impact on Business

Basic methods of information compromise could result in severe damages. Cybercriminals and terrorist groups could inflict financial losses and widespread economic damage on organisations and nation states.

Ransomware, one of the most prevalent ways to exploit the value that organisations place on digital information, could threaten the lives of customers and employees, interrupting operations, as well as causing heavy financial losses.

Cyber-Security Risk Mitigating Strategies

- In 2020, the Group successfully revamped and upgraded its cyber-security capabilities and practices. The Group, through its 'Contain-Treat-Sustain' strategic security initiatives (in its last stage of execution), continued the reinforcement of its implementation of globally acclaimed security initiatives and practices to predict, identify, detect, prevent, protect, respond and recover from cyber-attacks across the subsidiaries.
- The Group revamped and updated ageing infrastructure while acquiring new technology and practices for the future.
- The Group's cyber-security approach focuses on three key applications, which include the adoption of reliable solutions and the revamping of existing solutions making them more effective, equipping our 24/7 Security Operations Centre with capabilities for full depth and breadth visibility of the Group's IT infrastructure layout and transactional activities across the enterprise, and attracting key skillsets across the globe, with staff training and retention, to ensure they possess the requisite skill to drive our strategy effectively.
- Improve the Group's capacity to receive advance cyber threat intelligence and act based on this intelligence.
- The Commercial Banking groups PR1MUS initiatives continues to deliver innovative products within the digital space, aimed at various segments of the population, with focus on delivering value to our customers in Nigeria

PRINCIPAL RISKS

and across our Africa subsidiaries. Through Operational Risk Governance and Compliance Management, we continue to enhance the centralisation of key regulations, policies, processes, risks and controls with continuous operationalised issue log and corrective action plans tracking, monitoring, escalating, reporting and resolution, which have added measurable value in the overall service offering to customers.

INFORMATION SECURITY RISKS

The risks include all actions that could negatively impact information assets, including unauthorised access, use, disclosure, modification, perusal, inspection, recording or destruction of information assets that could result in possible disruption or degradation of the Company's operations.

In line with the Governance, Risk Management and Compliance practices, the Group continues to focus on improving its overall information security across operating entities to reduce cyber-attacks on its infrastructure and customers.

The Group has put in place structures to establish, implement, operate, monitor, review, maintain and improve its documented information security management systems within the context of the Group's overall business risks. Following security investments over the years, the Group continues to witness significant improvements in its risk indicators.

This includes a 98.9% reduction in successful phishing email delivery to customers, expedited takedown of cloned websites and applications, and 98% uptime on the Company's web-facing infrastructure. In 2020, the Group did not record any significant cyber-related breaches.

In line with the Group's strategy, stakeholders have been kept informed of recent security trends across the world with consistent security awareness communication on global security trends and best practices, to ensure the safety of the customers and the public.

The Group has complied with the National Information Technology Development Agency regulation on data privacy, in the handling of customers' data and records. Furthermore, the Group will continue to reinvent and innovate to respond to changes in the global cyber-security landscape, with future-ready initiatives to ensure the safety of the institution and its stakeholders.

The Group will continue to reinvent and re-innovate its security systems with improved technology, automated governance practices and the adoption of a robust international acclaimed security structure with future-ready capabilities. The Group is well-positioned to effectively respond to emerging cyber-security threats and challenges.

PRINCIPAL RISKS

Potential Impact on Business

Information assets are critical to the Group's operations and crucial to the effective and efficient delivery of services by the Group to its customers. Disruptions to these assets could have dire consequences for the Group.

Information Security Risk Mitigating Strategies

- Continued risk evaluation using proven risk assessment methodologies that identify key risk areas and prescribes the necessary controls to reduce these risks to an acceptable level.
- Documentation and standardisation of the processes within the Group while building appropriate controls.
- Classification of all information assets with appropriate priorities, assigning ownership and making sure all assets are handled in line with the documented handling procedures.
- Ensure a Group-wide security risk assessment is carried out by an independent security assessment company to determine the security risk position of the Group and recommendation of appropriate safeguards.
- Institute a Group-wide awareness programme and making information security the responsibility of all staff.
- Align the Group's processes with international standards and best practices such as the ISO 27001 and PCI DSS.

Financial Statements

Our Separate and Consolidated Financial Statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

DIRECTORS AND ADVISORS

DIRECTORS

Dr Oba 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
Dr Adesola Adeduntan	Non-Executive Director
Oluwande Muoyo	Independent Non-Executive Director (resigned 30 April 2020)
Cecilia Akintomide, OON	Independent Non-Executive Director
Seni Adetu[1]	Independent Non-Executive Director
Juliet Anammah[1]	Independent Non-Executive Director
Otu Hughes[1]	Non-Executive Director

[1]Appointed on 27 October 2020 but subject to Shareholders' approval.

COMPANY SECRETARY

Oluseye Kosoko

REGISTERED OFFICE

Samuel Asabia House
35, Marina
Lagos

AUDITOR

KPMG Professional Services
KPMG Tower, Bishop Aboyade Cole Street,
Victoria Island, Lagos
Telephone: +234 271 8955
Website: www.kpmg.com/ng

REGISTRAR

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

BANKERS

First Bank of Nigeria Limited
35, Marina
Lagos

FBNQuest Merchant Bank Limited
10, Keffi Street, Ikoyi
Lagos

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

The Companies and Allied Matters Act 2020 and the Banks and Other Financial Institutions Act 2020 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 2020 and the Banks and Other Financial Institutions Act 2020;

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

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

SIGNED ON BEHALF OF THE DIRECTORS:

Dr Oba Otudeko, CFR
Group Chairman
FRC/2013/ICAN/00000002365

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

STATEMENT OF CORPORATE RESPONSIBILITY IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

In line with the provision of Section 405 of the Companies and Allied Matters Act (CAMA) 2020, we have reviewed the audited financial statements of the Group for the year ended 31 December 2020 and based on our knowledge confirm as follows:

i. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.

ii. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Group as of and for the year ended 31 December 2020.

iii. The Group's internal controls has been designed to ensure that all material information relating to the Group and its subsidiaries is received and provided to the Auditors in the course of the audit.

iv. The Group's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2020.

v. That we have disclosed to the Auditors and the Audit Committee the following information:

   (a) there are no significant deficiencies in the design or operation of the Group's internal controls which could adversely affect the Group's ability to record, process, summarise and report financial data.

   (b) there is no fraud involving Management or other employees who have any significant role in the Group's internal control.

vi. There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

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

Oyewale Ariyibi
Chief Financial Officer
FRC/2013/ICAN/00000001251

STATEMENT OF COMPLIANCE WITH NIGERIAN STOCK EXCHANGE (NSE) LISTING 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

Oluseye Kosoko
Company Secretary
FRC/2013/NBA/00000002006

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 404 of the Companies and Allied Matters Act 2020, we have reviewed the Audit Report for the year ended 31 December 2020 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 auditor's 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 8 March 2021

Kolawole Durojaiye, FCA
Chairman, Audit Committee
FRC/2019/ICAN/00000019789

Members of the Committee
Kolawole Durojaiye, FCA
Nnamdi Okwuadigbo, FCA
Fuad Umar
Oye Hassan-Odukale, MFR
Chidi Anya
Cecilia Akintomide, OON

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FBN Holdings Plc

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate and consolidated financial statements of FBN Holdings Plc ("the Company") and its subsidiaries (together, "the Group"), which comprise:

- the separate and consolidated statements of financial position as at 31 December 2020;
- the separate and consolidated statements of profit or loss for the year then ended;
- the separate and consolidated statements of other comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and its subsidiaries as at 31 December 2020, and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

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 separate and consolidated Financial Statements* section of our report. We are independent of the Company and Group in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Expected Credit Loss (ECL) Allowance on Loans and advances to customers

The ECL allowance of loans and advances to customers is considered to be of most significance in the audit due to the level of subjectivity inherent in estimating the key assumptions that impact the recoverability of loan balances, including the impact of prevailing macroeconomic conditions in arriving at the level of impairment allowance required. The Group uses an Expected Credit Loss (ECL) model to determine the impairment allowance for loans and advances. The determination of impairment allowance using the ECL model is inherently a significant area for the Group and requires the application of certain judgements, assumptions and estimates of financial indices which relate to the expected outlook on Crude oil price, Gross Domestic Product (GDP), and Nigeria Stock Exchange (NSE) index; these indices are estimated from historical financial data obtained within and outside the Group. This forward-looking information is incorporated into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

In addition, the economies where a number of the Group’s Banking subsidiaries operate experienced the twin shocks of the crude oil price dip and COVID-19 pandemic during the period. These led to contraction in business activities and revenue for oil-dependent economies. These factors affected the ability of some corporates and retail customers in meeting the obligations due on their loan facilities. As a result, increased level of judgement and subjectivity was required to evaluate the significant increase in credit risk (SICR) on loans and advances to customers and the estimation of forward-looking information.

The Group’s ECL model includes certain judgements and assumptions in determining the impairment allowances of loan and advances comprising the:

- determination of the default;
- assessment of significant increase in credit risk (SICR);
- incorporation of forward-looking information based on the economic scenarios within the model;
- determination of the 12 month and lifetime probability of default (PD) used in the ECL model;
- determination of the Exposure at Default (EAD) based on the discounted future cash flows at the reporting date; and rate of recovery on the loans that are past due and in default;
- credit conversion factor (CCF) applied in modelling the EAD for undrawn commitments;
- estimation of the Loss Given Default (LGD) based on collateral values and other cash flows;
- determination of the impact of COVID-19 on the Group’s ECL estimation.

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

Procedures

Our procedures included the following:

- we evaluated the design and implementation of the key controls over the impairment determination process such as the Board Credit Committee review of ECL allowance on loans and advances and management review of relevant data used in the calculation of expected credit losses including evaluation of ECL impairment computation.

- we assessed Group's default definition and other qualitative default indicators by checking it to the requirements of the relevant accounting standards.

- we tested the appropriateness of the Group's determination of SICR, defaults and the resultant classification of loans into stages on a sample basis by reviewing customer files for the terms of the loans and account statements for due and unpaid obligations.

- assisted by our Financial Risk Management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Group. Our procedures in this regard included the following:

  i) we challenged the appropriateness and reasonableness of the Group's ECL methodology by considering whether it reflects unbiased and probability weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

  ii) for forward looking assumptions comprising Crude oil price, Gross Domestic Product (GDP), and Nigeria Stock Exchange (NSE) index used by the Group's management in its ECL calculations, we corroborated the Group's assumptions using publicly available information from external sources;

  iii) we evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate by checking them to source documents and performing a recomputation;

  iv) we checked the CCF applied in modelling the EAD for undrawn commitments by reviewing the client's computation to confirm that the computation is in line with portfolio segmentation;

  v) for PD used in the ECL calculation, we validated the completeness and accuracy of the data used for default and non-default categories for corporate and retail loans by evaluating its reasonability;

  vi) we checked the calculation of the LGD used by the Group in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD, cashflow validation and assessing the haircuts applied by Management on the recoverability of collateral considering the current economic conditions. On a sample basis, we challenged the valuation of collaterals applied in the ECL computations by evaluating the competence of the valuers, and checking the market value of the collaterals to other independent publicly available information;

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

KPMG

vii) we assessed how the Group has treated restructured loans based on changes to cashflow characteristic of customers and the related impact on staging and SICR, to confirm that they are consistent with the requirements of the standards;

viii) we independently re-performed the calculation of impairment allowance for loans and advances using the Group's impairment model and validated key inputs.

The Group's accounting policy on impairment, related disclosures on credit risk and significant accounting judgements, estimates and assumptions are shown in Notes 2.9.1, 3.2, 22 and 5 respectively.

Other Matter

The separate and consolidated financial statements of the Company and Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those separate and consolidated financial statements on 6 April 2020.

Other Information

The Directors are responsible for the other information. The other information comprises; the Directors and Advisors listing, Corporate Governance Report, Directors' report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Statement of Compliance with Nigerian Stock Exchange (NSE) Listing Rules on Securities Trading Policy, Report of the Audit Committee, Other National Disclosures and Other Information included in the annual report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Other information also includes Our Business Report, Strategic Report, Corporate Responsibility and Sustainability Report, Governance Report, Risk Review Report and Shareholder Information, together the "Outstanding reports", which are expected to be made available to us after that date.

Our opinion on the separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements
or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

KPMG

Responsibilities of the Directors for the Separate and Consolidated Financial Statements

The Directors are responsible for the preparation of separate and consolidated financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the Directors are responsible for assessing the Group and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated 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 and Company'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 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 and Company'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 separate and consolidated 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 and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Statutory Audit Committee 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 the Statutory Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Statutory Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated 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

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.

i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.

iii. The Company's statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account and returns;

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

i. The Group paid penalties in respect of contravention of the Banks and Other Financial Institutions Act, 2020 and Financial Reporting Council of Nigeria regulations during the year ended 31 December 2020. Details of penalties paid are disclosed in Note 49 to the separate and consolidated financial statements.

ii. Related party transactions and balances are disclosed in Note 47 to the separate and consolidated financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
31 March 2021
Lagos, Nigeria

SEPARATE AND CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED

		GROUP		COMPANY	
	Note	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Continuing operations					
Interest income	7	**384,798**	431,934	**1,332**	2,173
Interest expense	8	**(133,183)**	(152,342)	**(13)**	(14)
Net interest income		**251,615**	**279,592**	**1,319**	**2,159**
Impairment charge for losses	9	**(50,596)**	(51,093)	**-**	-
Net interest income after impairment charge for losses		**201,019**	**228,499**	**1,319**	**2,159**
Fee and commission income	10a	**113,222**	103,381	**-**	-
Fee and commission expense	10b	**(19,446)**	(20,483)	**-**	-
Net fee and commission income		**93,776**	**82,898**	**-**	**-**
Foreign exchange income	11	**1,460**	9,540	**34**	6
Net gains/(losses) on sale of investment securities	12	**48,078**	17,493	**(10)**	8
Net gains/(losses) from financial instruments at FVTPL	13	**23,775**	20,562	**(941)**	(371)
Dividend income	14	**3,983**	4,368	**18,296**	16,580
Profit from disposal of investment in subsidiary	30	**-**	-	**19,890**	-
Other operating income	15	**3,631**	3,021	**-**	-
Personnel expenses	16	**(100,584)**	(95,873)	**(1,465)**	(1,201)
Depreciation of property and equipment	31	**(18,634)**	(16,401)	**(223)**	(319)
Amortisation of intangible assets	32	**(7,238)**	(6,197)	**-**	-
Other operating expenses	17	**(166,045)**	(172,711)	**(2,827)**	(2,988)
Operating profit		**83,221**	**75,199**	**34,073**	**13,874**
Share of profit of associates	28	**482**	87	**-**	-
Profit before tax		**83,703**	**75,286**	**34,073**	**13,874**
Income tax expense	18a	**(8,111)**	(9,242)	**(213)**	(12)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**75,592**	**66,044**	**33,860**	**13,862**
Discontinued operations					
Profit for the year from discontinued operations	30	**14,138**	7,621	**-**	-
PROFIT FOR THE YEAR		**89,730**	**73,665**	**33,860**	**13,862**
Profit attributable to:					
Owners of the parent		**87,986**	69,918	**33,860**	13,862
Non-controlling interests		**1,744**	3,747	**-**	-
		89,730	73,665	**33,860**	13,862
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share (in Naira):	52				
From continuing operations		**2.06**	1.74	**0.94**	0.39
From discontinued operations		**0.39**	0.21	**-**	-
From profit for the year		**2.45**	1.95	**0.94**	0.39

SEPARATE AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Note	GROUP		COMPANY	
		31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
PROFIT FOR THE YEAR		89,730	73,665	33,860	13,862
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Changes in fair value of debt instruments at fair value through other comprehensive income:					
- Net changes in fair value of debt instruments		(16,121)	22,032	(198)	127
- Net reclassification adjustments for realised net gains		12,115	-	-	-
Share of other comprehensive income of associates		(30)	-	-	-
Exchange difference on translation of foreign operations		16,957	(990)	-	-
Items that will not be reclassified to profit or loss					
Net fair value gains on equity instruments		28,820	48,643	-	-
Remeasurement of defined benefit pension scheme	40	(5,360)	(429)	-	-
Total Other comprehensive income/(loss) for the year		36,381	69,256	(198)	127
COMPREHENSIVE INCOME FOR THE YEAR		126,111	142,921	33,662	13,989
Comprehensive income attributable to:					
Owners of the parent		124,120	138,294	33,662	13,989
Non-controlling interests		1,991	4,627	-	-
		126,111	142,921	33,662	13,989
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		111,144	133,340	33,662	13,989
Discontinued operations		12,976	4,954	-	-
		124,120	138,294	33,662	13,989

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

		GROUP		COMPANY	
	Note	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
ASSETS					
Cash and balances with Central Banks	19	**1,631,730**	1,025,325	**-**	-
Loans and advances to banks	21	**1,016,823**	754,910	**11,240**	5,706
Loans and advances to customers	22	**2,217,268**	1,852,411	**61**	94
Financial assets at fair value through profit or loss	23	**126,354**	282,660	**2,116**	3,057
Investment securities	24	**1,549,290**	1,414,530	**9,863**	11,393
Asset pledged as collateral	25	**635,913**	464,922	**-**	-
Other assets	26	**315,501**	212,092	**14,360**	15,922
Investment properties	27	**-**	100	**-**	-
Investments in associates accounted for using the equity method	28	**1,163**	711	**-**	-
Investment in subsidiaries	29	**-**	-	**262,671**	239,514
Property and equipment	31	**114,034**	112,939	**312**	490
Intangible assets	32	**15,340**	18,961	**-**	-
Deferred tax assets	33	**27,619**	25,009	**-**	-
		7,651,035	6,164,570	**300,623**	276,176
Assets held-for-sale	30	**37,993**	38,956	**-**	-
Total assets		**7,689,028**	**6,203,526**	**300,623**	**276,176**
LIABILITIES					
Deposits from banks	34	**1,039,220**	860,486	**-**	-
Deposits from customers	35	**4,894,715**	4,019,836	**-**	-
Derivative liabilities	23a	**7,464**	6,046	**-**	-
Current income tax liability	18b	**11,247**	13,778	**214**	12
Other liabilities	36	**581,720**	297,140	**13,544**	9,321
Liability on investment contracts	37	**-**	24,676	**-**	-
Liability on insurance contracts	38	**-**	63,748	**-**	-
Borrowings	39	**379,484**	250,596	**-**	-
Retirement benefit obligations	40	**7,527**	3,352	**-**	-
Deferred tax liabilities	33	**101**	250	**-**	-
		6,921,478	5,539,908	**13,758**	9,333
Liabilities held-for-sale	30	**2,379**	2,493	**-**	-
Total liabilities		**6,923,857**	**5,542,401**	**13,758**	**9,333**

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

		GROUP		COMPANY	
	Note	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
EQUITY					
Share capital	41	**17,948**	17,948	**17,948**	17,948
Share premium	42	**233,392**	233,392	**233,392**	233,392
Retained earnings	42	**132,421**	73,197	**35,599**	15,379
Statutory reserve	42	**110,667**	101,378	**-**	-
Capital reserve	42	**1,223**	1,223	**10**	10
Small scale investment reserve	42	**6,076**	6,076	**-**	-
Fair value reserve	42	**171,696**	147,070	**(84)**	114
Contingency reserve	42	**-**	3,013	**-**	-
Regulatory risk reserve	42	**18,060**	14,576	**-**	-
Foreign currency translation reserve	42	**64,603**	47,736	**-**	-
		756,086	645,609	**286,865**	266,843
Non-controlling interests	43	**9,085**	15,516	**-**	-
Total equity		**765,171**	**661,125**	**286,865**	**266,843**
Total equity and liabilities		**7,689,028**	**6,203,526**	**300,623**	**276,176**

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2021 and signed on its behalf by:

Dr Oba Otudeko, CFR
Group Chairman
FRC/2013/ICAN/00000002365

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

Oyewale Ariyibi
Chief Financial Officer
FRC/2013/ICAN/00000001251

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

	Attributable to equity holders of the parent												
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Statutory reserve ₦'million	Small Scale investment reserve ₦'million	Fair value reserve ₦'million	Contingency reserve ₦'million	Regulatory risk reserve ₦'million	Foreign currency translation reserve ₦'million	Total ₦'million	Non-controlling interests ₦'million	Total equity ₦'million
Balance at 1 January 2019	17,948	233,392	3,066	1,223	93,325	6,076	77,276	2,022	33,599	48,727	516,654	12,289	528,943
Profit for the year	-	-	69,918	-	-	-	-	-	-	-	69,918	3,747	73,665
Other comprehensive income													-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	(990)	(990)	-	(990)
Fair value movements on financial assets	-	-	-	-	-	-	69,794	-	-	-	69,794	881	70,675
Remeasurement of defined benefit pension scheme	-	-	(429)	-	-	-	-	-	-	-	(429)	-	(429)
Total comprehensive income	-	-	69,489	-	-	-	69,794	-	-	(990)	138,292	4,628	142,921
Transactions with owners													
Dividends	-	-	(9,333)	-	-	-	-	-	-	-	(9,333)	(1,401)	(10,734)
Transfer between reserves	-	-	9,978	-	8,053	-	-	991	(19,023)	-	-	-	-
Total transactions with Owners	-	-	642	-	8,053	-	-	991	(19,023)	-	(9,333)	(1,401)	(10,734)
At 31 December 2019	17,948	233,392	73,197	1,223	101,378	6,076	147,070	3,013	14,576	47,736	645,609	15,516	661,126
Balance at 1 January 2020	17,948	233,392	73,197	1,223	101,378	6,076	147,070	3,013	14,576	47,736	645,609	15,516	661,126
Profit for the year	-	-	87,986	-	-	-	-	-	-	-	87,986	1,744	89,730
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	16,867	16,867	90	16,957
Fair value movements on financial assets	-	-	-	-	-	-	24,657	-	-	-	24,657	157	24,814
Remeasurement of defined benefit pension scheme	-	-	(5,360)	-	-	-	-	-	-	-	(5,360)	-	(5,360)
Share of other comprehensive income of associates	-	-	-	-	-	-	(30)	-	-	-	(30)	-	(30)
Total comprehensive income	-	-	82,626		-	-	24,627	-	-	16,867	124,120	1,991	126,111
Transactions with owners													
Dividends	-	-	(13,640)		-	-	-	-	-	-	(13,640)	(598)	(14,238)
Disposal of investment (Note 30.3)	-	-	-	-	-	-	-	-	-	-	-	(7,824)	(7,824)
Transfer between reserves	-	-	(9,760)	-	9,289	-	-	(3,013)	3,484	-	-	-	-
Total transactions with owners	-	-	(23,401)	-	9,289	-	-	(3,013)	3,484	-	(13,640)	(8,422)	(22,062)
At 31 December 2020	17,948	233,392	132,421	1,223	110,667	6,076	171,696	-	18,060	64,603	756,086	9,085	765,171

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

	Attributable to equity holders of the parent					
	Share capital ₦'million	Share premium ₦'million	Retained earnings ₦'million	Capital reserve ₦'million	Fair value reserve ₦'million	Total ₦'million
Balance at 1 January 2019	17,948	233,392	10,850	10	(12)	262,188
Profit for the year	-	-	13,862	-	-	13,862
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	127	127
Total comprehensive income	-	-	13,862	-	127	13,989
Transactions with owners						
Dividends	-	-	(9,333)	-	-	(9,333)
Total transactions with owners	-	-	(9,333)	-	-	(9,333)
At 31 December 2019	17,948	233,392	15,379	10	114	266,843
Balance at 1 January 2020	17,948	233,392	15,379	10	114	266,843
Profit for the year	-	-	33,860	-	-	33,860
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	(198)	(198)
Total comprehensive income	-	-	33,860	-	(198)	33,662
Transactions with owners						
Dividends	-	-	(13,640)	-	-	(13,640)
Total transactions with owners			(13,640)	-	-	(13,640)
At 31 December 2020	17,948	233,392	35,599	10	(84)	286,865

SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

		GROUP		COMPANY	
	Note	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Operating activities					
Cash flow generated from/(used in) operations	44	115,348	(637,571)	14	(2,888)
Income taxes paid	18b	(8,297)	(10,443)	-	(36)
Interest received		370,570	519,376	1,576	1,806
Interest paid	44b(xiii)	(103,933)	(126,141)	-	-
Net cash flow generated from/(used in) operating activities		373,688	(254,779)	1,590	(1,117)
Investing activities					
Purchase of investment securities		(1,969,026)	(1,897,585)	(9,832)	(21,885)
Proceeds from the sale of investment securities		2,108,194	2,145,964	10,645	17,615
Additional investment in subsidiaries	44b(xv)	-	-	(25,000)	-
Net proceeds from disposal of subsidiary	30.3	-	-	24,614	-
Dividends received	44b(v)	3,983	4,368	17,227	4,001
Purchase of property and equipment	31	(20,471)	(20,006)	(44)	(221)
Purchase of intangible assets	32	(3,597)	(8,300)	-	-
Proceeds on disposal of property and equipment	44b(xii)	155	450	-	-
Net cash flow generated from/(used in) investing activities		119,238	224,891	17,610	(489)
Financing activities					
Dividend paid		(14,238)	(10,734)	(13,640)	(9,333)
Proceeds from new borrowings	39	262,782	129,653	-	-
Repayment of borrowings	39	(145,620)	(220,514)	-	-
Interest paid on borrowings	39	(13,324)	(14,917)	-	-
Principal element of lease payments	31	(1,261)	(1,396)	(60)	-
Net cash flow generated from/(used in) financing activities		88,339	(117,908)	(13,700)	(9,333)
Increase/(decrease) in cash and cash equivalents		581,265	(147,795)	5,500	(10,939)
Cash and cash equivalents at start of year		1,304,998	1,419,889	5,706	16,639
Effect of exchange rate fluctuations on cash held		46,630	32,903	34	6
Cash and cash equivalents at end of year	20	1,932,893	1,304,998	11,240	5,706

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

These financial statements are the separate and 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, and provision of other financial servises and corporate banking.

The separate and consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 9 March 2021.

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 separate and consolidated financial statements for the year ended 31 December 2020 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 separate and consolidated financial statements comprise the separate and consolidated statement of profit or loss, separate and consolidated statement of other comprehensive income, separate and consolidated statement of financial position, the separate and consolidated statement of changes in equity, separate and consolidated statement of cash flows and the related notes for the Group and the Company.

The separate and 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 separate and 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 separate and 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 separate and consolidated financial statements, are disclosed in Note 5.

2.1.1 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention except the following:

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through Profit or Loss
- Financial assets measured at fair value through other comprehensive income.
- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Loans and receivables are measured at amortised cost.

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 amendments for the first time for their annual reporting period commencing 1 January 2020:

(i) Definition of a business

The Group applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose dates of acquisition are on on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group's financial statements because the Group has not acquired any subsidiaires during the year. However, the Group has amended its accounting policies for acquisitions on or after 1 January 2020.

(ii) Interest rate benchmark reform

Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform): This amendment seek to address uncertainties related to the market-wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. They are effective for annual periods beginning on or after 1 January 2020 . The impact on the financial statements is not significant.

(iii) Definition of material - Amendment to IAS 1 and IAS 8 (effective 1 January 2020)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

• the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(iv) Revised conceptual framework for financial reporting (effective 1 January 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

• increasing the prominence of stewardship in the objective of financial reporting;

• reinstating prudence as a component of neutrality;

• defining a reporting entity, which may be a legal entity, or a portion of an entity;

• revising the definitions of an asset and a liability;

• removing the probability threshold for recognition and adding guidance on derecognition;

• adding guidance on different measurement basis; and

• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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 separate and consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's separate and consolidated financial statements.

(i) Onerous contracts - Cost of Fulfiling a Contract (Amendments to IAS 37).

(ii) Covid-19 Related Rent Concessions (Amendments to IFRS 16).

(iii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

(iv) Reference to Conceptual Framework (Amendments to IFRS 3).

(v) Classification of Liabilities as Current or Non-curent (Amendments to IAS 1)

2.3 Basis of consolidation

a. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 2.3b).

From 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and subtantive process and whether the acquired set has the abilitiy to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquireid set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-exiting relationships. Such amounts are generally recognised in profit or loss.

Any contigent consideration is measured at fair value at the date of acquisiton. If an obligation to pay contigent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, other contigent consideration is remeasured at fair value ar each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

b. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it 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. The Group reassesses whether it has control if there are changes to one or more of the elements of controls. This includes circumstances in which protective rights held (e.g those resulting from a lending relatonship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statments from the date on which control commences until the date on which control ceases.

c. Non-controlling interests

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

d. 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.

e. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

f. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are elminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g. 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.

h. 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 IFRS 9 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 Board of Directors.

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 judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, Directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

Directors also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS 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 Group 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 separate and 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 fair value through other comprehensive income (FVOCI) 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 FVOCI, 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.

c. Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

2.8 Inventories

Stock of consumables

Inventories include stock of consumables and repossessed assets held for resale. Stock of consumables comprise of materials to be consumed in the process of rendering of services as well as accessories held for subsequent issuance to customers. They are measured at lower of cost and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net reliasble value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recgnised as an expense in the period in which the relevant revenue is recognised.

Repossessed collaterals

In certain cirumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less cost to sell and reported within 'Other asset'.

2.9 Financial assets and liabilities

In accordance with IFRS 9, 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.

Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. 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.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 3.2.12, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

2.9.1 Financial assets

Classification and measurement

The Group classifies its debt financial assets in the following measurement categories:

- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)
- Amortised Cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Business model assessment

Business model assessment involves determining whether financial assets are held to collect the contractual cashflows (rather than sell the instrument prior to its contractual maturity to realise its fair value changes).

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The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

• Investment strategy for holding or selling the assets.

• Past experience on how cash flows for these assets were collected.

• How the asset's performance is evaluated and reported to key management personnel.

• The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

• The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model for each portfolio of financial assets are to be categorised into one of the following models:

• Hold-to-collect contractual cash flows: Financial assets held with the sole objective to collect contractual cashflows;

• Hold-to-collect contractual cash flows and sell: Financial assets held with the objective to both collect contractual cashflows and sell;

• Fair value through profit or loss (FVTPL) business model: Financial assets held with neither of the objectives mentioned in the two categories above. They are basically financial assets held with the sole objective to trade and realise fair value changes.

Cash flow characteristics assessment

The assessment aims to identify whether the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.

The SPPI test is based on the premise that it is only when the variability in the contractual cash flows arises to maintain the holder's return in line with a 'basic lending arrangement' that the application of the effective interest method provides useful information.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments. Thus the principal is not the legal amount due under the contractual terms of an instrument. This definition allows assets acquired at a discount or premium pass the SPPI test.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

a. Financial assets measured at amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions and is not designated as at FVTPL:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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If a financial asset does not meet both of these conditions, then it is measured at fair value.

b. Financial assets measured at FVOCI

A debt instrument shall be measured at FVOCI if both of the following conditions are met and is not designated as at FVTPL:

• The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in other comprehensive income (OCI) within a separate component of equity, except for the following items, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

• interest revenue using the effective interest method;

• expected credit losses and reversals; and

• foreign exchange gains and losses.

When the debt instrument is disposed or derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains or losses".

c. Financial assets measured at FVTPL

A debt instrument that is not measured at amortised cost or at FVOCI must be measured at FVTPL. These would include debt instruments that are held for trading and those that have been designated as fair value through profit or loss at initial recognition. Gains and losses both on subsequent measurement and derecognition are recognised in profit or loss and reported as "Net gains or losses" in the period in which it arose.

The Group may irrevocably designate a debt instrument as measured at FVTPL on initial recognition only if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch'). Such mismatches would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. Equity instruments

Equity investments are measured at FVTPL. However on initial recognition, the Group can make an irrevocable election to measure an equity investment at FVOCI. This option only applies to instruments that are neither held-for-trading nor contingent consideration, recognised by an acquirer in a business combination to which IFRS 3 applies.

For equities measured at FVOCI, fair value gains and losses on the equity remeasurements are recognised in OCI. However, dividends are recognised in profit or loss unless they clearly represent a repayment of part of the cost of the investment.

The amounts recognised in OCI are never reclassified from equity to profit or loss.

e. Impairment of financial assets

The Group recognises expected credit losses ("ECL") on forward-looking basis for its financial assets measured at amortised cost, lease receivables, debt instrument at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss.

No impairment is recognised on equity investments. This is because the fair value changes would incorporate impairment gains or losses if any.

The measurement of ECL reflects:

• An unbiased and probability-weighted amount that is determined by a range of possible outcomes;

• The time value of money; and

• Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f. Modification and renegotiation of financial assets

Where the terms of a financial asset are modified, the Group assesses whether the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognizes the original financial assets and recognises a new asset at fair value and recalculates the effective interest rate.

Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'.

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If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

g. Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

h. Reclassifications

Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Group changes its business model for managing financial assets, the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest should not be restated.

i. Derivative financial instruments

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

j. 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.

2.9.2 Financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL)

- Amortised cost

a. Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are measured at FVTPL when they are designated as such on initial recognition using the fair value option or when they meet the definition of held-for-trading i.e.

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- on initial recognition 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; or

- it is a derivative [except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument].

For financial liabilities designated as at FVTPL using the fair value option, the element of gains or losses attributable to changes in the Group's own credit risk are recognised in OCI, with the remainder recognised in profit or loss. The movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spread above observable market interest rates. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

However, if presentation of the fair value change in respect of the liability's credit risk in OCI creates or enlarges an accounting mismatch in profit or loss, gains and losses must be entirely presented in profit or loss. To determine whether the treatment would create or enlarge an accounting mismatch, the Group assesses whether it expects the effect of the change in the liability's credit risk to be offset in profit or loss by a change in fair value of another financial instrument, such as when the fair value of an asset is linked to the fair value of the liability. If such a mismatch does arise, the Group will be required to present all fair value changes of the liability in profit or loss.

b. Financial liabilities at amortised cost

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised costs are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

c. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.9.3 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, foreign exchange rates, volatilities and counterparty spreads) existing at the date 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 3.6.

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

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

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

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

2.9.4 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.

2.10 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 rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

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b. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. For other fees and commission income, it is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

Credit related fees: This includes advisory and commitment fees. These are fees charged for administration and advisory services to the customer up to the customer's acceptance of the offer letter. The advisory and commitment fees are earned at the point in time where the customer accepts the offer letter which is when the Group recognises its income. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate.

Letter of credit and commission fees: This represents commission earned on Letter of credit contracts initiated at the request of customers. The nature of this income is such that the performance obligation is the execution of customer's instruction: a direct payment is made on behalf of our customers to the beneficiary (as stated by our customer) when goods/services are received; OR, a payment is made to the stated beneficiary only when our customer cannot fulfill its obligation. Income earned on letter of credit contracts is satisfied at a point in time. This is because revenue is recognised only when payments have been received by the intended beneficiary.

Electronic banking fees: Electronic banking fees relate to fees and commission charged by the banking subsidiaries on electronic transactions carried out by its customers e.g. USSD income, Agency banking commission. The nature of this income is such that the performance obligation of the Group is the provision of the platform for the execution of the transactions. Income is earned when these transactions have been successfully executed on these platforms. Income from electronic banking is satisfied at a point in time.

Money transfer commission: This represents commission earned on local and foreign money transfers initiated by the Group's customers. The nature of this income is such that the performance obligation of the Group is the delivery of transferred monies to the intended beneficiaries. Income on money transfers is satisfied at a "point in time". This is because commission is recognised only when the transferred sums have been delivered to their intended recipients.

Commission on bonds and guarantees: This represents commission earned on bond and guarantees contracts. It includes commissions earned on advanced payment guarantees, performance bonds, bid bonds etc. This fee is earned over the tenor of the bond and guarantee.

Funds transfer and intermediation fees: This is principally made of commission on collections. The Group acts as a collecting agent for corporate bodies or government organisations; thus, earns commissions on these collection services. The Group's performance obligation is the collection of funds on behalf of the customer. Income from funds transfer and intermediation is satisfied at a point in time as the commission earned is deducted and recognised when remitting these funds to the respective customer.

Account maintenance fees: This represents the fee charged by banking subsidiaries within the Group on current accounts maintained by customers. This fee is charged with respect to customer induced debit transactions to third parties as well as debit transfers/lodgements to customer's account in another bank. This was introduced by the CBN to replace COT which was abolished by the regulator in 2016. The performance obligation required from the Group in the maintenance/safe keeping of the customers' fund. Income earned from account maintenance is satisfied at a point in time.

Brokerage and intermediation fees: This represents fees charged by the Group in order to execute transactions or provide specialised services as requested by customers. Such transaction/services include execution of primary and secondary market transaction on behalf of customers. Income from brokerage and intermediation services are satisfied at a point in time as they are earned and recognised when such services have been executed on behalf of customers.

Custodian fees: This represents commission earned by the Group while rendering custodian services to its customers. This custodian services are to a large extent the safe keeping of financial assets. Income earned on custodian services are earned at a point in time.

c. Dividend income

Dividend income is recognised when the right to receive income is established. This income is earned at a point in time.

d. Other operating income

This largely comprises of income made from private banking services, profit on sale of plant and equipment and gain on sale of properties. These income are earned at a point in time.

2.11 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.

2.12 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.

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

2.13 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.

2.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

• the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

• the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

• the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

• the Group has the right to operate the asset; or

• the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group primarily leases buildings for use as office spaces for branch operations, quick service points (QSPs) and residential use, land for use as car parks and off-site ATM locations, printers for office equipment.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated and the lease terms range from 1 year to 25 years. The lease agreements do not impose any covenants - however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components and treat them accordingly.

Until the 2018 financial year, leases of property (land, buildings) were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available-for-use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;

• variable lease payments that are based on an index or a rate;

• amounts expected to be payable by the Group under residual value guarantees;

• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

• payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

• the amount of the initial measurement of lease liability;

• any lease payments made at or before the commencement date, less any lease incentives received;

• any initial direct costs, and

• restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than ₦1million when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has applied the low value lease exemption for leases of printers as they are less than ₦1million when new.

Extension and termination options

Extension and termination options are included in all of the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the Group and the lessors and some of the termination options held are exercisable only by the Group.

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 over the lease term.

(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.

2.15 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.

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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 recognised 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 derecognised 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.

2.16 Property and equipment

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

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

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

Asset class	Depreciation rate
Improvement and buildings	2%
Motor vehicles	25%
Office equipment	20%
Computer equipment	33.33%
Plant and equipment	20%
Furniture, fittings and equipment	20%
Right-of-use Assets	Lower of lease term or the useful life for the specificed class of item

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property 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.

Work in progress represents costs incured on the assets that are not available-for-use. On becoming available-for-use, the related amounts are transferred to the appropriate category of property and equipment.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain/ 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 statement in the year the asset is derecognised.

2.17 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.

2.18 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.

2.19 Cash and cash equivalents

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

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

2.20 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 are 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.

2.21 Provisions

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

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

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

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

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

2.22 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.

(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 Group performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.23 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.

2.24 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.

2.25 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

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

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

c. 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. Regulatory risk 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 IFRS 9 are compared. The IFRS 9 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 "Regulatory risk reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 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 regulatory risk reserve.

2.26 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 guarantee has become probable).

3. Financial risk management

3.1 Introduction and overview

Effective risk management is fundamental to the business activities of the Group. At FBNHoldings, we promote a culture where risk management is everyone's business from Board level down to risk owners and units across the Group.

Our approach to risk is supported by a robust Enterprise Risk Management framework (ERM) and a strong risk culture to identify, measure, monitor and control risks thereby promoting accountability at all levels across the Group. Objectives of the ERM framework are communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organisation.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes Credit risk, Liquidity risk and Market risk. Other material risks impacting activities of the Group include: Operational, Legal, Compliance, Strategic, Reputational, Information security, Environmental and Social risk.

3.1.1 Risk management philosophy

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.

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• 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.

• Risks are reported openly and fully to the appropriate levels once they are identified; and

• All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.1.2 Risk appetite

Risk appetite is the level and type of risk the Group is willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes. In addition, risk appetite reflects potential impact on earnings, capital and funding/liquidity.

The Group's risk appetite is the amount of risk its willing to accept to align with and support our financial and strategic objectives, relative to our risk capacity to assume losses.

Risk appetite statement (RAS)

Our RAS is the expression of the maximum level of risk we would take across the major risks facing our business and accept in the pursuit of our strategic objectives. The Group would accept moderate risk in every activity it undertakes to achieve these strategic objectives by declaring its willingness to accept moderate risks related to each key value driver.

Risk tolerance

This refers to the quantitative thresholds that allocate the Group's risk appetite to specific risk types, business units, products, customer segments, and other levels. Certain risk tolerances are policy limits that shall not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits).

Whereas risk appetite is a strategic determination based on long-term objectives, risk tolerance is a tactical readiness to bear a specific risk within established parameters. Enterprise-wide strategic risk appetite is thus translated into specific tactical risk tolerances that constrain risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.

Once established, these parameters are communicated downward throughout the Group to give clear guidelines to every stakeholder and to provide feedback when they are exceeded.

3.1.3 Risk management framework

The risk management framework of the Group consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for purpose.

The Group's framework for management of enterprise risk specifically covers:

• Governance and oversight of the overall risk management framework.

• Risk appetite statement and risk appetite measurements.

• Policies, procedures, controls and systems through which risk is identified and managed.

• Oversight, control, assurance and delegation of authorities for each type of risk.

• Monitoring and reporting of the risk profile against risk appetite.

• Control and correction of the risk profile should it deviate from risk appetite.

• Reassessment of risk appetite and/or the Group's strategy in the light of changes in the business.

The Board of Directors has overall responsibility for the establishment of the Group's Risk Management framework and exercises its oversight function through its various committees. These committees are responsible for developing and monitoring risk policies in their specific areas and report regularly to the Board of Directors. The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day-to-day activities of the Group.

3.1.4 Risk governance structure, roles and responsibilities

The Group addresses the challenge of risks by applying leading practices that are supported by a robust governance structure consisting of Board level and Executive Management Committees.

The Group adopts the 'three-pronged line of defence' model to underpin its approach to strong risk management principles. Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. Risk governance is maintained through delegation of authority from the board, down to management hierarchy, supported by committee structure both at the Board level and at Management level. The delegation of risk management responsibilities across the Group is structured to ensure that decisions are enacted at the most appropriate level, in line with business objectives, subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite with the executive and risk committees closely monitoring risk profiles against this appetite.

Risk governance framework

First line of defence	Second line of defence	Third line of defence
Daily risk management, monitoring and high level oversight	Risk oversight and challenges, policies and methodologies.	Independent assurance of risk management
Business units and risk-takers	• Risk Committee • Chief Risk Officers, Heads of Risk Management across the Group • Risk Management function	• Audit Committee • Internal Audit • External Audit • Regulators • External Assessors

a. First Line of Defence - Risk management and ownership

The primary responsibilities and objectives of the first line of defence include:

• Managing risks/implementing actions to manage and treat risks at transaction level;

• Implementing risk management processes on an ongoing basis as changes occur with business mix, systems, or regulatory and other requirements; and

• Executing risk assessments and identifying emerging risks at the transaction/business case level.

b. Second Line of Defence - Risk oversight

The main objective of the second line of defence is to provide oversight of the execution of the frontline controls. The second line of defence is responsible for monitoring the internal controls that have been designed with the following main responsibilities:

• Establishing risk management policies and processes;

• Strategically linking the controls of risk enterprise-wide;

• Providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions);

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- Identifying enterprise trends, synergies and opportunities for change;

- Initiating change, integrating and making new monitoring processes operational; and

- Oversight over key risks.

c. Third Line of Defence - Risk assurance

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Group's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defense include:

- Performing periodic reviews based on a rationalised and systematised approach that allows for risk assessment and governance reporting;

- Providing oversight on the risk management process; and

- Reporting to the Executive Management Committee, the Audit Committee and the Board of Directors on the state of the control environment and gaps in the controls or monitoring environment.

Board Audit and Risk Assessment Committee evaluates the processes for identifying, assessing, monitoring and managing key risk areas; it also evaluates the adequacy of the Group's risk management systems and control environment.

Management Committee is responsible for formulating policies; monitoring implementation of risk policies; reviewing risk reports for presentation to the Board/Board committees; and Implementing Board decisions across the Group.

3.2 Credit risk

Credit risk is the single largest risk for the Group's business therefore, prominence is placed on effective management of credit risk.

Credit risk is defined as the potential that a borrower or counter party will fail to meet obligations in accordance with agreed terms. It is also defined as the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties.

Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities. It can also arise from credit enhancement provided such as financial guarantees, letters of credit, endorsements and acceptances.

The Risk Management function of each subsidiary has specific and overall responsibility for facilitating risk asset creation and exposure management processes across the Group.

3.2.1 Management of credit risk

The Credit Risk Policy Manual is the primary reference document for creating and managing credit risk exposures. The manual outlines the general policies and procedures, framework for credit risk management across the subsidiaries and incorporates provisions for marketing, risk analysis, approval, administration, monitoring and reporting of risk exposures.

The Credit Risk Management Policy Manual is designed to:

- Standardise credit policies, give employees clear and consistent direction for the creation of risk exposures across all asset creating business units;

- Provide a comprehensive guide and framework in creating and managing risk assets;

- Ensure prompt identification of problem credits and prudent management of decline in credit quality;

- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio; and

- Provide a framework for the on-going maintenance of the risk management policies and processes.

Credit risk management policies and procedures are articulated by the Risk Management function of each subsidiary.

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.

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(a) Portfolio limits

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

The Group's Portfolio limit includes:

• Maintain aggregate large exposure of not more than 400% of shareholders' funds.

• Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'Ba2'.

• Maintain minimum weighted average facility risk rating (facility-WARR) of 'Ba2'.

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 'Baa3' or better.

• No more than 15% of the Group's portfolio would be in any industry rated 'Ba3' or worse.

• No more than 10% of the Group's portfolio in any single industry rated 'B3' 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. In addition, the Group has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

(c) Single obligor limits

The Group as a matter of policy does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.

For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realisable value of collateral. The Group shall apply the granularity criterion on its retail credit portfolio:

• No single retail loan should amount to more than 0.2% of total retail portfolio.

The Group also sets internal credit approval limits for various levels in the credit process.

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.

3.2.3 Collateral held as security to mitigate credit risk

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

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 principal collateral types for loans and advances are:

• Cash/Treasury bill/Government securities.

• Legal mortgage over residential properties, business real estates in prime locations.

• Charge over business fixed and floating assets as well as inventory.

• Guarantee from acceptable corporates.

• Equitable Mortgage on real estates in prime locations.

• Negative Pledge.

• Domiciliation of receivables from acceptable corporates.

Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. 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.

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No loan allowance is recognised for the portion of the Group's financial assets which are fully collateralised by cash in the same currency in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is ₦87.7billion as at 31 December 2020 (2019: ₦48.3bn).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

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.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group	Gross exposure ₦'million	Impairment allowance ₦'million	Carrying amount ₦'million	Fair value of collateral held ₦'million
December 2020				
Credit-Impaired assets				
Retail portfolio	5,180	4,698	482	2,779
- Overdrafts	80	11	69	-
- Credit cards	3,752	1,152	2,600	349
- Term loans	1,139	400	739	1,214
- Mortgages				
Corporate portfolio				
- Overdrafts	33,646	11,021	22,625	12,718
- Term loans	82,671	21,686	60,985	164,952
- Project finance	65,821	15,653	50,168	21,184
Total credit impaired assets	192,289	54,621	137,668	203,196
December 2019				
Credit-Impaired assets				
Retail portfolio				
- Overdrafts	3,967	3,587	380	14,724
- Credit cards	212	43	169	30
- Term loans	6,521	1,794	4,727	5,006
- Mortgages	675	241	434	1,061
Corporate portfolio				
- Overdrafts	38,462	16,480	21,982	19,792
- Term loans	117,107	35,734	81,373	80,938
- Project finance	29,919	5,517	24,402	17,334
Total credit impaired assets	196,863	63,396	133,467	138,885

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 ongoing management of the risk asset portfolio and individual risk exposures are defined. Ongoing exposure management entails collateral management, facility performance monitoring, exposure quality reviews, prompt and timely identification of decline in quality and risk portfolio reporting.

3.2.5 Delinquency management/Loan workout

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

3.2.6 Credit recovery

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

3.2.7 Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was ₦60.2billion (2019: ₦366.4bn). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.2.8 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to Notes 1.2.1.1(iv) and (v) above). The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for three consecutive months or more (for non-specialised assets) and six consecutive months or more (for specialised assets) .

The gross carrying amount of such assets held as at 31 December 2020 was nil (2019: ₦35.0bn).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Group's restructuring activities and their respective effect on the Group's financial performance:

Loans and advances to customers

	GROUP	
	₦'miilion 2020	₦'miilion 2019
Amortised cost before modification	-	35,003
Net modification gain/(loss)	-	1,851

3.2.9 Governance structure around the ECL model

The governance around ECL model centers on oversight functions of primary stakeholders. Oversight function is provided over the following:

i. Obligor ratings

ii. Loss Given Default

iii. Derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilised in deriving these estimates are sourced from credible sources. However, a team of IT experts still carry out periodic checks for system vulnerability, performance and deficiency.

Overall, review of completeness and accuracy is jointly carried out by credit risk team, internal control on regular basis and by internal audit periodically.

3.2.10 Grouping of instruments for losses measured on collective basis

To estimate credit losses for retail portfolio, the Group adopts a model which groups loans with similar or homogeneous characteristics together and this mainly based on the product types. Products are segmented in to four broad categories namely Credit Cards, Mortgages, Term loans and Overdrafts.

Models for Probability of default and loss given default are built in line with the segmentation and the output provide PD and LGD for each of the product category while EAD is applied at individual level.

PD for each product category is calculated as the ratio of the loans which have defaulted to the total count of the loans in the product group while LGD is estimated based on account balances, recoveries and collateral cover.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.2.11 Credit risk measurement

In measuring credit risk of financial assets (loans and advances to customers and to banks, Investment securities and loan commitments) at a counterparty level, the Group reflects the following components:

• The character and capacity to pay of the client or counterparty to meet its contractual obligations;

• Current exposures to the counterparty and its likely future development;

• Credit history of the counterparty; and

• The likely recovery ratio in case of default obligations – value of collateral and other ways out.

Obligor risk rating

The Group has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default.

The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.

The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers regarding default events.

Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Scale rating			Grade
Highest quality, with minimal credit risk	Aaa	Aaa	1	Investment Grade
High quality, subject to very low credit risk	Aa1	Aa	2	
	Aa2		3	
	Aa3		4	
Considered upper-medium and may possess certain speculative characteristics	A1	A	5	
	A2		6	
	A3		7	
Considered medium-grade and may possess certain speculative characteristics	Baa1	Baa	8	
	Baa2		9	
	Baa3		10	
Considered to have speculative elements and are subject to substantial credit risk	Ba1	Ba	11	Non Investment Grade
	Ba2		12	
	Ba3		13	
Considered speculative and are subject to high credit risk	B1	B	14	
	B2		15	
	B3		16	
Considered to be of poor standing and are subject to very high credit risk	Caa1	Caa	17	
	Caa2		18	
	Caa3		19	
In or near default, with possibility of recovery	Ca	Ca	20	
In default with little chance of recovery	C	C	21	

3.2.12 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on intial recognition is classified in 'Stage 1' and has the credit risk continously monitored by the Group.

- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to Note 3.2.12(a) for a description of how the Group determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to Note 3.2.12(b) for a description of credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within th next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to Note 3.2.12(c) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.2.12(d) includes an explanation of how the Group has incorporated this in its ECL models.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on inital recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below. However, the simplified approach has been adopted for trade receivables and other assets.

a Assessment of significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Corporate portfolio, Investment Securities and Placements with financial institutions

Quantitative criteria:

This is based on the backstop policy disclosed in the next section. Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold as specified per table below:

Criteria	Number of notches/rating scale considered significant
Rating Notches Downgrade	>= 4
Poor Credit Rating Threshold	>=17
Default	>=20

Qualitative Criteria:

If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

i Significant increase in credit spread.

ii Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.

iii Actual or expected forberance or restructuring.

iv Actual or expected significant adverse change in operating results of the borrower.

v Significant change in collateral value (secured facilities only) which is expected to increase risk of dafault.

vi Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

Retail portfolio

Quantitative criteria:

This is based on the backstop policy disclosed in the next section

Qualitative criteria:

If the borrower meets one or more of the following criteria:

i In short-term forbearance

ii Significant modification to contractual terms

iii Previous arrears within the last 3 months

iv Negative credit bureau reports

The assessment of SICR incorporates forward-looking information (refer to Note 3.2.12(d) for further information) and is performed on a periodic basis at a counterparty level for all financial instruments held by the Group.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, however specialised facilities are considered to have experienced significant increase in credit risk if the borrower is more than 90 days past due on its contractual repayment. Specialised facilities include lending for Project/Object finance and Commercial Real Estate.

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

b Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the sole exception of specialised lending for project, object and commercial real estate where a borrower is required to be more than 180 days past due to be considered in default).

Qualitative criteria

The following qualitative criteria indicates that a borrower is in significant financial difficulty:

• Long-term forbearance.

• Deceased borrower.

• Insolvency or bankruptcy.

• Breach of financial covenant(s).

• Disappearance of an active market for a financial asset due to financial difficulties.

• Concessions made by the lender in relation to the borrower's financial difficulty.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

The 180 days past due default definition used for specialized facilities has been aligned with the definition used for regulatory capital purposes. Therefore the Group considers 180 days past due to be a more appropriate default definition and has rebutted the 90 days past due presumption under IFRS 9 for the specialised facilities. This rebuttal will be monitored and reviewed by the Credit Risk department on an annual basis to ensure it remains appropriate.

Cure criteria

• An exposure will move from stage 2 to 1 where probationary period of 90 days is met subject to all payments being up to date with the customer demonstrating ability to maintain future repayments.

• An Exposure will move from stage 3 to 2 where probationary period of 180 days is met and there is consistency in repayment of obligations as and when due.

c Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

• The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

• EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

• Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12M PD associated with a given rating is calibrated to a 12M Point in Time PD (PiT PD) using regression analysis while the lifetime PD is developed by applying a cross section regression model which extends the 12-month PiT PD over a long-time horizon. The cross-sectional analysis incorporates time-variant factors, time-invariant factors and idiosyncratic factors.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by facility type.

• For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.

• For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

• For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/ book values due to forced sales which has embedded cost of recovery, recovery period and haircuts.

• For unsecured products, the Group leverages on a statistical model which estimates recovery rate based on analysis of default data. The model takes in to consideration the credit worthiness and borrowers industry in arriving at the recovery rate.

• LGD's are typically set at product level for retail portfolio and counterparty level for the corporate portfolio, investment securities and placements with financial institutions.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by portfolio/product type. Refer to Note 3.2.12(d) for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation such as rating migration for determination of PDs and change in collateral values etc. are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key macroeconomic variables impacting credit risk and expected credit losses for its portfolio.

These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgement has also been applied in this process.

Forecasts of these macroeconomic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody's Analytics economic's team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Weights are assigned to the possible outcome of each scenario based on statistical regression analysis and expert judgement taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see Note 3.2.12(a)). This determines whether the whole financial instrument is in stage 1, stage 2, or stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (stage 1), or a probability weighted lifetime ECL (stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Generally, in economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, hence the actual outcomes may be significantly different to those projected. Therefore, the Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

e Simplified approach

In determining the ECL for other assets, the Group applies the simplified approach to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns, to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for forward looking estimates e.g. inflation, exchange rates etc.

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3.2.13 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 are set out below.

Corporate Portfolio, Investment Securities and Placements with Financial Institutions

		2021	2022	2023	2024	2025
Gross Domestic Product (NGN'billions)	Base	70,795	72,841	75,477	78,697	82,021
	Upturn	71,147	74,163	77,368	81,175	85,179
	Downturn	69,740	68,713	70,638	75,662	79,299
Stock Index Price (NGN per share)	Base	33,977	35,604	37,143	38,662	40,978
	Upturn	36,300	39,489	40,892	42,017	44,054
	Downturn	27,619	26,404	30,114	33,637	36,981
Oil price (USD per barrel)	Base	52	58	63	64	66
	Upturn	57	65	70	71	73
	Downturn	34	28	42	50	55

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below.

		2020	2021	2022	2023	2024
Gross Domestic Product (NGN'billions)	Base	74,248	76,716	79,194	81,490	84,010
	Upturn	75,608	80,028	83,338	86,146	88,991
	Downturn	70,294	71,067	73,737	76,647	79,730
Stock Index Price (NGN per share)	Base	28,277	31,094	32,891	34,548	36,596
	Upturn	32,248	34,916	36,478	37,884	39,794
	Downside 3	21,769	24,886	27,793	30,719	33,248
Oil price (USD per barrel)	Base	64	66	66	67	69
	Upturn	80	81	81	80	81
	Downturn	39	45	49	54	58

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In current year, FirstBank adopted the Gaussian distribution method of probability distribution to determine the weights of each of its selected scenarios. Expert judgement was applied for other entities. The weightings assigned to each economic scenario are as follows:

December 2020	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

December 2019	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

3.2.14 Sensitivity analysis on ECL model

The most significant assumptions affecting the ECL allowance are as follows:

Corporate Portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations

(ii) Oil price, given its significant impact on Nigerian economy and industry players

(iii) Stock Price Index, given its relevance for evaluating market performance of firms.

The sensitivity analysis has been determined by changing one variable or holding it constant on the x-axis, while changing another variable or holding it constant on the y-axis. Set out below are the changes to the ECL that would result if the economic variable assumptions used to measure ECL remain as expected, as well as if each of the key asumptions used change by plus or minus 10%.

Corporate portfolios

December 2020		Oil Price		
		₦'m	₦'m	₦'m
		(-10%)	No change	+10%
GDP	+10%	**55,675**	**55,675**	**55,898**
	No Change	**55,970**	**55,970**	**55,970**
	(-10%)	**55,970**	**55,970**	**55,970**

December 2019		Oil Price		
		₦'m	₦'m	₦'m
		(-10%)	No change	+10%
GDP	+10%	52,428	52,428	52,638
	No Change	52,706	52,706	52,706
	(-10%)	52,706	52,706	52,706

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3.2.15 Measurement basis of financial assets and liabilities

GROUP	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Cash and balances with Central Banks	-	-	1,631,730	1,631,730
Loans and advances to banks	-	-	1,016,823	1,016,823
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	310,968	310,968
- Term loans	-	-	1,385,260	1,385,260
- Project finance	-	-	344,628	344,628
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	12,829	12,829
- Term loans	-	-	121,099	121,099
- Credit cards	-	-	1,922	1,922
- Mortgage	-	-	40,562	40,562
Financial assets at fair value through profit or loss	126,354	-	-	126,354
Investment securities:				
- Investments at FVOCI	-	473,606	-	473,606
- Investments at amortised cost	-	-	1,075,684	1,075,684
Asset pledged as collateral	273,437	240,335	122,141	635,913
Other assets	-	-	221,257	221,257
Total Financial Assets	399,791	713,941	6,284,903	7,398,635

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	1,039,220	1,039,220
Deposits from customers	-	4,894,715	4,894,715
Derivative liabilities	7,464	-	7,464
Other liabilities	-	529,062	529,062
Borrowings	-	379,484	379,484
Total Financial Liabilities	7,464	6,842,481	6,849,945

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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3.2.15 Measurement basis of financial assets and liabilities (continued)

GROUP	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Cash and balances with Central Banks	-	-	1,025,325	1,025,325
Loans and advances to banks	-	-	754,910	754,910
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	198,082	198,082
- Term loans	-	-	903,920	903,920
- Project finance	-	-	607,438	607,438
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	11,872	11,872
- Term loans	-	-	94,758	94,758
- Credit cards	-	-	1,730	1,730
- Mortgage	-	-	34,611	34,611
Financial assets at fair value through profit or loss	-	-	-	282,660
Investment securities:				
- Investments at FVOCI	282,660	554,666	-	554,666
- Investments at amortised cost	-	-	859,864	859,864
Asset pledged as collateral	-	444,393	20,529	464,923
Other assets	-	-	121,593	121,593
Total Financial Assets	282,660	999,059	4,634,632	5,916,352

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Deposits from banks	-	860,486	860,486
Deposits from customers	-	4,019,836	4,019,836
Derivative liabilities	6,046	-	6,046
Other liabilities	-	266,328	266,328
Liability on investment contracts	-	24,676	24,676
Borrowings	-	250,596	250,596
Total financial liabilities	6,046	5,421,922	5,427,968

3.2.15 Measurement basis of financial assets and liabilities (continued)

COMPANY	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Loans and advances to banks	-	-	11,240	11,240
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	61	61
Financial assets at FVTPL	2,116	-	-	2,116
Investment securities:				
- Investment securities at FVOCI	-	9,863	-	9,863
Other assets	-	-	14,214	14,214
Total Financial Assets	2,116	9,863	25,515	37,494

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	13,544	13,544
Total financial liabilities	-	13,544	13,544

COMPANY	Fair value through profit or loss ₦'million	Fair value through OCI ₦'million	Amortised cost ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	5,706	5,706
Loans and advances to customers - Retail portfolio				
- Term loans	-	-	94	94
Financial assets at fair value through profit or loss	3,057	-	-	3,057
Investment securities:				
- Investment securities at FVOCI	-	11,393	-	11,393
Other assets	-	-	15,729	15,729
Total financial assets	3,057	11,393	21,529	35,979

	Fair value through profit or loss ₦'million	Amortised cost ₦'million	Total ₦'million
Financial liabilities			
Other liabilities	-	9,321	9,321
Total financial liabilities	-	9,321	9,321

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

(a) Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

GROUP					
	Balances with Central Banks				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	1,509,128	-	-	-	1,509,128
Non-investment grade	-	-	-	-	-
Gross carrying amount	1,509,128	-	-	-	1,509,128
Loss allowance	-	-	-	-	-
Carrying amount	1,509,128	-	-	-	1,509,128

	Loans and advances to Banks				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	301,203	-	-	-	301,203
Non-investment grade	718,206	-	-	-	718,206
Gross carrying amount	1,019,409	-	-	-	1,019,409
Loss allowance	(2,586)	-	-	-	(2,586)
Carrying amount	1,016,823	-	-	-	1,016,823

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	75	-	-	-	75
Non-investment grade	170,393	7,602	143	-	178,138
Default	-	-	10,007	-	10,007
Gross carrying amount	170,468	7,602	10,150	-	188,220
Loss allowance	(5,412)	(136)	(6,260)	-	(11,808)
Carrying amount	165,056	7,466	3,890	-	176,412

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

GROUP

	Loans and Advances to Customers - Corporate Portfolio				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	541,570	15,095	-	-	556,665
Non-investment grade	848,320	516,202	2,973	-	1,367,495
Default	-	-	179,165	-	179,165
Gross carrying amount	1,389,890	531,297	182,138	-	2,103,325
Loss allowance	(6,121)	(7,988)	(48,360)	-	(62,469)
Carrying amount	1,383,769	523,309	133,778	-	2,040,856

	Debt Investment Securities - at FVOCI				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	264,576	-	-	-	264,576
Non-investment grade	17,810	-	-	-	17,810
Carrying amount	282,386	-	-	-	282,386

	Investment Securities - at Amortised Cost				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	996,997	-	-	-	996,997
Non-investment grade	79,784	-	-	-	79,784
Default	-	-	-	-	-
Gross carrying amount	1,076,780	-	-	-	1,076,780
Loss allowance	(1,096)	-	-	-	(1,096)
Carrying amount	1,075,684	-	-	-	1,075,684

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3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

GROUP					
	Assets Pledged as Collateral				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	635,913	-	-	-	635,913
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	635,913	-	-	-	635,913
Loss allowance	-	-	-	-	-
Carrying amount	635,913	-	-	-	635,913

	31 Dec 2020 ₦'millions
Other assets	240,341
ECL	(19,084)
Carrying amount	221,257

The expected loss rate per age bracket in table below is for First Bank of Nigeria Limited (FBN) as at 31 December 2020. FirstBank contributes 97% of the total other assets of the Group, therefore the table is a representative for the Group.

	0-30 days	31-60 days	61-180 days	181 -365 days	> 365 days
Expected loss rate	0.24%	0.35%	1.06%	2.14%	0.00%

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

GROUP

	Balances with Central Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	899,396	-	-	-	899,396
Non-investment grade	-	-	-	-	-
Gross carrying amount	899,396	-	-	-	899,396
Loss allowance	-	-	-	-	-
Carrying amount	899,396	-	-	-	899,396

	Loans and advances to Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	160,751	-	-	-	160,751
Non-investment grade	594,888	-	-	-	594,888
Gross carrying amount	755,639	-	-	-	755,639
Loss allowance	(729)	-	-	-	(729)
Carrying amount	754,910	-	-	-	754,910

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	28,063	2,037	-	-	30,100
Non-investment grade	109,964	2,639	9	-	112,612
Default	-	-	11,367	-	11,367
Gross carrying amount	138,027	4,676	11,376	-	154,080
Loss allowance	(5,391)	(51)	(5,667)	-	(11,109)
Carrying amount	132,636	4,625	5,709	-	142,971

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

GROUP

	Loans and Advances to Customers - Corporate Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	461,135	19,660	-	-	480,795
Non-investment grade	454,508	656,313	205	-	1,111,026
Default	-	-	185,421	-	185,421
Gross carrying amount	915,643	675,972	185,626	-	1,777,242
Loss allowance	(3,933)	(6,139)	(57,731)	-	(67,803)
Carrying amount	911,710	669,833	127,896	-	1,709,439

	Debt Investment Securities - at FVOCI				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	383,397	-	-	-	383,397
Non-investment grade	12,228	-	-	-	12,228
Carrying amount	395,625	-	-	-	395,625

	Investment Securities - at Amortised Cost				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	819,526	-	-	-	819,526
Non-investment grade	40,948	-	-	-	40,948
Default	-	-	-	-	-
Gross carrying amount	860,474	-	-	-	860,474
Loss allowance	(610)	-	-	-	(610)
Carrying amount	859,864	-	-	-	859,864

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

GROUP					
	Assets Pledged as Collateral				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	464,922	-	-	-	464,922
Non-investment grade	-	-	-	-	-
Gross carrying amount	464,922	-	-	-	464,922
Loss allowance	-	-	-	-	-
Carrying amount	464,922	-	-	-	464,922

	31 Dec 2019 Total ₦'millions
Other assets	141,533
ECL	(19,940)
Carrying amount	121,593

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

COMPANY

	Loans and advances to Banks				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	11,240	-	-	-	11,240
Non-investment grade	-	-	-	-	-
Gross carrying amount	11,240	-	-	-	11,240
Loss allowance	-	-	-	-	-
Carrying amount	11,240	-	-	-	11,240

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	-	-	-	-	-
Non-investment grade	61	-	-	-	61
Gross carrying amount	61	-	-	-	61
Loss allowance	-	-	-	-	-
Carrying amount	61	-	-	-	61

	Debt Investment Securities - at FVOCI				
	31 Dec 2020				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit Grade					
Investment grade	9,863	-	-	-	9,863
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	9,863	-	-	-	9,863
Loss allowance	-	-	-	-	-
Carrying Amount	9,863	-	-	-	9,863

	31 Dec 2020 ₦'millions
Other assets	14,214
ECL	-
Carrying amount	14,214

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements (continued)

COMPANY

	Loans and advances to Banks				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	5,706	-	-	-	5,706
Non-investment grade	-	-	-	-	-
Gross carrying amount	5,706	-	-	-	5,706
Loss allowance	-	-	-	-	-
Carrying amount	5,706	-	-	-	5,706

	Loans and Advances to Customers - Retail Portfolio				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	-	-	-	-	-
Non-investment grade	94	-	-	-	94
Gross carrying amount	94	-	-	-	94
Loss allowance	-	-	-	-	-
Carrying amount	94	-	-	-	94

	Debt Investment Securities - at FVOCI				
	31 Dec 2019				
	Stage 1 12-month ECL ₦'millions	Stage 2 Lifetime ECL ₦'millions	Stage 3 Lifetime ECL ₦'millions	Purchased Credit-Impaired ₦'millions	Total ₦'millions
Credit grade					
Investment grade	11,393	-	-	-	11,393
Non-investment grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	11,393	-	-	-	11,393
Loss allowance	-	-	-	-	-
Carrying amount	11,393	-	-	-	11,393

	31 Dec 2019 Total ₦'millions
Other assets	15,729
ECL	-
Carrying amount	15,729

(b) Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment

	GROUP		COMPANY	
	Maximum exposure to credit risk		Maximum exposure to credit risk	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Financial assets at FVPTL				
- Debt securities	15,418	208,908	-	-
- Derivatives	72,234	38,372	-	-

3.2.17 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 2020 and 31 December 2019. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with Central Banks	1,475,066	-	-	34,062	-	-	1,509,128
Loans and advances to banks	399,010	-	-	85,460	403,384	128,969	1,016,823
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	2,856	4,144	690	5,139	-	-	12,829
- Term loans	36,971	43,667	25,049	15,228	184	-	121,099
- Credit cards	770	535	617	-	-	-	1,922
- Mortgage	6,947	968	256	14	32,355	22	40,562
Corporate portfolio:							
- Overdrafts	215,668	23,950	11,697	36,061	23,592	-	310,968
- Term loans	1,079,134	106,732	28,824	102,436	61,191	6,944	1,385,261
- Project finance	255,273	62,547	26,808	-	-	-	344,628
Financial assets at FVTPL	85,800	-	-	1,124	728	-	87,652
Investment securities							
- FVOCI Investments	266,502	14,356	905	623	-	-	282,386
- Amortised cost investments	242,841	99	-	274,845	92,868	465,031	1,075,684
Asset pledged as collateral	622,536	-	-	13,377	-	-	635,913
Other assets	199,886	8,097	988	12,051	235	-	221,257
31 December 2020	4,889,260	265,095	95,836	580,419	614,536	600,966	7,046,112
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	58,279	23,728	927	4,329	-	-	87,263
Letters of credit and other credit related obligations	722,116	57,278	35,247	18,630	1,243	-	834,513
31 December 2020	780,395	81,006	36,174	22,959	1,243	-	921,776

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

GROUP	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Balances with Central Banks	866,904	-	-	32,492	-	-	899,396
Loans and advances to banks	464,349	-	-	48,610	40,456	201,495	754,910
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,619	2,595	610	4,048	-	-	11,872
- Term loans	23,299	34,081	22,603	14,752	23	-	94,758
- Credit cards	766	594	369	-	-	-	1,730
- Mortgage	3,668	612	221	15	30,029	65	34,610
Corporate portfolio:							
- Overdrafts	103,918	24,114	3,400	27,587	38,543	519	198,081
- Term loans	627,831	109,100	19,843	76,878	60,722	9,545	903,919
- Project finance	560,777	19,214	27,448	-	-	-	607,439
Financial assets at FVTPL	236,492	-	-	1,329	9,458	-	247,279
Investment securities							
- FVOCI Investments	391,962	1,512	1,416	736	-	-	395,626
- Amortised cost investments	135,918	149	-	65,130	31,464	627,204	859,865
Asset pledged as collateral	444,393	-	-	20,529	-	-	464,922
Other assets	100,156	8,097	988	12,117	235	-	121,593
31 December 2019	3,965,051	200,069	76,897	304,223	210,930	838,829	5,596,999
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	52,147	23,728	927	4,329	-	-	81,131
Letters of credit and other credit related obligations	748,705	57,278	35,247	18,630	1,243	-	861,103
31 December 2019	800,852	81,006	36,174	22,959	1,243	-	942,234

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

COMPANY	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	11,240	-	-	-	-	-	11,240
Loans and advances to customers							
- Term loans	61	-	-	-	-	-	61
Investment securities							
- FVOCI Investments	9,863	-	-	-	-	-	9,863
Other assets	14,214	-	-	-	-	-	14,214
31 December 2020	35,378	-	-	-	-	-	35,378

	Lagos ₦'million	Southern Nigeria ₦'million	Northern Nigeria ₦'million	Africa ₦'million	Europe ₦'million	America ₦'million	Total ₦'million
Loans and advances to banks	5,706	-	-	-	-	-	5,706
Loans and advances to customers							
- Term loans	94	-	-	-	-	-	94
Investment securities							
- FVOCI Investments	11,393	-	-	-	-	-	11,393
Other assets	15,729	-	-	-	-	-	15,729
31 December 2019	32,922	-	-	-	-	-	32,922

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

b) Industry sectors

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

GROUP	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
Oil and gas	-	-	-	4,326	-	-	-
Manufacturing	-	-	-	3,856	2,143	-	-
Finance and insurance	1,509,128	1,016,823	2,045	105,413	10,910	-	143,368
Transportation	-	-	14,620	-	663,024	-	-
Communication	-	-	-	87,972	-	-	-
General commerce	-	-	-	-	-	-	12,796
Public sector	-	-	70,987	80,819	399,607	635,913	65,093
Total at 31 December 2020	1,509,128	1,016,823	87,652	282,386	1,075,684	635,913	221,257

	Loans and advances to customers - Retail Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Agriculture	320	719	1	-	1,040
Oil and gas	164	376	-	-	540
Consumer credit	3,814	97,809	1,911	14	103,548
Manufacturing	104	151	-	36,134	36,389
Real estate	10	238	3	4,415	4,666
Construction	139	37	-	-	176
Finance and insurance	62	274	-	-	336
Transportation	132	27	-	-	159
Communication	629	69	-	-	698
General commerce	2,336	1,584	-	-	3,920
Utilities	24	7,246	-	-	7,270
Retail services	4,968	12,412	6	-	17,386
Public sector	127	157	-	-	284
Total at 31 December 2020	12,829	121,099	1,921	40,563	176,412

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

b) Industry sectors (continued)

	Loans and advances to customers - Corporate Portfolio			
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Agriculture	18,762	39,693	1,053	59,508
Oil and gas	129,271	557,774	9,332	696,377
Consumer credit	2,921	2,931	-	5,852
Manufacturing	46,553	202,528	144,294	393,375
Real estate	401	25,141	23,127	48,669
Construction	27,254	37,930	77,140	142,324
Finance and insurance	4,907	4,434	-	9,341
Transportation	3,101	11,910	-	15,011
Communication	4,064	62,527	65,463	132,054
General commerce	47,303	72,908	-	120,212
Utilities	7,171	163,226	13,858	184,255
Retail services	17,304	42,826	10,361	70,491
Public sector	1,956	161,432	-	163,388
Total at 31 December 2020	310,968	1,385,260	344,628	2,040,857

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

b) Industry sectors (continued)

GROUP

	Balances with Central Banks ₦'million	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Asset pledged as collateral ₦'million	Other assets ₦'million
Oil and gas	-	-	627	5,999	-	-	-
Manufacturing	-	-	135	2,946	2,143	-	-
Finance and insurance	899,396	754,910	88,579	39,213	729,916	20,529	36,266
Communication	-	-	-	1,516	-	-	-
General commerce	-	-	-	-	-	-	20,300
Public sector	-	-	157,939	345,952	127,805	444,393	65,027
Total at 31 December 2019	899,396	754,910	247,280	395,626	859,864	464,922	121,593

	Loans and advances to customers - Retail Portfolio				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Agriculture	106	246	-	-	352
Oil and gas	195	569	-	-	764
Consumer credit	3,503	83,757	1,723	14	88,997
Manufacturing	197	418	-	-	615
Real estate	14	578	-	34,597	35,189
Construction	78	-	-	-	78
Finance and insurance	61	91	-	-	152
Transportation	3	154	-	-	157
Communication	7	100	-	-	107
General commerce	1,767	3,161	-	-	4,928
Utilities	3	-	-	-	3
Retail services	5,810	5,625	7	-	11,442
Public sector	128	59	-	-	187
Total at 31 December 2019	11,872	94,758	1,730	34,611	142,971

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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3.2.17 Concentration of risks of financial assets with credit risk exposure (continued)

b) Industry sectors (continued)

	Loans and advances to customers - Corporate Portfolio			
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Agriculture	9,915	40,806	4,000	54,721
Oil and gas	32,270	176,549	384,496	593,315
Consumer credit	1,201	2,453	-	3,654
Manufacturing	43,200	183,555	63,026	289,782
Real estate	370	28,831	25,128	54,329
Construction	19,461	54,822	22,017	96,300
Finance and insurance	4,085	7,796	-	11,881
Transportation	473	13,055	4,573	18,101
Communication	1,127	109,526	139	110,792
General commerce	71,059	87,529	1,442	160,030
Utilities	3,206	43,803	81,558	128,567
Retail services	11,714	17,495	6,684	35,893
Public sector	-	137,699	14,376	152,075
Total at 31 December 2019	198,081	903,919	607,439	1,709,439

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

b) Industry sectors (continued)

COMPANY	Loans and advances to banks ₦'million	Financial assets at fair value through profit or loss ₦'million	Investment Securities -FVOCI ₦'million	Investment Securities - Amortised cost ₦'million	Other assets ₦'million	Loans to customers Retail portfolio ₦'million
Finance and insurance	11,240	-	-	-	14,214	-
Retail services	-	-	-	-	-	61
Public sector	-	-	9,863	-	-	-
Total at 31 December 2020	11,240	-	9,863	-	14,214	61
Finance and insurance	5,706	-	-	-	15,729	-
Retail services	-	-	-	-	-	94
Public sector	-	-	11,393	-	-	-
Total at 31 December 2019	5,706	-	11,393	-	15,729	94

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

GROUP	Loan commitments 31 Dec 2020 ₦'million	Letter of credit and other related obligations 31 Dec 2020 ₦'million	Loan commitments 31 Dec 2019 ₦'million	Letter of credit and other related obligations 31 Dec 2019 ₦'million
Agriculture	1,448	28,764	835	32,109
Oil and gas	35,647	117,471	40,267	95,291
Consumer credit	2	-	550	9,342
Manufacturing	24,655	266,753	15,651	245,844
Real estate	41	-	7	167
Construction	2,558	56,268	45	54,036
Finance and insurance	176	240,497	505	351,331
Transportation	35	411	3,244	256
Communication	76	2,516	2,217	3,098
General commerce	9,246	72,293	15,835	42,103
Utilities	120	13,744	69	16,301
Retail services	12,967	33,301	4,204	10,231
Public sector	292	2,495	912	994
Total	87,263	834,513	81,131	861,103

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3.2.18 Loans and advances to customers

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

GROUP	Loans and advances to customers - Retail				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
December 2020					
Retail					
Stage 1 loans	13,590	120,173	1,863	34,840	170,466
Stage 2 loans	1,145	1,386	5	5,067	7,603
Stage 3 loans	5,180	3,752	80	1,139	10,151
Gross	19,915	125,311	1,948	41,046	188,220
Less: allowance for impairment (Note 22)	(7,086)	(4,212)	(26)	(484)	(11,808)
Net	12,829	121,099	1,922	40,562	176,412
Lifetime ECL (see Note 22)	4,773	1,199	11	413	6,396
12-months' ECL (see Note 22)	2,313	3,013	15	71	5,412
Total	7,086	4,212	26	484	11,808

	Loans and advances to customers - Corporate				
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Advances under finance lease ₦'million	Total ₦'million
December 2020					
Corporate					
Stage 1 loans	201,881	912,587	275,422	-	1,389,890
Stage 2 loans	87,723	424,287	19,287	-	531,297
Stage 3 loans	33,646	82,671	65,821	-	182,138
Gross	323,250	1,419,545	360,530	-	2,103,325
Less: allowance for impairment (Note 22)	(12,282)	(34,285)	(15,902)	-	(62,469)
Net	310,968	1,385,260	344,628	-	2,040,856
Lifetime ECL (see Note 22)	11,569	29,082	15,697	-	56,348
12-months' ECL (see Note 22)	713	5,203	205	-	6,121
Total	12,282	34,285	15,902	-	62,469

3.2.18 Loans and advances to customers (continued)

GROUP					
	Loans and advances to customers - Retail				
	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
December 2019					
Retail					
Stage 1 loans	10,448	93,897	1,553	32,130	138,028
Stage 2 loans	1,486	1,083	14	2,094	4,676
Stage 3 loans	3,967	6,521	212	675	11,376
Gross	15,901	101,501	1,779	34,899	154,080
Less: allowance for impairment (Note 23)	(4,029)	(6,743)	(49)	(288)	(11,109)
Net	11,872	94,758	1,730	34,611	142,971
Lifetime ECL (see Note 23)	3,615	1,816	43	244	5,718
12-months' ECL (see Note 23)	414	4,927	6	44	5,391
Total	4,029	6,743	49	288	11,109

	Loans and advances to customers - Corporate			
	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
December 2019				
Corporate				
Stage 1 loans	154,344	573,417	187,879	915,640
Stage 2 loans	22,504	255,430	398,179	676,114
Stage 3 loans	38,462	117,107	29,919	185,488
Gross	215,310	945,954	615,977	1,777,242
Less: allowance for impairment (Note 23)	(17,229)	(42,035)	(8,539)	(67,803)
Net	198,081	903,919	607,439	1,709,439
Lifetime ECL (see Note 23)	16,603	39,673	7,593	63,870
12-months' ECL (see Note 23)	625	2,361	947	3,933
Total	17,228	42,034	8,540	67,803

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3.2.18 Loans and advances to customers (continued)

COMPANY	Term loans ₦'million	Total ₦'million
Retail		
December 2020		
Stage 1 loans	61	61
Gross	61	61
Less: allowance for impairment	-	-
Net	61	61
Retail		
December 2019		
Stage 1 loans	94	94
Gross	94	94
Less: allowance for impairment	-	-
Net	94	94

GROUP

December 2020

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.11 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Grades:					
A	-	66	-	-	66
Baa	119	1,423	-	-	1,542
Ba	9,540	100,743	1,863	34,840	146,986
B	3,931	17,941	-	-	21,872
	13,590	120,173	1,863	34,840	170,466

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3.2.18 Loans and advances to customers (continued)

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Past due up to 30 days	33	281	1	4,316	4,631
Past due by 30 - 60 days	1,086	807	3	299	2,195
Past due 60-90 days	26	298	1	452	777
Above 90 days	-	-	-	-	-
Gross amount	1,145	1,386	5	5,067	7,603

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Gross amount	5,180	3,752	80	1,139	10,151
Life time ECL- credit impaired	(4,698)	(1,152)	(11)	(400)	(6,261)
Net amount	482	2,600	69	739	3,890

December 2020

Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.11 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Grades:				
Aaa	-	-	-	-
Aa	14,482	146,109	166,802	327,393
A	7,083	58,678	9,916	75,677
Baa	27,674	89,867	26,861	144,402
Ba	130,492	369,996	68,110	568,598
B	22,150	247,936	3,734	273,819
Caa	-	-	-	-
	201,881	912,587	275,422	1,389,890

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3.2.18 Loans and advances to customers (continued)

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Past due up to 30 days	87,679	387,163	19,287	494,129
Past due by 30 - 60 days	44	1,193	-	1,237
Past due 60-90 days	-	5,297	-	5,297
Above 90 days	-	30,635	-	30,635
Gross amount	87,723	424,288	19,287	531,298

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Gross amount	33,646	82,672	65,821	182,138
Life time ECL- credit impaired	(11,021)	(21,686)	(15,653)	(48,360)
Net amount	22,625	60,986	50,168	133,778

GROUP

December 2019

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.11 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Grades:					
A	53	52	-	-	105
Baa	29	426	-	27,877	28,332
Ba	5,243	59,573	1,462	4,075	70,353
B	5,123	33,846	91	178	39,238
	10,448	93,897	1,553	32,130	138,028

3.2.18 Loans and advances to customers (continued)

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Past due up to 30 days	35	116	-	29	180
Past due by 30 - 60 days	1,435	708	12	503	2,657
Past due 60-90 days	15	259	2	1,405	1,681
Above 90 days	1	-	-	157	158
Gross amount	1,486	1,083	14	2,094	4,676

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Credit cards ₦'million	Mortgage ₦'million	Total ₦'million
Gross amount	3,967	6,521	212	675	11,376
Life time ECL- credit impaired	(3,588)	(1,795)	(43)	(241)	(5,667)
Net amount	379	4,726	169	434	5,709

GROUP

December 2019

Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in stage 1 can be assessed by reference to the internal rating system adopted by the Group (See Section 3.2.11 for an explanation of the internal rating system).

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Grades:				
Aaa	6,062	32,328	-	38,390
Aa	7,871	207,935	70,780	286,586
A	466	18,504	-	18,970
Baa	13,034	92,226	14,432	119,692
Ba	95,432	121,669	23,874	240,975
B	31,404	100,755	78,793	210,951
Caa	75	-	-	75
	154,344	573,417	187,879	915,640

3.2.18 Loans and advances to customers (continued)

(b) Loans and advances - Stage 2

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Past due up to 30 days	22,384	225,983	336,984	585,351
Past due by 30 - 60 days	25	21,263	10,815	32,103
Past due 60-90 days	-	5,599	-	5,599
Above 90 days	95	2,585	50,380	53,060
Gross amount	22,504	255,430	398,179	676,114

(c) Loans and advances - Stage 3

	Overdraft ₦'million	Term loans ₦'million	Project finance ₦'million	Total ₦'million
Gross amount	38,462	117,107	29,919	185,488
Life time ECL- credit impaired	(16,480)	(35,734)	(5,517)	(57,731)
Net amount	21,982	81,373	24,402	127,757

3.2.19 Collaterised 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 2020 and 31 December 2019 are as shown below:

GROUP	Collaterised assets	
	Carrying value of the assets	Fair value of collateral held
31 December 2020		
Financial assets		
Loans and advances to banks	**1,016,823**	**481,411**
Financial assets at fair value through profit or loss	**87,652**	**1,509**
Total financial assets	**1,104,475**	**482,920**
31 December 2019		
Financial assets		
Loans and advances to banks	754,910	481,411
Financial assets at fair value through profit or loss	247,279	-
Total financial assets	1,002,189	481,411

COMPANY	Collaterised assets	
	Carrying value of the assets	Fair value of collateral held
31 December 2020		
Financial assets		
Loans and advances to banks	**11,240**	**-**
Financial assets at fair value through profit or loss	**2,116**	**-**
Total financial assets	**13,356**	**-**
31 December 2019		
Financial assets		
Loans and advances to banks	5,706	-
Financial assets at fair value through profit or loss	3,057	-
Total financial assets	8,763	-

The underlisted financial assets are not collaterised:
Cash and balances with Central Banks
Investment securities:
- Investment securities at fair value through other comprehensive income
- Amortised cost 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. See Note 31b for maturity analysis of leases.

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

GROUP

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

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2020							
Financial liabilities							
Deposits from banks	590,506	150,545	151,711	64,915	482	-	958,159
Deposits from customers	3,985,775	436,909	110,436	193,514	77,394	34,425	4,838,453
Derivative liabilities	7,464	-	-	-	-	-	7,464
Borrowings	10,653	1,204	14,510	114,147	289,878	181,701	612,093
Other liabilities	420,055	27,178	12,318	6,011	24,851	5,712	496,125
Total financial liabilities	5,014,452	615,837	288,975	378,587	392,605	221,838	6,912,294
Loan commitments	35,566	21,306	15,879	14,512	-	-	87,263
Letters of credit and other credit related obligations	84,295	129,420	191,640	375,383	39,249	12,923	832,909
Total commitments	119,861	150,726	207,519	389,895	39,249	12,923	920,173
Assets held for managing liquidity risk	1,098,808	1,600,230	339,038	342,510	321,555	167,023	3,869,164
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	3,016,554	442,908	217,822	191,402	164,839	19	4,033,544
Financial liabilities at fair value through profit or loss	6,046	-	-	-	-	-	6,046
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,653
Other liabilities	186,553	32,427	12,318	6,011	24,851	5,712	267,872
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	3,855,353	669,044	293,445	300,043	355,369	13,567	5,486,821
Loan commitments	37,164	35,959	2,545	4,547	915	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	505,350	96,892	4,400	942,234
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001

COMPANY

	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2020							
Financial liabilities							
Other liabilities	10,002	3,541	-	-	-	-	13,543
Total financial liabilities	10,002	3,541	-	-	-	-	13,543
Assets held for managing liquidity risk	9,683	2,396	502	453	2,913	10,175	26,122
31 December 2019							
Financial liabilities							
Other liabilities	8,479	841	-	-	-	-	9,321
Total financial liabilities	8,479	841	-	-	-	-	9,321
Assets held for managing liquidity risk	6,038	3,122	3,064	4,433	765	1,063	18,485

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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(b) Table B below presents the undiscounted cashflows payable by the Group based on their behavioral patterns. In managing its liquidity risk, the Group profiles its cashflows statistically using historical observations, to ensure that projections are in tune with demonstrated behavioral trends. The Group adopts a Behavioral run-off model in estimating Core and Volatile components of its non-maturing liabilities, complemented by qualitative factors e.g. changes in collection sweep cycles, effect of new fiscal or monetary policies etc. The objective is to determine the proportion of the non-contractual balances to be spread across the Group's maturity bands.

TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS

GROUP	0 - 30 days ₦'million	31 - 90 days ₦'million	91 - 180 days ₦'million	181 - 365 days ₦'million	Over 1 year but less than 5 yrs ₦'million	Over 5 years ₦'million	Total ₦'million
31 December 2020							
Financial liabilities							
Deposits from banks	578,471	162,580	151,711	64,915	482	-	958,159
Deposits from customers	349,725	522,649	232,855	421,959	605,144	2,706,121	4,838,453
Borrowings	10,653	1,204	14,510	114,147	289,878	181,701	612,093
Other liabilities	420,566	27,178	12,318	6,011	24,851	5,712	496,636
Total financial liabilities	1,359,414	713,612	411,394	607,032	920,355	2,893,533	6,905,341
Loan commitments	35,566	21,306	15,879	14,512	-	-	87,263
Letters of credit and other credit related obligations	84,295	129,420	191,640	375,383	39,249	12,923	832,909
Total commitments	119,861	150,726	207,519	389,895	39,249	12,923	920,173
Assets held for managing liquidity risk	1,098,808	1,600,230	339,038	342,510	321,555	167,023	3,869,164
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	326,749	507,489	337,255	348,004	424,910	2,088,791	4,033,197
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,652
Other liabilities	187,064	32,427	12,318	6,011	24,851	5,712	268,383
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	1,160,012	733,624	412,878	456,645	615,441	2,102,339	5,480,939
Loan commitments	37,164	35,959	2,545	5,459	3	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	506,262	95,980	4,400	942,233
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001

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 treasury bills that are readily accepted in repurchase agreements with the Central Bank and other market participants.
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios.
- 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, while lending is longer term. On an actuarial basis, the Bank's demand deposits exhibit much longer duration, with 80.83% of the Bank's current account balances and 88.57% 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. While 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 The out options and the foreign exchange (FX) contract will be settled on a net basis.

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

GROUP	Up to 1 month ₦'million	1-3 months ₦'million	3-6 months ₦'million	6 - 12 months ₦'million	1-5 years ₦'million	Over 5 years ₦'million	Total ₦'million
At 31 December 2020							
Derivative liabilities							
FX futures	(1,307)	(3,386)	(590)	(62)	(70)	-	(5,415)
FX swap	(41)	(12)	-	44,191	-	-	44,139
Put options	-	-	-	-	-	-	-
	(1,348)	(3,397)	(590)	44,129	(70)	-	38,723
Derivative assets							
FX futures	1,316	3,386	422	62	70	-	5,256
Put options	-	-	-	240	-	-	240
Forward contract	59	28	26	-	-	-	113
	1,375	3,414	448	302	70	-	5,610
	27	17	(142)	44,431	-	-	44,333
At 31 December 2019							
Derivative liabilities							
FX Futures	30	483	180	56	-	-	749
Cross-Currency swap	-	-	6	-	-	-	6
Put Options	966	534	-	-	-	-	1,501
	996	1,018	186	56	-	-	2,256
Derivative assets							
FX futures	167	834	259	90	-	-	1,350
Put options	1,098	627	-	240	-	-	1,965
Forward contract	1,302	2,458	1,522	-	-	-	5,282
	2,567	3,919	1,781	330	-	-	8,597
	3,563	4,937	1,967	386	-	-	10,853

(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.

GROUP	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
At 31 December 2020 (₦'million)							
Assets held-for-trading							
FX Swap - Payable	(66,400)	(193,274)	(21,986)	-	-	-	(281,659)
FX Swap - Receivable	80,065	228,554	22,714	-	-	-	331,333
Forward contract - Payment	(13,792)	(46,317)	(34,187)	-	-	-	(94,295)
Forward contract - Receipt	104,702	125,070	130,310	5,468	-	-	365,551
	104,575	114,034	96,852	5,468	-	-	320,929
Liabilities held-for-trading	(110)	(406)	-	-	-	-	(516)
FX Swap - Payable	110	403	-	-	-	-	513
FX Swap - Receivable	(11,838)	(36,852)	(33,975)	-	-	-	(82,666)
Forward contract - Payment	102,108	113,521	128,572	5,468	-	-	349,669
Forward contract - Receipt	-	-	-	-	-	-	-
	90,269	76,666	94,596	5,468	-	-	266,999
At 31 December 2019 (₦'million)							
Assets held-for-trading							
FX Swap - Payable	(530)	(18)	-	(99,600)	-	-	(100,148)
FX Swap - Receivable	533	6,372	-	121,535	-	-	128,439
Forward contract - Payment	(49,600)	(33,134)	(28,554)	(3,584)	-	-	(114,871)
Forward contract - Receipt	52,302	36,616	32,544	4,162	-	-	125,624
	2,705	9,836	3,990	22,513	-	-	39,043
Liabilities held-for-trading							
FX Swap - Payable	(110)	(406)	-	-	-	-	(516)
FX Swap - Receivable	110	403	-	-	-	-	513
Forward Contract - Payment	(31,996)	(13,546)	(15,065)	(1,172)	-	-	(61,780)
Forward Contract - Receipt	31,110	12,464	13,301	1,011	-	-	57,885
Put option	-	-	-	-	-	-	
	(887)	(1,083)	(1,764)	(161)	-	-	(3,899)

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 Group 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 Banks in each juridisdiction, 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 Stock Exchange.

3.4.1 Management of market risk

The Group'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, the 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;

• 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;

• 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 Group measures interest rate risk and foreign exchange risk using sensitivity analysis, see Note 3.4.5 and 3.4.3 respectively.

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.

3.4.2 Market risk measurement techniques (continued)

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

The Fixed Income portfolio (Interest Rate Risk) trading VaR is ₦GN1.1billion as at 31 December 2020 and reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was ₦3.2million as at 31 December 2020, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

VAR summary			
	12 months to 31 December 2020		
	Average	High	Low
Foreign exchange risk	11	32	-
Interest rate risk	2,314	4,603	17
Total VAR	2,325	4,635	17

VAR summary			
	12 months to 31 December 2019		
	Average	High	Low
Foreign exchange risk	4	87	-
Interest rate risk	117	1,211	17
Total VAR	121	1,298	17

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 Group 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) of each subsidiary 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 Group's holdings in rate-sensitive assets and liabilities the Group 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 Group uses a variety of tools to measure non-tradable interest rate risk such as:

- interest rate gap analysis (which allows the Group 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.

See Note 3.4.5 for interest rate sensitivity disclosures.

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.

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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 2020 and 31 December 2019. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2020						
Financial assets						
Cash and balances with Central Banks	1,521,834	38,069	6,694	27,446	37,687	1,631,730
Loans and advances to banks	531,918	223,823	214,272	27,778	19,032	1,016,823
Loans and advances to customers: Retail portfolio						
- Overdrafts	7,583	3,878	3	82	1,283	12,829
- Term loans	98,442	15,579	9	-	7,069	121,099
- Credit cards	1,406	516	-	-	-	1,922
- Mortgage	4,414	22	36,112	-	14	40,562
Loans and advances to customers: Corporate portfolio						
- Overdrafts	78,608	218,866	27	522	12,945	310,968
- Term loans	539,098	754,154	17,440	16,562	58,006	1,385,260
- Project finance	192,532	152,096	-	-	-	344,628
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI Investments	391,179	82,427	-	-	-	473,606
- Amortised cost investments	374,432	591,903	-	8	109,341	1,075,684
Asset pledged as collateral	622,537	-	-	-	13,376	635,913
Financial assets at fair value through profit or loss	47,146	72,322	385	747	107	120,707
Other assets	203,188	17,041	241	55	732	221,257
	4,614,317	2,170,696	275,183	73,200	259,592	7,392,988
Financial liabilities						
Customer deposits	3,593,153	744,207	373,376	31,052	152,927	4,894,715
Deposits from banks	122,306	871,697	14,418	18,401	12,398	1,039,220
Derivative liabilities	-	7,339	-	69	56	7,464
Borrowings	62,633	307,106	-	-	9,745	379,484
Other liabilities	371,174	134,317	4,373	14,345	4,853	529,062
	4,149,266	2,064,666	392,167	63,867	179,979	6,849,945

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3.4.3 Foreign exchange risk (continued)

GROUP

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2019						
Financial assets						
Cash and balances with Central Banks	927,665	47,678	4,438	15,362	30,182	1,025,325
Loans and advances to banks	419,582	163,531	144,667	18,990	8,140	754,910
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,747	4,708	61	55	1,301	11,872
- Term loans	79,951	8,687	23	-	6,097	94,758
- Credit cards	1,447	283	-	-	-	1,730
- Mortgage	4,502	65	30,029	-	15	34,611
Loans and advances to customers: Corporate portfolio						
- Overdrafts	110,103	81,698	2	-	6,279	198,082
- Term loans	502,828	353,660	19,152	10,668	17,611	903,920
- Project finance	105,762	501,675	-	-	-	607,437
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI Investments	475,197	79,469	-	-	-	554,666
- Amortised cost investments	114,669	683,650	-	7	61,538	859,864
Asset pledged as collateral	444,393	-	-	-	20,529	464,922
Financial assets at fair value through profit or loss	236,692	45,730	124	40	73	282,659
Other assets	103,524	17,041	241	55	732	121,593
	3,532,060	1,987,876	198,738	45,177	152,498	5,916,349
Financial liabilities						
Customer deposits	2,771,290	839,074	294,984	29,434	85,054	4,019,836
Deposits from banks	199,631	622,915	18,252	5,887	13,801	860,486
Derivative liabilities	-	6,039	7	-	-	6,046
Borrowings	83,001	166,716	81	798	-	250,596
Other liabilities	108,440	134,317	4,373	14,345	4,853	266,328
Investment contracts	24,676	-	-	-	-	24,676
	3,187,038	1,769,060	317,698	50,464	103,708	5,427,968

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3.4.3 Foreign exchange risk (continued)

COMPANY

	Naira ₦'million	USD ₦'million	GBP ₦'million	Euro ₦'million	Others ₦'million	Total ₦'million
31 December 2020						
Financial assets						
Loans and advances to banks	11,140	99	-	-	-	11,240
Loans and advances to customers: Retail portfolio						
- Term loans	61	-	-	-	-	61
Investment securities						
- FVOCI Investments	9,863	-	-	-	-	9,863
Financial assets at fair value through profit or loss	2,116	-	-	-	-	2,116
Other assets	14,214	-	-	-	-	14,214
	37,395	99	-	-	-	37,494
Financial liabilities						
Other liabilities	13,544					13,544
	13,544	-	-	-	-	13,544
31 December 2019						
Financial assets						
Loans and advances to banks	5,607	99	-	-	-	5,706
Loans and advances to customers: Retail portfolio						
- Term loans	94	-	-	-	-	94
Investment securities						
- FVOCI Investments	11,393	-	-	-	-	11,393
Financial assets at fair value through profit or loss	3,057	-	-	-	-	3,057
Other assets	15,729	-	-	-	-	15,729
	35,879	99	-	-	-	35,978
Financial liabilities						
Other liabilities	9,321					9,321
	9,321	-	-	-	-	9,321

3.4.3 Foreign exchange risk (continued)

The Company and Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalue amounts of assets of assets and liabilities denominated in US Dollars.

The Group is exposed to the US Dollar, EURO and GBP currencies. The Group's exposure to other foreign exchange movements is not material.

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

	GROUP	
	31 Dec 2020	**31 Dec 2019**
Naira strengthens by 10% against the US dollar (2019:10%)	**(10,587)**	(21,882)
Profit/(loss)		
Naira weakens by 10% against the US dollar (2019:10%)	**10,587**	21,882
Profit/(loss)		
Naira strengthens by 10% against the EURO (2019:10%)	**(933)**	529
Profit/(loss)		
Naira weakens by 10% against the EURO (2019:10%)	**933**	(529)
Profit/(loss)		
Naira strengthens by 10% against the GBP (2019:10%)	**11,698**	11,896
Profit/(loss)		
Naira weakens by 10% against the GBP (2019:10%)	**(11,698)**	(11,896)
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.

GROUP	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non-interest-bearing ₦'million
31 December 2020				
Financial assets				
Cash and balances with Central Banks	1,631,730	-	3,930	1,627,800
Loans and advances to banks	1,016,823	445,461	48,752	522,610
Loans and advances to customers: Retail portfolio				
- Overdrafts	12,829	12,648	181	-
- Term loans	121,099	108,714	12,385	-
- Credit cards	1,922	1,922	-	-
- Mortgage	40,562	39,900	662	-
Loans and advances to customers: Corporate portfolio				
- Overdrafts	310,968	299,872	11,096	-
- Term loans	1,385,260	1,294,771	82,032	8,457
- Project finance	344,628	344,628	-	-
Financial assets at fair value through profit or loss	126,354	-	15,417	110,937
Investment securities:				
- FVOCI Investments	473,606	-	282,385	191,221
- Amortised cost investments	1,075,684	59,287	1,016,397	-
Assets pledged as collateral	635,913	-	635,913	-
Other assets	221,257	-	-	221,257
	7,398,635	2,607,203	2,109,150	2,682,282
Financial liabilities				
Deposits from customers	4,894,715	2,348,098	1,214,086	1,332,531
Deposits from banks	1,039,220	747,630	206,322	85,268
Derivative liabilities	7,464	-	-	7,464
Other liabilities	529,062	-	-	529,062
Borrowings	379,484	52,455	178,338	148,691
	6,849,945	3,148,183	1,598,746	2,103,016
Interest rate mismatch		(540,980)	510,404	579,266

3.4.4 Interest rate risk (continued)

GROUP	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non-interest-bearing ₦'million
31 December 2019				
Financial assets				
Cash and balances with Central Banks	1,025,325	-	-	1,025,325
Loans and advances to banks	754,910	484,295	121,406	149,209
Loans and advances to customers: Retail portfolio				
- Overdrafts	11,872	11,872	-	-
- Term loans	94,758	84,267	10,541	-
- Credit cards	1,730	1,730	-	-
- Mortgage	34,611	34,611	-	-
Loans and advances to customers: Corporate portfolio				
- Overdrafts	198,082	198,082	-	-
- Term loans	903,920	857,977	39,764	6,179
- Project finance	607,438	607,438	-	-
Financial assets at fair value through profit or loss	282,660	-	208,592	74,068
Investment securities:				
- FVOCI Investments	554,666	-	395,626	159,040
- Amortised cost investments	859,864	-	859,864	-
Assets pledged as collateral	464,923	-	464,923	-
Other assets	121,593	-	1	121,592
	5,916,349	2,280,272	2,100,717	1,535,407
Financial liabilities				
Deposits from customers	4,019,836	1,775,779	1,391,530	852,526
Deposits from banks	860,486	542,766	316,513	1,207
Derivative liabilities	6,046	-	-	6,046
Other liabilities	266,328	-	-	266,328
Liability on investment contracts	24,676	-	-	24,676
Borrowings	250,596	72,258	178,338	-
	5,427,968	2,390,803	1,886,381	1,150,783
Interest rate mismatch		(110,531)	214,336	384,624

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3.4.4 Interest rate risk (continued)

COMPANY	Carrying amount ₦'million	Variable interest ₦'million	Fixed interest ₦'million	Non-interest-bearing ₦'million
31 December 2020				
Financial assets				
Loans and advances to banks	11,240		11,240	
Loans and advances to customers: Retail portfolio				
- Term loans	61		61	
Financial assets at fair value through profit or loss	2,116			2,116
Investment securities:				
- FVOCI Investments	9,863		9,863	
Other assets	87			87
	23,367	-	21,164	2,203
Financial liabilities				
Other liabilities	13,544			13,544
	13,543	-	-	13,544
Interest rate mismatch		-	21,164	(11,340)
31 December 2019				
Financial assets				
Loans and advances to banks	5,706		5,706	
Loans and advances to customers: Retail portfolio				
- Term loans	94		94	
Financial assets at fair value through profit or loss	3,057			3,057
Investment securities:				
- FVOCI Investments	11,393		11,393	
Other assets	87			87
	20,336	-	17,193	3,144
Financial liabilities				
Other liabilities	9,321			9,321
	9,320	-	-	9,321
Interest rate mismatch		-	17,193	(6,176)

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3.4.5 Interest rate sensitivity showing fair value interest rate risk

The aggregate figures presented above are further segregated into their various components as shown below:

	GROUP		COMPANY	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss				
Treasury bills	9,825	131,425	-	-
Bonds	5,593	77,482	-	-
Total	15,418	208,907	-	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	(308)	(4,178)	-	-
Favourable change @ 2% increase in interest rates	308	4,178	-	-
Investment securities - FVOCI				
Treasury bills	221,497	280,778	935	10,336
Bonds	60,888	114,847	8,928	810
Total	282,386	395,626	9,863	11,146
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	(5,648)	(7,913)	(197)	(223)
Favourable change @ 2% increase in interest rates	5,648	7,913	197	223

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3.5 Equity risk (Market 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 2020, the market value of quoted securities held by the Group is ₦2.92billion (2019: ₦1.06billion). If the all share index of the NSE moves by 4,827 basis points from the 40,270 position at 31 December 2020, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦1.41billion.

The Group holds a number of investments in unquoted securities with a market value of ₦227billion (2019: ₦193.37billion) of which investments in Airtel Nigeria Limited and African Finance Corporation (AFC) 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. See fair value hierarchy of these investments and sensitivity analysis in Note 3.6.

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

3.6 Fair value of financial assets and liabilities

3.6.1 Financial instruments measured at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	15,418	-	-	15,418
Equity	3,698	-	35,004	38,702
Derivatives	4,194	68,040	-	72,234
Assets pledged as collateral	273,437	-	-	273,437
FVOCI Investments				
Investment securities - debt	286,822	612	-	278,861
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	82,153	108,140	190,293
Investment securities - listed equity	927	-	-	927
Assets pledged as collateral	240,335	-	-	240,335
Derivative liabilities				
Derivatives	-	7,464	-	7,464

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3.6.1 Financial instruments measured at fair value – Fair value hierarchy (continued)

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2019				
Financial assets at fair value through profit or loss				
Debt securities	98,415	110,493	-	208,908
Equity	234	-	35,146	35,380
Derivatives	240	38,132	-	38,372
FVOCI Investments				
Investment securities - debt	164,560	227,540	-	392,100
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	63,207	95,013	158,220
Investment securities - listed equity	821	-	-	821
Assets pledged as collateral	269,542	174,851	-	444,393
Derivative liabilities				
Derivatives	-	6,046	-	6,046

COMPANY	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	**-**	**-**	**2,116**	**2,116**
FVOCI Investments				
Investment securities - debt	**9,863**	**-**	**-**	**9,863**
31 December 2019				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,057	3,057
FVOCI Investments				
Investment securities - debt	11,393	-	-	11,393

3.6.1 Financial instruments measured at fair value (continued)

(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 debt and 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 shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

GROUP	
At 1 January 2019	171,488
Acquisitions	6,417
Matured/redeemed	(29,108)
Total losses recognised through profit/loss	(349)
Total Gains recognised through OCI	38,718
Transfer into level 2 due to change in observability of market data	(53,970)
At 31 December 2019	133,196
Acquisitions	7,057
Matured/redeemed	(7,774)
Total Gains recognised through profit/loss	4,022
Total Gains recognised through OCI	9,680
At 31 December 2020	**146,180**

During the year ended 31 December 2020, there was transfer between level 3 and 2 fair value measurements based on availability of observable inputs.

3.6.1 Financial instruments measured at fair value (continued)

COMPANY	
At 1 January 2019	3,428
Total gains recognised through profit/loss	(371)
At 31 December 2019	3,057
Total losses recognised through profit/loss	(941)
At 31 December 2020	**2,116**

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

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

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples, EBITDA, cost of capital, illiquidity discount and transaction price as at 31 December 2020 is as shown in the below table:

Description	Valuation technique	Assumption	Fair Values
AIRTEL NIGERIA	EV/EBITDA	Base	88,290
		Sensitivity of +2.5%	90,258
		Sensitivity of -2.5%	85,621
NIBSS PLC	P/E multiples	Base	5,265
		Sensitivity of +2.5%	5,397
		Sensitivity of -2.5%	5,133
AFREXIM BANK LIMITED	P/B multiples	Base	623
		Sensitivity of +2.5%	639
		Sensitivity of -2.5%	607
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	NET ASSET VALUATION	Base	2,116
		Sensitivity of +2.5%	2,169
		Sensitivity of -2.5%	2,063
TIDE AFRICAN FUND	TRANSACTION PRICE	Base	819
		Sensitivity of +2.5%	839
		Sensitivity of -2.5%	798
RESOURCERY PLC (Ordinary shares)	MARKET APPROACH	Base	189
		Sensitivity of +2.5%	193
		Sensitivity of -2.5%	184
VT LEASING LIMITED (Ordinary shares and Convertible notes)	EV/EBITDA, DCF	Base	195
		Sensitivity of +2.5%	199
		Sensitivity of -2.5%	190
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Base	1,982
		Sensitivity of +2.5%	2,031
		Sensitivity of -2.5%	1,932
ECHO VC PAN AFRICA	NET ASSET VALUATION	Base	1,361
		Sensitivity of +2.5%	1,395
		Sensitivity of -2.5%	1,327
LEKKY BUDGET HOTEL	MARKET APPROACH	Base	240
		Sensitivity of +2.5%	246
		Sensitivity of -2.5%	234

3.6.1 Financial instruments measured at fair value (continued)

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.

3.6.2 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.

3.6.3 Financial instruments not measured at fair value

(a) 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)

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

GROUP				
	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	12,829	12,829
- Term loans	-	-	121,099	121,099
- Credit cards	-	-	1,922	1,922
- Mortgage	-	-	40,562	40,562
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	310,968	310,968
- Term loans	-	-	1,385,261	1,385,261
- Project finance	-	-	344,628	344,628
Amortised cost investments	1,032,955	-	13,061	1,075,684
Asset pledged as collateral	122,141	-	-	122,141
31 December 2020				
Financial liabilities				
Borrowing	-	-	379,484	379,484

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3.6.3 Financial instruments not measured at fair value (continued)

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

GROUP	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	11,871	11,871
- Term loans	-	-	94,757	94,757
- Credit cards	-	-	1,731	1,731
- Mortgage	-	-	34,612	34,612
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	198,088	198,088
- Term loans	-	-	903,914	903,914
- Project finance	-	-	607,439	607,439
- Advances under finance lease	-	-	-	-
Amortised cost investments	823,311	3,269	33,284	859,864
Asset pledged as collateral	20,529	-	-	20,529
31 December 2019				
Financial liabilities				
Borrowing	-	-	250,596	250,596

COMPANY	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million	Total ₦'million
31 December 2020				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	**-**	**-**	**61**	**61**
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	-	-	94	94

3.6.3 Financial instruments not measured at fair value (continued)

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

GROUP				
	31 December 2020		31 December 2019	
	Carrying value ₦'million	Fair value ₦'million	Carrying value ₦'million	Fair value ₦'million
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	109,111	109,111	50,486	50,486
Variable rate loans	2,108,157	2,097,728	1,801,925	1,801,925
Investment securities (Amortised cost)	599,464	908,073	859,863	846,654
Asset pledged as collateral	106,303	108,605	20,529	20,529
Loan commitments	87,263	87,263	81,131	81,131
Financial liability				
Borrowings	379,484	379,484	250,596	250,596

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 3 of the fair value heirarchy.

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
FBN Holdings Plc	Central Bank of Nigeria	Paid-up Capital in excess of aggregated minimum paid up capital of subsidiaries
First Bank of Nigeria Limited	Central Bank of Nigeria	₦50billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	₦15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: ₦150million; Broker-Dealer: ₦300million; Underwriter: ₦200million; and Fund Manager: ₦150million
FBNQuest Trustees Limited	Seurities and Exchange Commission	Trustee: ₦300million
FBN Insurance Brokers Limited	National Insurance Commission	₦5million Capital
FBN Insurance Limited	National Insurance Commission	₦2billion 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.

The test of capital adequacy for FBN Holdings Plc and its subsidiaries, in accordance with the requirements of paragraphs 7.1 and 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2020 and 2019 are as follows:

i. FBN Holdings Plc

	Proportion of shares held		FBN Holdings Plc's share of minimum paid up capital	
Subsidiary	**31 December 2020 (%)**	**31 December 2019 (%)**	**31 December 2020 ₦'million**	**31 December 2019 ₦'million**
First Bank of Nigeria Limited	**100**	100	**50,000**	50,000
FBNQuest Merchant Bank Limited	**100**	100	**15,000**	15,000
FBNQuest Capital Limited	**100**	100	**800**	800
FBNQuest Trustees Limited	**100**	100	**300**	300
FBN Insurance Limited	**-**	65	**-**	1,300
FBN Insurance Brokers Limited	**100**	100	**5**	5
Rainbow Town Development Limited	**55**	55	**-**	-
Aggregated minimum paid up Capital of Subsidiaries			**66,105**	67,405
FBN Holdings Plc's Paid-up Capital			**251,340**	251,340

4. Capital management (continued)

ii. First Bank of Nigeria Limited and FBNQuest 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 tier 1 capital based on CBN's guidelines.

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 2020 and 2019. It shows the composition of regulatory capital and ratios for the years. During those years, First Bank of Nigeria Limited and FBNQuest Merchant Bank complied with all the regulatory capital requirements to which they are subjected.

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted impact	Full impact	Adjusted impact
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Tier 1 capital					
Share capital	4,302	4,302	17,948	17,948	16,316
Share premium	3,905	3,905	212,609	212,609	189,241
Statutory reserve	8,611	7,879	100,178	100,178	92,915
SMEEIS reserves	-	-	6,076	6,076	6,076
Retained earnings	13,910	11,261	98,272	98,272	78,679
IFRS 9 Transitional Adjustment	-	-	29,866	-	59,733
Less: Goodwill/Deferred Tax	(9,311)	(9,924)	(10,435)	(10,435)	(13,222)
Less: Investment in subsidiaries	(1,313)	(1,313)	(53,713)	(53,713)	(53,319)
Total qualifying for tier 1 capital	20,102	16,109	400,801	370,935	376,419
Tier 2 capital					
Fair value reserve	1,937	(316)	166,241	166,241	143,768
Other borrowings	4,929	-	78,078	78,078	70,934
Total tier 2 capital	6,866	(316)	244,319	244,319	214,702
Tier 2 Capital Restriction	6,866	(316)	197,912	187,956	143,246
Less: Investment in subsidiaries	-	-	(53,713)	(53,713)	(53,319)
Total qualifying for tier 2 capital	6,866	(316)	144,200	134,244	89,927
Total regulatory capital	26,968	15,793	545,001	505,179	466,346
Risk-weighted assets					
Credit Risk	78,422	68,330	2,522,017	2,481,187	2,237,521
Operational Risk	20,814	19,959	602,751	602,751	620,501
Market Risk	2,048	1,111	78,876	78,876	160,929
Total risk-weighted assets	101,284	89,400	3,203,644	3,162,814	3,018,951
Risk-weighted Capital Adequacy Ratio (CAR)	26.63%	17.67%	17.01%	15.97%	15.45%
Tier 1 CAR	19.85%	18.02%	12.51%	11.73%	12.47%

4. Capital management (continued)

ii. First Bank of Nigeria Limited and FBNQuest Merchant Bank Limited (continued)

The Central Bank of Nigeria, in its circular on transitional arrangements on treatment of IFRS 9 expected credit loss for regulatory purposes by banks in Nigeria dated 18 October 2018, has recommended transitional arrangements to cushion the impact of IFRS 9 implementation on tier 1 regulatory capital. The regulator advised that the balance in regulatory risk reserve should be applied to retained earnings to reduce the additional ECL provisions on opening retained earnings. Where the additional ECL provision is higher than the regulatory risk reserve transfer, the excess shall be amortised in line with the transitional arrangements. The regulatory arrangement for amortisation of the impact is as shown below:

Period	Provisions to be written back
Year 0 (1 January 2018)	4/5 of Adjusted Day One Impact
Year 1 (31 December 2018)	3/5 of Adjusted Day One Impact
Year 2 (31 December 2019)	2/5 of Adjusted Day One Impact
Year 3 (31 December 2020)	1/5 of Adjusted Day One Impact
Year 4 (31 December 2021)	Nil

iii. Other Regulated Subsidiaries

	31 December 2020			31 December 2019	
	Regulatory capital ₦'million	Shareholders fund ₦'million	Excess/ (Shortfall) ₦'million	Shareholders fund ₦'million	Excess/ (Shortfall) ₦'million
FBNQuest Capital Limited	800	17,202	16,402	14,264	13,464
FBNQuest Trustees Limited	300	5,420	5,120	3,669	3,369
FBN Insurance Brokers Limited	5	118	113	213	208

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 of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Determination of definition of default
- Estimation of loss given default.

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 of the annual report

b Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly arm'slength transaction between market participants in the principal market under current market conditions (i.e., the exit price). Fair value measurements are categorised into levels within a fair value hierarchy based on the nature of the valuation inputs (level 1, 2 or 3). Fair value is based on unadjusted quoted prices in an active market for the same instrument, where available (level 1). If active market prices or quotes are not available for an instrument, fair value is then based on valuation models in which the significant inputs are observable (level 2) or in which one or more of the significant inputs are non-observable (level 3). Estimating fair value requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available. For instruments valued using internally developed models that use significant non-observable market inputs and are therefore classified within level 3 of the hierarchy, the judgement used to estimate fair value is more significant than when estimating the fair value of instruments classified within levels 1 and 2. To ensure that valuations are appropriate, a number of policies and controls are in place. Valuation inputs are verified to external sources such as exchange quotes, broker quotes or other management-approved independent pricing sources.

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 3.6 for additional sensitivity information for financial instruments.

c Retirement benefit obligation

The Group recognises its obligations to its employees on the gratuity scheme at the period end, less the fair value of the plan assets after performing actuarial valuation of the obligation. The scheme's obligations are calculated using the projected unit credit method. Plan assets are stated at fair value as at the period end. Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

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

d Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See Note 32 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2019: Nil)

e Determining the lease term: Extension and termination options

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Group.

f Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in Note 33.

6 Segment information

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

Prior to June 2020, the Group was divided into four business groups namely;

1. Commercial Banking Business Group
2. Merchant Banking and Asset Management Business Group
3. Insurance Business Group
4. Others

Following the divestment from FBN Insurance Limited in June 2020, the Board of Directors approved that the following be adopted as the new reportable business groups of FBN Holdings Plc.

1. Commercial Banking Business Group
2. Merchant Banking and Asset Management Business Group
3. Others

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.

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Others

Others, previously referred to as Other Financial Services, comprises of FBN Holdings Plc., the parent company, FBN Insurance Brokers Limited and Rainbow Town Development Limited.

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 Board of Directors 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 Board of Directors.

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

Segment result of operations

Total revenue in the segment represents: Interest income, fee and commission income, foreign exchange income, net gains/losses on sale of investment securities, net gains/losses from financial instruments at fair value through profit/loss, dividend income, other operating income and share of profit/loss of associates.

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Commercial Banking Group ₦'million	MBAM Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2020				
Total segment revenue	539,048	38,865	19,143	597,055
Inter-segment revenue	(311)	(240)	(17,076)	(17,626)
Revenue from external customers	538,737	38,625	2,067	579,429
Interest income	364,766	18,940	1,093	384,798
Interest expense	(120,247)	(12,924)	(13)	(133,184)
Profit/(loss) before tax	75,168	11,576	(3,042)	83,702
Income tax expense	(5,814)	(1,929)	(369)	(8,111)
Profit/(loss) for the year from continuing operations	69,354	9,647	(3,410)	75,591
Impairment charge for losses	(49,307)	(1,287)	-	(50,597)
Profit for the year from discontinued operations	-	-	14,138	14,138
Depreciation	(17,804)	(589)	(241)	(18,634)

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	Commercial Banking Group ₦'million	MBAM Group ₦'million	Others ₦'million	Total ₦'million
At 31 December 2020				
Total assets	7,308,405	325,743	54,880	7,689,028
Other measures of assets:				
Loans and advances to customers	2,161,437	55,759	72	2,217,268
Expenditure on non-current assets	111,722	1,621	690	114,034
Investment securities	1,437,662	101,649	9,980	1,549,290
Total liabilities	6,630,775	276,204	16,878	6,923,857
At 31 December 2019				
Total segment revenue	553,554	35,907	18,715	608,176
Inter-segment revenue	(263)	(464)	(17,064)	(17,790)
Revenue from external customers	553,291	35,443	1,652	590,386
Interest income	408,527	21,680	1,728	431,934
Interest expense	(136,838)	(15,489)	(14)	(152,342)
Profit/(loss) before tax	71,188	7,487	(3,389)	75,286
Income tax expense	(8,088)	(1,080)	(74)	(9,242)
Profit/(loss) for the year from continuing operations	63,100	6,406	(3,462)	66,044
Impairment charge for losses	(50,821)	(272)	-	(51,093)
Loss for the year from discontinued operations	-	-	7,621	7,621
Depreciation	(15,365)	(743)	(719)	(16,827)
At 31 December 2019				
Total assets	5,807,301	227,577	168,648	6,203,526
Other measures of assets:				
Loans and advances to customers	1,805,404	46,479	528	1,852,411
Expenditure on non-current assets	107,854	1,751	3,335	112,939
Investment securities	1,323,045	52,631	38,855	1,414,530
Total liabilities	5,241,950	191,809	108,642	5,542,401

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6 Segment information (continued)

Geographical information	31 Dec 2020 ₦'million	31 Dec 2019 ₦'million
Revenue:		
Nigeria	494,762	506,297
Outside Nigeria	84,667	84,089
Total	579,429	590,386
Non-current asset		
Property and equipment:		
Nigeria	93,798	93,261
Outside Nigeria	20,236	19,678
Total	114,034	112,939

7 Interest income

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Loans and advances to customers	**241,027**	245,589	**15**	8
Investment securities at FVOCI	**84,160**	119,033	**967**	1,496
Investment securities at amortised cost	**34,693**	44,104	**-**	-
Loans and advances to banks	**24,590**	22,957	**350**	669
Total interest income calculated using effective interest income	**384,470**	431,683	**1,332**	2,173
Investment securities at Fair value through profit or loss	**328**	251	**-**	-
	384,798	431,934	**1,332**	2,173

Interest income on loans and advances to customers includes interest income of ₦6.9billion (2019: ₦11.6billion) on stage 3 loans, for which effective interest rate is applied to the net carrying amount of the asset after deduction of the loss allowance.

8 Interest expense

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Deposit from customers	**90,609**	111,217	**-**	-
Deposit from banks	**26,353**	24,855	**-**	-
Borrowings	**15,515**	15,552	**-**	-
Lease liability	**706**	718	**13**	14
	133,183	152,342	**13**	14

9 Impairment charge for losses

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Loans and advances to banks (refer Note 21)		
12- month ECL	**1,895**	(293)
	1,895	(293)
Investment securities (refer to Note 24)		
Stage 1 - 12- month ECL	**469**	(1,049)
	469	(1,049)
Loans and advances to customers (refer to Note 22)		
Stage 1 - 12- month ECL	**654**	3,729
Stage 2 - Lifetime ECL	**570**	884
Stage 3 - Lifetime ECL	**52,291**	54,169
	53,515	58,782
Net recoveries on loans previously written-off	**(11,234)**	(7,493)
Write-off of loans	**-**	(1,851)
Other assets (refer to Note 26)		
Other Assets ECL	**7,285**	1,261
	7,285	1,261
Off balance sheet (refer to Note 36)		
Impairment (reversal)/charge	**(1,334)**	1,736
Net impairment charge	**50,596**	51,093

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10a Fee and commission income

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Credit related fees	**9,604**	4,898
Letters of credit commissions and fees	**11,894**	6,382
Electronic banking fees	**48,680**	48,033
Money transfer commission	**1,607**	1,951
Commission on bonds and guarantees	**675**	620
Funds transfer and intermediation fees	**9,179**	7,799
Account maintenance	**12,804**	13,268
Brokerage and intermediations	**4,438**	3,190
Custodian fees	**6,620**	5,980
Financial advisory fees	**327**	2,571
Fund management fees	**3,980**	3,423
Trust fee income	**1,243**	1,180
Other fees and commissions	**2,171**	4,086
	113,222	103,381
Timing of revenue recognition		
At a point in time	**83,115**	79,640
Over time	**30,107**	23,741
	113,222	103,381

10b Fees and commission expense

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
	19,446	20,483

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

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11 Foreign exchange income

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Revaluation gain/(loss)on foreign currency balances (unrealised)	6,080	(1,186)	34	6
Foreign exchange trading income (realised)	(4,620)	10,726	-	-
	1,460	9,540	34	6

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

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Gain/(loss) on sale of investment securities	48,078	17,493	(10)	8
	48,078	17,493	(10)	8

This relates to gain/(loss) on sale of financial assets at fair value through other comprehensive income.

13 Net gains/(losses) from financial instruments at FVTPL

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Fair value gain on derivatives	3,865	10,475	-	-
Fair value gain/(loss) on equities	1,550	110	(941)	(371)
Fair value gain on debt securities	13,524	2,445	-	-
Fair value gain/(loss) on financial instruments at FVTPL	18,939	13,030	(941)	(371)
Trading income on debt securities	4,836	7,532	-	-
Net gains/(losses) from financial instruments at FVTPL	23,775	20,562	(941)	(371)

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14 Dividend income

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
First Bank of Nigeria Limited	-	-	12,500	12,500
FBNQuest Capital Limited	-	-	600	1,200
FBNQuest Merchant Bank Limited	-	-	1,500	-
FBNQuest Trustees Limited	-	-	1,233	288
FBN Insurance Limited	-	-	2,584	2,602
FBN Insurance Brokers Limited	-	-	190	160
Entities outside the Group*	3,983	4,368	-	-
Withholding tax on dividend	-	-	(311)	(170)
	3,983	4,368	18,296	16,580

*This represents dividend income earned from equity investments held by subsidiaries of FBN Holdings Plc.

15 Other operating income

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Gain on sale of investment properties	-	273
Profit on sale of property and equipment	199	75
Other income	3,432	2,673
	3,631	3,021

Other income for the Group largely comprises of income made from private banking services and VAT recovered.

16 Personnel expenses

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Wages and salaries	89,259	80,528	1,434	1,171
Pension costs:				
- Defined contribution plans	4,868	3,344	31	30
- Defined benefit cost (refer Note 40)	222	66	-	-
Other staff benefits	6,235	11,935	-	-
	100,584	95,873	1,465	1,201

16 Personnel expenses (continued)

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the present value 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 year was as follows:

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Executive Directors	1	1	1	1
Management	768	488	7	6
Non-management	7,573	8,527	29	30
	8,342	9,016	37	37

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

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Below ₦2,000,000	282	454	4	3
₦2,000,001 - ₦2,800,000	64	1,631	-	-
₦2,800,001 - ₦3,500,000	59	367	-	1
₦3,500,001 - ₦4,000,000	1,385	155	-	1
₦4,000,001 - ₦5,500,000	112	826	4	5
₦5,500,001 - ₦6,500,000	920	1,846	1	2
₦6,500,001 - ₦7,800,000	1,984	1,427	2	1
₦7,800,001 - ₦9,000,000	62	800	1	2
₦9,000,001 and above	3,473	1,509	24	21
	8,341	9,015	36	36

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17 Other operating expenses

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Auditors' remuneration[1]	950	977	25	25
Directors' emoluments	3,852	3,491	984	977
Regulatory cost	44,820	38,532	-	-
Maintenance	29,617	27,815	132	140
Insurance premium	2,271	1,293	70	62
Rent and rates	3,503	1,648	-	-
Advert and corporate promotions	7,718	18,135	233	234
Legal and other professional fees	9,283	9,345	355	528
Donations and subscriptions	2,286	739	24	9
Stationery and printing	1,363	1,420	26	41
Communication, light and power	6,738	6,629	6	11
Cash handling charges	1,570	3,516	-	-
Operational and other losses	11,168	20,378	-	-
Passages and travels	3,511	6,783	291	377
Outsourced cost	17,824	19,535	26	22
Statutory fees	46	1,027	32	36
WHT on retained dividend	311	170	-	-
Fines and penalties	226	64	3	-
Other operating expenses[2]	18,988	11,214	620	526
	166,045	172,711	2,827	2,988

[1]Auditors' remuneration for the Group represents the aggregate of the fees paid by the various entities in the Group to their respective auditors.

[2]Other operating expenses majorly warehouses debt recovery expenses amounting to ₦11.3bn as at 31 December 2020.

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18 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
(a) Income tax expense				
Corporate tax	**8,657**	8,364	**53**	12
Education tax	**160**	150	**-**	-
Technology tax	**440**	795	**158**	-
Police trust fund levy	**3**	-	**2**	-
Over provision in prior years	**(39)**	(599)	**-**	-
Current income tax - current period	**9,221**	8,710	**213**	12
Origination and reversal of temporary deferred tax differences	**(1,110)**	532	**-**	-
Income tax expense	**8,111**	9,242	**213**	12

GROUP	2020		2019	
Profit before income tax	**83,703**		75,286	
Tax calculated using the domestic corporation tax rate of 30% (2019: 30%)	**25,111**	**30%**	22,586	30%
Effect of tax rates in foreign jurisdictions	**62**	**-**	(302)	-
Tax exempt income	**(55,389)**	**(66%)**	(51,675)	(69%)
Non-deductible expenses	**33,328**	**40%**	31,558	42%
Effect of education tax levy	**155**	**-**	147	-
Effect of Information technology	**490**	**1%**	823	1%
Effect of capital gains tax	**-**	**-**	(18)	-
Effect of minimum tax	**1,286**	**2%**	2,406	3%
Effect of change in tax rate	**(334)**	**-**	(157)	-
Effect of exchange rate	**-**	**-**	(341)	-
Origination and reversal of temporary deferred tax differences	**-**	**-**	(2)	-
Tax incentives	**(2,990)**	**(4%)**	(134)	
Tax loss effect	**6,347**	**8%**	4,823	6%
Over/(under) provision in prior years	**45**	**-**	(474)	(1%)
Effect of police trust fund Levy	**3**	**-**	2	-
Total income tax expense in income statement	**8,111**	**10%**	9,242	12%
Income tax expense	**8,111**	**10%**	9,242	12%

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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18 Taxation - Income tax expense and liability (continued)

COMPANY	2020		2019	
Profit before income tax	34,073		13,874	
Tax calculated using the domestic corporation tax rate of 30% (2019: 30%)	10,222	30%	4,162	12%
Tax exempt income	(11,793)	(35%)	(5,427)	(16%)
Non-deductible expenses	399	1%	412	1%
Effect of Information technology	158	-	-	-
Effect of minimum tax	53	-	11	-
Effect of police trust fund Levy	2	-	1	-
Tax loss effect	1,174	3%	853	3%
Total income tax expense in income statement	213	1%	12	-
Income tax expense	213	1%	12	-

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
(b) Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of year	13,778	15,656	12	102
Tax paid	(8,297)	(10,443)	-	(36)
Withholding tax credit utilised	(1,199)	(893)	(11)	(66)
Prior period under provision	(99)	(18)	-	-
Income tax charge	9,221	8,710	213	12
Effect of discontinued operations	(2,473)	541		
Effect of Changes in Exchange Rate	316	225	-	-
At end of year	11,247	13,778	214	12
Current	11,247	13,778	214	12

19 Cash and balances with central banks

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Cash	**122,602**	125,929
Balances with Central Banks excluding mandatory reserve deposits	**186,685**	55,960
	309,287	181,889
Mandatory reserve deposits with Central Banks	**1,322,443**	843,436
	1,631,730	1,025,325

Restricted deposits with Central Banks are not available-for-use in Group's day-to-day operations. FBN Limited and FBNQuest Merchant Bank Limited had restricted balances of ₦1,271.81billion and ₦39.37billion respectively with Central Bank of Nigeria (CBN) as at 31 December 2020 (December 2019: ₦828.69billion and ₦8.00billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. FBN Bank Ghana and FBN Bank Guinea also had restricted balances of ₦4.870billion and ₦4.992billion (December 2019: ₦2.84billion and ₦2.64billion) respectively with their respective Central Banks.

20 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 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Cash (Note 19)	**122,602**	125,929	**-**	-
Balances with central banks other than mandatory reserve deposits (Note 19)	**186,685**	55,960	**-**	-
Loans and advances to banks excluding long-term placements (Note 21)	**843,918**	625,680	**11,240**	5,706
Treasury bills included in financial assets at FVTPL (Note 23)	**1,929**	8,641	**-**	-
Treasury bills and eligible bills excluding pledged treasury bills (Notes 24.1 & 24.2)	**777,759**	488,788	**-**	-
	1,932,893	1,304,998	**11,240**	5,706

21 Loans and advances to banks

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Current balances with banks within Nigeria	**426,314**	356,031	**1,894**	3,794
Current balances with banks outside Nigeria	**315,377**	242,382	**-**	-
Placements with banks and discount houses (short-term)	**102,227**	27,267	**9,346**	1,912
	843,918	625,680	**11,240**	5,706
Long-term placement/Cash collateral balance	**175,491**	129,959	**-**	-
Stage 1 : 12 month ECL on placements	**(2,586)**	(729)		
Carrying amount	**1,016,823**	754,910	**11,240**	5,706

Included in loans and advances to banks are long-term (more than 3 months) placement/cash collateral balance of ₦175.49billion balance for Group (31 December 2019: ₦129.96billion) which do not qualify as cash and cash equivalent. Also included in the Group's Loans and advances to banks is the sum of ₦199.74billion (2019: 67.33billion) in respect of trade finance and other short-term financing advanced to banks on the back of their letters of credit/trade related transactions. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of year	**(729)**	(985)	**-**	-
Impairment (charge)/writeback	**(1,895)**	293	**-**	-
Effect of discontinued operations	**38**	(38)	**-**	-
At end of year	**(2,586)**	(729)	**-**	-

22 Loans and advances to customers

GROUP	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total impairment ₦'million	Carrying amount ₦'million
Corporate						
31 December 2020						
Overdrafts	323,250	(713)	(548)	(11,021)	(12,282)	310,968
Term loans	1,419,545	(5,203)	(7,396)	(21,686)	(34,285)	1,385,260
Project finance	360,530	(205)	(44)	(15,653)	(15,902)	344,628
	2,103,325	(6,121)	(7,988)	(48,360)	(62,469)	2,040,856
Retail						
Overdrafts	19,915	(2,313)	(75)	(4,698)	(7,086)	12,829
Term loans	125,311	(3,013)	(50)	(1,149)	(4,212)	121,099
Credit cards	1,948	(15)	-	(11)	(26)	1,922
Mortgage	41,046	(71)	(11)	(402)	(484)	40,562
	188,220	(5,412)	(136)	(6,260)	(11,808)	176,412
Total loans and advances to customers	2,291,545	(11,533)	(8,124)	(54,621)	(74,277)	2,217,268
Corporate						
31 December 2019						
Overdrafts	215,310	(625)	(123)	(16,480)	(17,229)	198,081
Term loans	945,954	(2,361)	(3,939)	(35,734)	(42,035)	903,919
Project finance	615,978	(947)	(2,075)	(5,517)	(8,539)	607,439
	1,777,242	(3,933)	(6,139)	(57,731)	(67,803)	1,709,439
Retail						
31 December 2019						
Overdrafts	15,901	(414)	(28)	(3,587)	(4,029)	11,872
Term loans	101,501	(4,927)	(21)	(1,795)	(6,743)	94,758
Credit cards	1,779	(6)	-	(43)	(49)	1,730
Mortgage	34,899	(44)	(2)	(242)	(288)	34,611
	154,080	(5,391)	(51)	(5,667)	(11,109)	142,971
Total loans and advances to customers	1,931,321	(9,324)	(6,190)	(63,398)	(78,910)	1,852,411

22 Loans and advances to customers (continued)

COMPANY	Gross amount ₦'million	Stage 1 12 months ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total impairment ₦'million	Carrying amount ₦'million
31 December 2020						
Term loans	61	-	-	-	-	61
	61	-	-	-	-	61
31 December 2019						
Term loans	94	-	-	-	-	94
	94	-	-	-	-	94

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Current	955,641	837,142	6	14
Non-current	1,261,627	1,015,269	55	80
	2,217,268	1,852,411	61	94

22 Loans and advances to customers (continued)

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate ₦'million	Retail ₦'million	Total ₦'million
At 1 January 2020			
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,137	51	6,188
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
	67,801	11,109	78,910
Additional allowance			
12 months ECL- Stage 1	627	27	654
Life time ECL not credit impaired - Stage 2	574	(4)	570
Life time ECL credit impaired - Stage 3	47,347	4,943	52,291
	48,549	4,967	53,515
Exchange difference			
12 months ECL- Stage 1	1,561	(6)	1,555
Life time ECL not credit impaired - Stage 2	1,275	89	1,364
Life time ECL credit impaired - Stage 3	(519)	(311)	(830)
Loan write off			
Life time ECL credit impaired - Stage 3	(56,199)	(4,039)	(60,238)
At 31 December 2020	62,469	11,809	74,277
12 months ECL- Stage 1	6,121	5,412	11,533
Life time ECL not credit impaired - Stage 2	7,988	136	8,124
Life time ECL credit impaired - Stage 3	48,360	6,260	54,621
At 31 December 2020	62,469	11,808	74,277

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22 Loans and advances to customers (continued)

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate ₦'million	Retail ₦'million	Total ₦'million
At 1 January 2019			
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,581	32,655	375,236
	351,890	34,138	386,028
Additional allowance			
12 months ECL- Stage 1	(307)	4,036	3,729
Life time ECL not credit impaired - Stage 2	869	15	884
Life time ECL credit impaired - Stage 3	47,979	6,190	54,169
	48,541	10,241	58,782
Exchange difference			
12 months ECL- Stage 1	83	(95)	(12)
Life time ECL not credit impaired - Stage 2	118	3	121
Life time ECL credit impaired - Stage 3	537	(137)	400
Loan write off			
Life time ECL credit impaired - Stage 3	(333,366)	(33,041)	(366,407)
At 31 December 2019	67,803	11,109	78,910
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,137	51	6,188
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
At 31 December 2019	67,801	11,109	78,910

22 Loans and advances to customers (continued)

Nature of security in respect of loans and advances:

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Legal Mortgage/Debenture on Business Premises, Factory Assets or Real Estates	**1,324,048**	1,089,527	**-**	-
Guarantee/Receivables of Investment Grade Banks and State Govt.	**296,280**	161,961	**-**	-
Domiciliation of receivables	**293,712**	321,776	**-**	-
Clean/Negative Pledge	**228,147**	182,846	**-**	-
Marketable Securities/Shares	**25**	466	**-**	-
Otherwise Secured	**45,601**	51,579	**61**	94
Cash/Government Securities	**103,732**	123,166	**-**	-
	2,291,545	1,931,321	**61**	94

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

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

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Treasury bills with maturity of less than 90 days	**1,929**	8,641	**-**	-
Treasury bills with maturity over 90 days	**7,896**	122,785	**-**	-
Bonds	**5,593**	77,482	**-**	-
Total debt securities	**15,418**	208,908	**-**	-
Listed equity securities	**1,993**	234	**-**	-
Unlisted equity securities	**36,709**	35,146	**2,116**	3,057
Total equity securities	**38,702**	35,380	**2,116**	3,057
Derivative assets (refer Note 23a)	**72,234**	38,372	**-**	-
Total assets at fair value through profit or loss	**126,354**	282,660	**2,116**	3,057
Current	**15,418**	208,907	**-**	-
Non Current	**110,936**	73,753	**2,116**	3,057
	126,354	282,660	**2,116**	3,057

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held-for-trading' for accounting purposes and are accounted for at fair value through profit or loss.

23 Financial assets and liabilities at fair value through profit or loss (continued)

a Derivatives

GROUP	31 Dec 2020 Notional contract amount ₦'million	Fair values Asset ₦'million	Fair values Liability ₦'million
Foreign exchange derivatives			
Forward FX contract	439,947	13,099	(2,048)
FX Futures	200,880	5,283	(5,416)
Currency swap	330,553	49,658	-
Put options	-	4,194	-
	971,380	72,234	(7,464)
Current	971,380	72,234	(7,464)
Non-current	-	-	-
	971,380	72,234	(7,464)

GROUP	31 Dec 2019 Notional contract amount ₦'million	Fair values Asset ₦'million	Fair values Liability ₦'million
Foreign exchange derivatives			
Forward FX contract	384,353	15,752	(3,787)
FX Accumulator Contract	511,637	1,350	(748)
Currency swap	117,067	19,306	(10)
Put options	56,056	1,964	(1,501)
	1,069,113	38,372	(6,046)
Current	1,068,999	38,372	(6,046)
Non-current	114	-	-
	1,069,113	38,372	(6,046)

24 Investment Securities

24.1 Investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**178,295**	5,249	**-**	-
– Treasury bills with maturity of more than 90 days	**43,202**	275,529	**935**	10,336
– Government bonds	**44,675**	91,997	**8,928**	1,057
– Other bonds	**16,214**	22,850		
Equity securities – at fair value:				
– Listed	**927**	821	**-**	-
– Unlisted	**190,293**	158,220	**-**	-
Total securities classified as FVOCI	**473,606**	554,666	**9,863**	11,393
Current	**212,686**	298,466	**935**	10,336
Non-current	**260,920**	256,200	**8,928**	1,057
	473,606	554,666	**9,863**	11,393

Reconciliation of impairment on investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of period	**1,099**	1,833	**-**	-
Increase in impairment	**(90)**	(734)	**-**	-
Effect of discontinued operations	**(138)**		**-**	-
At end of period	**871**	1,099	**-**	-

24.2 Investment securities at amortised cost

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**599,464**	483,539	**-**	-
– Treasury bills with maturity of more than 90 days	**89,769**	33,397	**-**	-
– Bonds	**375,515**	327,821	**-**	-
– Unlisted debt	**12,032**	15,717		
Impairment on Amortised Cost securities				
- Stage 1: 12- month ECL	**(1,096)**	(610)	**-**	-
Total securities at amortised cost	**1,075,684**	859,864	**-**	-
Current	**885,325**	653,097	**-**	-
Non Current	**190,359**	206,767	**-**	-
	1,075,684	859,864	**-**	-
Total investment securities	**1,549,290**	1,414,530	**9,863**	11,393

Reconciliation of impairment on investment securities at amortised cost

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of year	**610**	835	**-**	-
Increase/(writeback) of impairment	**486**	(225)	**-**	-
At end of year	**1,096**	610	**-**	-

25 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 2020 ₦'million	31 December 2019 ₦'million
Debt securities at FVOCI (Note 25.1)	**240,335**	444,393
Debt securities at amortised cost (Note 25.2)	**122,141**	20,529
Debt securities at FVTPL (Note 25.3)	**273,437**	-
	635,913	464,922

25.1 Debt securities at FVOCI

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
- Treasury bills	**240,335**	417,667
- Bonds	**-**	26,726
	240,335	444,393

25.2 Debt securities at amortised cost

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
- Treasury bills	**42,114**	19,416
- Bonds	**80,027**	1,113
	122,141	20,529

25.3 Debt securities at FVTPL

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
– Treasury bills	273,437	-
	273,437	-

The related liability for assets held as collateral include:		
Bank of Industry	19,373	24,508
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	28,076	48,077
Due to Other Banks	344,284	199,834

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 ₦64.8billion for the Group in December 2020 (2019: ₦47.0billion) for which there is no related liability.

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Current	568,218	440,820
Non-current	67,695	24,102
	635,913	464,922

All assets pledged as collateral are stage 1 assets.

26 Other assets

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Financial assets:				
Premium debtors	**68**	80	**-**	-
Accounts receivable	**240,273**	138,372	**14,214**	15,729
Reinsurance assets	**-**	3,081	**-**	-
	240,341	141,533	**14,214**	15,729
Impairment on other assets - Simplified Approach	**(19,084)**	(19,940)	**-**	-
	221,257	121,593	**14,214**	15,729
Non financial assets:				
Stock of consumables	**2,485**	1,762	**6**	-
Inventory- repossessed collateral	**78,889**	78,104	**-**	-
Prepayments	**11,085**	9,192	**115**	157
WHT receivable	**2,561**	1,838	**25**	36
Deferred expenses	**-**	355	**-**	-
Impairment on non financial other assets	**(776)**	(752)	**-**	-
	94,244	90,499	**146**	193
Net other assets balance	**315,501**	212,092	**14,360**	15,922

Inventory (repossessed collateral) of ₦78.89bn (2019: ₦78.10bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable ₦'million	IBNR claims ₦'million	Unearned premium reserve ₦'million	Outstanding claims ₦'million	Prepaid Reinsurance ₦'million	Total ₦'million
At 1 January 2020	**128**	**1,103**	**7**	**1,009**	**834**	**3,081**
Effect of discontinued operations	**(128)**	**(1,103)**	**(7)**	**(1,009)**	**(834)**	**(3,081)**
At 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
At 1 January 2019	274	408	62	1,312	647	2,703
Addition	-	-	-	-	3,483	3,483
Receipt from reinsurers	(1,872)	-	-	-	-	(1,872)
Amortisation for the year	-	-	-	-	(3,296)	(3,296)
Changes during the year	1,726	695	(55)	(303)	-	2,063
At 31 December 2019	128	1,103	7	1,009	834	3,081

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Deferred insurance acquisition costs

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of year	355	223
Effect of discontinued operations	(355)	132
At end of year	-	355

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of year	20,692	19,645	-	-
Write-off	(8,117)	(214)	-	-
Increase in impairment	7,285	1,261	-	-
At end of year	19,860	20,692	-	-

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

The information of the professional engaged by the entities within the Group for valuation of repossessed collateral are as follows:

Name of Professional Firm	FRC Number
Bode Adediji Partnership	FRC/2012/0000000000279
Udoetuk & Associates Estate Surveyors & Valuers	FRC/2013/NIESV/00000002389
Boye Komolafe & Co	FRC/2013/0000000000613
Jide Taiwo & Co	FRC/2012/0000000000254
Ubosi Eleh & Co	FRC/2015/NIESC/00000013406

27 Investment properties

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of year	100	515
Effect of discontinued operations	(100)	(415)
Net gain from fair value adjustment	-	-
	-	100

Included in investment properties are mainly land acquired by the Group for capital appreciation. There are no investment properties as at the reporting period.

No rental income (2019: Nil) arose from the investment properties during the year. 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.

28 Investment in associates (equity method)

i. Seawolf Oilfield Services Limited (SOSL)

FBN Holdings Plc holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). 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.

In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business. The investment has been fully impaired.

ii. FBN Balanced Fund

FBN Balanced Fund (Formerly 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 ₦187.68 (Cost: ₦100). FBN Balanced Fund's principal place of business is Nigeria while the its principal activity is Fund management. The Group's ownership interest in the Fund is 28.23%.

28 Investment in associates (equity method) (continued)

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
FBN Balanced Fund		
Balance at beginning of year	711	624
Share of profit	482	87
Share of other comprehensive income	(30)	-
At end of year	1,163	711

29 Investment in subsidiaries

29.1 Principal subsidiary undertakings

	COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 29 (i))	230,557	205,557
FBNQuest Capital Limited (Note 29 (ii))	5,812	4,300
FBN Insurance Limited (Note 29 (iii))	-	4,724
FBN Insurance Brokers Limited (Note 29 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 29 (v))	-	-
FBNQuest Merchant Bank Limited (Note 29 (vi))	17,206	17,206
FBNQuest Trustees Limited (Note 29 (vii))	4,521	3,152
	258,121	234,964
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC		
FBNQuest Funds Limited (Note 29 (viii))	4,550	4,550
	4,550	4,550
	262,671	239,514

As at 31 December 2020, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: ₦5billion; Total Impairment: ₦5billion).

All shares in subsidiary undertakings are ordinary shares. For the year ended 31 December 2020, the Group owned the total issued shares in all its subsidiary undertakings except New Villa Limited (Rainbow Town Development Limited) in which it owned 55%. 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 ₦9.085billion (2019: ₦15.516billion).

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Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by the parent/Group (%)	Statutory year end
First Bank of Nigeria Limited (Note 29 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (Note 29 (ii))	Investment Banking & Funds Management	Nigeria	100	31 December
FBN Insurance Limited (Note 29 (iii))	Insurance	Nigeria	-	31 December
FBN Insurance Brokers Limited (Note 29 (iv))	Insurance Brokerage	Nigeria	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 29 (v))	Investment and General Trading	Nigeria	55	31 December
FBNQuest Merchant Bank Limited (Note 29 (vi)	Merchant Banking & Asset Management	Nigeria	100	31 December
FBNQuest Trustees Limited (Note 29 (vii))	Trusteeship	Nigeria	100	31 December
FBNQuest Funds Limited (Note 29 (viii))	Investment Banking & Funds 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. In June 2020, FBN Holdings Plc injected the sum of ₦25billion as additional tier 1 equity.

ii FBNQuest Capital Limited

FBNQuest Capital Limited (formerly 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 financial advisory. During the year, FBN Holdings increased investment in FBNQuest Capital Limited (FBNQC) by ₦1.52billion through conversion of receivable from FBNQC to equity.

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 had a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment was transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited (FBNI) in 2014. Following the decision of the Board of Directors to divest from FBN Insurance Limited, the investment in this subsidiary was classified as discontinued operations. The divestment was completed on June1, 2020 and FBNI ceased to be a subsidiary of FBNH. See Note 30 for details.

iv FBN Insurance Brokers Limited

The company was incorporated under the Companies and Allied Matters Act, 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 real estate investments and general trading.

vi FBNQuest Merchant Bank Limited

FBNQuest Merchant Bank Limited (formerly FBN Merchant Bank Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 originally known as Kakawa Discount House Limited. The company was granted a licensed to carry on the business of a discount house and commenced operations on 16 November 1995. FBN Holdings Plc acquired the shares of the company and converted the business to a merchant bank having obtained the Central Bank of Nigeria for merchant banking operations in May 2015.

vii FBNQuest Trustees Limited

FBNQuest Trustees Limited (formerly 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. During the year, FBNHoldings increased investment in FBNQuest Trustees Limited (FBNQT) by ₦1.36billion through conversion of receivable from FBNQT to equity.

viii FBNQuest Funds Limited

FBNQuest Funds Limited (formerly 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.

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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29.2 Condensed results of consolidated entities

31 December 2020	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised Income Statement											
Operating income	18,698	399,128	3,476	4,254	17,452	-	571	-	443,578	76,515	520,094
Operating expenses	(4,515)	(274,569)	(1,170)	(1,210)	(10,488)	-	(326)	-	(292,279)	(221)	(292,501)
Impairment charge for credit losses	-	(50,995)	(828)	(120)	(339)	-	(2)	-	(52,284)	1,688	(50,596)
Operating profit	14,183	73,564	1,477	2,924	6,625	-	242	-	99,015	77,982	176,997
Associate	-	-	482	-	-	-	-	-	482	-	482
Profit before tax	14,183	73,564	1,959	2,924	6,625	-	242	-	99,497	(15,794)	83,703
Tax	(213)	(5,814)	(23)	(1,022)	(885)	-	(156)	-	(8,111)	-	(8,111)
Profit/(Loss) for the year from continuing operations	13,970	67,750	1,937	1,902	5,741	-	86	-	91,385	(15,793)	75,592
Profit/(Loss) for the year from discontinued operations	19,890	-	288	-	-	3,381	-	(175)	23,384	(9,246)	14,138
Other comprehensive income	(198)	34,070	(10)	(286)	2,346	450	9	-	36,381	-	36,381
Total comprehensive income	33,661	101,820	2,214	1,616	8,087	3,831	95	(175)	151,150	(25,039)	126,111
Total comprehensive income allocated to non controlling interest	-	826	-	-	-	-	-	(79)	747	1,244	1,991
Dividends paid to non controlling interest	-	-	-	-	-	598	-	-	598	-	598
Summarised Financial Position											
Assets											
Cash and balances with Central Bank	-	1,588,039	-	-	43,691	-	-	-	1,631,730	-	1,631,730
Loans and advances to banks	11,240	970,335	36,769	2,036	25,718	-	661	-	1,046,760	(29,937)	1,016,823
Loans and advances to customers	61	2,220,497	44	26	55,689	-	11	-	2,276,328	(59,061)	2,217,268
Financial assets at fair value through profit or loss	2,116	81,292	40,618	-	2,328	-	-	-	126,354	-	126,354
Investment securities	9,863	1,437,662	59,852	5,171	36,625	-	117	-	1,549,290	-	1,549,290
Assets pledged as collateral	-	619,171	-	-	16,742	-	-	-	635,913	-	635,913
Other assets	14,360	306,025	2,652	636	6,629	-	81	-	330,383	(14,882)	315,501
Investment in associates accounted for using the equity method	-	-	1,308	-	-	-	-	-	1,308	(144)	1,163
Investment in subsidiaries	262,672	-	-	-	-	-	-	-	262,672	(262,672)	-
Property, plant and equipment	312	111,722	61	155	1,406	-	29	-	113,684	349	114,034
Intangible assets	-	15,114	2	4	219	-	1	-	15,340	-	15,340
Deferred tax assets	-	17,272	918	-	9,429	-	-	-	27,619	-	27,619
Assets held-for-sale	-	337	-	-	-	-	-	-	337	37,656	37,993
	300,623	7,367,465	142,225	8,029	198,476	-	900	-	8,017,717	(328,689)	7,689,028

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29.2 Condensed results of consolidated entities (continued)

31 December 2020	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by											
Deposits from banks	-	1,017,077	-	-	28,476	-	-	-	1,045,553	-	1,039,220
Deposits from customers	-	4,715,026	103,165	-	100,137	-	-	-	4,918,327	(23,612)	4,894,715
Derivative liabilities	-	7,080	-	-	384	-	-	-	7,464	-	7,464
Current income tax liability	213	8,390	553	1,053	946	-	91	-	11,247	-	11,247
Other liabilities	13,542	527,558	21,304	1,483	31,904	-	663	-	596,454	(14,734)	581,720
Borrowings	-	379,484	-	-	-	-	-	-	379,484	-	379,484
Retirement benefit obligations	-	7,527	-	-	-	-	-	-	7,527	-	7,527
Deferred tax liabilities	-	-	-	73	-	-	28	-	101	-	101
Liabilities held-for-sale	-	-	-	-	-	-	-	-	-	2,379	2,379
	13,755	6,662,142	125,023	2,609	161,846	-	782	-	6,966,156	(42,299)	6,923,857
Equity and reserves	286,868	705,324	17,202	5,420	36,631	-	118	-	1,051,562	(286,392)	765,171
Summarised Cash Flows											
Operating activities											
Interest received	1,576	349,301	4,751	2,586	12,129	-	13	-	370,355	215	370,570
Interest paid	-	(117,599)	(6,509)	-	(6,681)	-	-	-	(130,789)	26,856	(103,933)
Income tax paid	-	(6,731)	(104)	(705)	(705)	-	(52)	-	(8,297)	-	(8,297)
Cash flow generated from/(ised in) operations	14	681,744	13,505	(294)	(22,551)	-	505	(42)	672,882	(557,534)	115,348
Net cash generated from/(used in) operating activities	1,590	906,715	11,643	1,587	(17,808)	-	466	(42)	904,151	(530,463)	373,688
Net cash generated from/(used in) investing activities	17,610	(672,748)	(6,246)	227	13,909	-	3	-	(647,244)	766,482	119,238
Net cash (used in)/generated from financing activities	(13,700)	140,961	(1,050)	(1,266)	-	-	(61)	-	124,884	(36,545)	88,339
Increase in cash and cash equivalents	5,500	374,928	4,347	548	(3,899)	-	408	(42)	381,790	199,474	581,265
Cash and cash equivalents at start of year	5,705	1,280,243	23,640	123	27,199	11,415	791	243	1,349,360	(44,362)	1,304,998
Effect of exchange rate fluctuations on cash held	34	46,441	79	55	22	-	-	-	46,630	-	46,630
Cash and cash equivalents at end of year	11,240	1,701,613	28,065	727	23,322	11,415	1,199	201	1,777,781	155,112	1,932,893

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29.2 Condensed results of consolidated entities (continued)

31 December 2019	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Summarised Income Statement											
Operating income	18,382	395,926	1,709	1,306	14,045	32,369	613	-	464,349	36,023	500,370
Operating expenses	(4,508)	(274,350)	(1,192)	(682)	(9,843)	(23,776)	(403)	-	(314,754)	23,572	(291,182)
Impairment charge for credit losses	-	(50,821)	(121)	(100)	(51)	(41)	-	-	(51,133)	40	(51,093)
Operating profit	13,874	70,755	396	524	4,150	8,552	210	-	98,462	59,634	158,096
Associate	-	-	87	-	-	-	-	-	87	-	87
Profit before tax	13,874	70,755	482	524	4,150	8,552	210	-	98,548	(23,262)	75,286
Tax	(12)	(8,088)	281	(203)	(557)	(542)	(62)	-	(9,182)	(60)	(9,242)
Profit/(Loss) for the year from continuing operations	13,863	62,667	763	321	3,593	8,011	148	-	89,365	(23,322)	66,044
Profit/(Loss) for the year from discontinued operations	-	-	1,341	-	-	-	-	(404)	938	6,684	7,621
Other comprehensive income	127	64,370	3	428	1,818	2,517	(19)	-	69,244	12	69,256
Total comprehensive income	13,990	127,037	2,107	749	5,411	10,527	128	(404)	159,547	(16,626)	142,921
Total comprehensive income allocated to non-controlling interests	-	1,124	-	-	-	3,685	-	(182)	4,627	-	4,627
Dividends paid to non-controlling interests	-	-	-	-	-	1,401	-	-	1,401	-	1,401
Summarised Financial Position											
Assets											
Cash and balances with Central Banks	-	1,016,522	-	-	8,302	500	-	-	1,025,325	-	1,025,325
Loans and advances to banks	5,706	741,304	22,688	1,982	7,378	3,879	815	-	783,751	(28,841)	754,910
Loans and advances to customers	94	1,866,023	11	20	46,448	427	7	-	1,913,029	(60,619)	1,852,411
Financial assets at fair value through profit or loss	3,057	165,379	33,922	-	3,377	76,925	-	-	282,660	-	282,660
Investment securities	11,393	1,323,045	28,736	4,295	19,599	27,354	108	-	1,414,530	-	1,414,530
Assets pledged as collateral	-	425,540	-	-	39,383	-	-	-	464,923	(1)	464,922
Other assets	15,922	190,919	8,105	979	8,470	4,031	39	-	228,466	(16,374)	212,092
Inventory	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	100	-	-	100	-	100
Investment in associates accounted for using the equity method	-	-	855	-	-	-	-	-	855	(144)	711
Investment in subsidiaries	239,514	-	-	-	-	-	-	-	239,514	(239,514)	-
Property and equipment	491	107,854	57	130	1,564	2,460	34	-	112,590	349	112,939
Intangible assets	-	17,716	38	10	863	333	1	-	18,961	-	18,961
Deferred tax assets	-	14,640	918	-	9,427	-	25	-	25,009	-	25,009
Assets held-for-sale	-	278	1,021	-	-	-	-	45,534	46,834	(7,878)	38,956
	276,177	5,869,219	96,352	7,416	144,810	116,010	1,029	45,534	6,556,547	(353,021)	6,203,526

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29.2 Condensed results of consolidated entities (continued)

31 December 2019	FBN Holdings Plc ₦'million	FBN Limited ₦'million	FBNQuest Capital Limited ₦'million	FBNQuest Trustees Limited ₦'million	FBNQuest Merchant Bank Limited ₦'million	FBN Insurance Limited ₦'million	FBN Insurance Brokers Limited ₦'million	Rainbow Town Development Limited ₦'million	Total ₦'million	Adjustments ₦'million	Group ₦'million
Financed by											
Deposits from banks	-	834,138	-	-	27,649	-	-	-	861,787	-	860,486
Deposits from customers	-	3,911,893	59,819	-	75,676	-	-	-	4,047,388	(27,552)	4,019,836
Derivative liabilities	-	5,571	-	-	469	6	-	-	6,046	-	6,046
Current income tax liability	12	8,873	617	925	767	2,473	112	-	13,778	-	13,778
Other liabilities	9,321	263,794	21,280	2,809	10,206	5,248	705	-	313,363	(16,223)	297,140
Liability on investment contracts	-	-	-	-	-	24,676	-	-	24,676	-	24,676
Liability on insurance contracts	-	-	-	-	-	63,748	-	-	63,748	-	63,748
Borrowings	-	250,596	-	-	-	-	-	-	250,596	-	250,596
Retirement benefit obligations	-	3,352	-	-	-	-	-	-	3,352	-	3,352
Deferred tax liabilities	-	-	-	14	-	236	-	-	250	-	250
Liabilities held-for-sale	-	-	372	-	-	-	-	67,025	67,397	(64,903)	2,493
	9,332	5,278,219	82,088	3,747	114,766	96,387	817	67,025	5,652,381	(109,980)	5,542,401
Equity and reserves	266,845	591,000	14,264	3,669	30,044	19,623	213	(21,491)	904,166	(243,041)	661,125
Summarised Cash Flows											
Operating activities											
Interest received	1,806	486,345	5,077	1,991	13,759	10,352	47	-	519,376	-	519,376
Interest paid	-	(146,506)	(3,713)	-	(10,843)	-	-	-	(161,062)	34,921	(126,141)
Income tax paid	(36)	(5,713)	(3,449)	(537)	(610)	(70)	(29)	-	(10,444)	-	(10,443)
Cash flow (used in)/generated from operations	(3,330)	(655,223)	13,505	(294)	(22,551)	15,799	505	(42)	(651,630)	14,060	(637,571)
Net cash (used in)/generated from operating activities	(1,117)	(321,097)	11,419	1,160	(20,245)	26,082	523	(42)	(303,317)	48,539	(254,779)
Net cash (used in)/generated from investing activities	(489)	289,366	(6,246)	227	13,909	(23,689)	3	-	273,081	(48,190)	224,891
Net cash used in financing activities	(9,333)	(92,075)	(1,050)	(1,266)	-	(3,739)	(61)	-	(107,523)	(10,385)	(117,908)
Increase in cash and cash equivalents	(10,939)	(123,806)	4,123	122	(6,335)	(1,345)	464	(42)	(137,759)	(10,036)	(147,795)
Cash and cash equivalents at start of year	16,639	1,371,458	19,535	-	33,211	12,760	327	285	1,454,215	(34,326)	1,419,889
Effect of exchange rate fluctuations on cash held	6	32,591	(18)	2	323	-	-	-	32,903	-	32,903
Cash and cash equivalents at end of year	5,705	1,280,243	23,640	123	27,199	11,415	791	243	1,349,360	(44,362)	1,304,998

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30 Asset held-for-sale

Discontinued operations:

The assets classified as held-for-sale in 2020 includes FBN Insurance Limited, Rainbow Town Development Limited and Twin Peaks Nigeria Limited.

(i) FBN Insurance Limited

During the year ended 31 December 2020, the Group disposed its investment in FBN Insurance Limited in line with the earlier disclosure in the accounts and notification given to the market.

(ii) 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. 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 amount has been presented in Note 6.

(iii) Twin Peaks Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited (""Twin Peaks"") were classified as held-for-sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited (""FBNQ CP""), the Fund Manager, to dispose the Group's interest in TwinPeaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020). The buyer has fulfilled its obligation as stipulated in the SPA and has acquired 100% as at March 2020.

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.

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

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Assets classified as held-for-sale		
Other assets	**1,310**	1,323
Inventory	**36,337**	36,337
Investment property	**-**	1,008
Property, plant and equipment	**5**	5
Intangible assets	**5**	5
	37,657	38,678
Liabilities classified as held-for-sale		
Company income tax liability	**6**	6
Other liabilities	**2,373**	2,487
	2,379	2,493
Net Asset	**35,278**	36,185

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30.2 The operating results of the discontinued operations are as follows:

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Revenue	13,507	31,829
Expenses	(9,508)	(23,667)
Profit before tax from discontinuing operations	3,999	8,162
Income tax expense	(654)	(541)
Profit from discontinued operations after tax	3,345	7,621
Gain on disposal of investment in subsidiary (see Note 30.3)	10,793	-
Profit from discontinued operations	14,138	7,621
Profit from discontinued operations is attributable to:		
Owners of the parent	12,978	4,954
Non-controlling interests	1,160	2,667
	14,138	7,621

30.3 The Group disposed its investment in FBN Insurance Limited on 1 June 2020 and also finalised the disposal of Twin Peaks Limited

	GROUP	COMPANY
	31 December 2020 ₦'million	31 December 2020 ₦'million
FBN Insurance Limited		
Investment in subsidiary	-	4,724
Total assets	135,818	-
Total liabilities	(114,072)	-
Net assets	21,746	4,724
Non-controlling interests disposed	(7,637)	-
Net assets and non-controlling interests disposed	14,108	4,724
Net sale proceeds on disposal	24,614	24,614
Carrying amount	(14,108)	(4,724)
Profit on sale of FBN Insurance Limited	10,506	19,890

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	GROUP	COMPANY
	31 December 2020 ₦'million	31 December 2020 ₦'million
Twin Peaks Nigeria Limited		
Total assets	1,021	-
Total liabilities	(371)	-
Net assets	650	-
Non-controlling interest disposed	(187)	-
Net assets and non-controlling interests disposed	463	-
Net sale proceeds on disposal	750	-
Carrying amount	(463)	-
Profit on disposal of Twin Peaks Limited	287	-
Total profit on sale of FBN Insurance Ltd. and Twin Peaks Nig. Ltd.	10,793	19,890

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	17,514	(43)
Net cash flow generated from/(used in) investing activities	11,943	-
Net cash flow used in financing activities	(1,708)	-
	27,749	(43)

30.4 Non-current asset held-for-sale

FBNBank Senegal has classified a building from its property and equipment as Asset held-for-sale. This is following Management's decision to dispose the asset.

The Board of Directors is commited to the sale in line with the requirements of IFRS 5 and as such the sales is expected to be completed within the next 12 months. The entity is recognised as a cash generating unit (CGU) and forms part of the segment shown as ""commercial banking group"".

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Property, plant and equipment	337	278
Total assets classified as held-for-sale	37,993	38,956

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31 Property and equipment

GROUP

	Improvement and buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Machinery ₦'million	Work in progress* ₦'million	Right-of-use-asset ₦'million	Total ₦'million
Cost										
At 1 January 2019	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,959
IFRS 16 Transition Impact	-	-	-	-	-	-	-		18,502	18,502
Additions	767	-	3,028	3,912	3,853	370	82	7,993	496	20,501
Reclassifications	(720)	860	42	2,735	2,444	11	-	(5,328)	-	44
Disposals	(271)	-	(1,917)	(783)	(64)	(73)	-	(10)	-	(3,119)
Transfers	13	-	14	1	220	5	-	(478)	-	(225)
Exchange difference	(143)	(9)	(80)	(135)	(144)	(21)	45	(13)	-	(501)
At 31 December 2019	49,604	22,145	14,125	56,461	32,193	11,070	380	9,187	18,998	214,161
Accumulated depreciation										
At 1 January 2019	12,330	-	9,286	40,075	16,748	8,821	182	-	-	87,443
Charge for the year	761	-	2,003	4,727	5,158	743	51	-	2,958	16,401
Disposals	(198)	-	(1,670)	(749)	(58)	(69)	-	-	-	(2,744)
Write-offs	427	-	-	44	-	-	-	-	-	471
Exchange differences	(80)	-	(45)	(52)	(144)	(49)	20	-	-	(349)
At 31 December 2019	13,240	-	9,574	44,046	21,704	9,446	253	-	2,958	101,222
Net book amount at 31 December 2019	36,364	22,145	4,551	12,415	10,488	1,623	127	9,187	16,040	112,939

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31 Property and equipment (continued)

GROUP

	Improvement and buildings ₦'million	Land ₦'million	Motor vehicles ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Machinery ₦'million	Work in progress* ₦'million	Right-of-use-asset ₦'million	Total ₦'million
Cost										
At 1 January 2020	49,604	22,145	14,125	56,461	32,193	11,070	380	9,187	18,998	214,161
Additions	1,200	30	5,154	4,731	5,466	702	15	3,173	1,608	22,079
Reclassifications	284	-	-	2,351	22	9	-	(2,629)	(136)	(99)
Disposals	(26)	-	(1,481)	(1,080)	(14)	(22)	-	(2)	-	(2,625)
Write-offs	-	-	-	-	-	-	-	-	(86)	(86)
Transfers	(15)	(59)	(42)	(4)	(67)	84	-	(306)	-	(409)
Discontinued operations	(845)	(941)	(1,208)	(185)	(215)	(167)	(90)	-	-	(3,651)
Exchange difference	(3,863)	3,068	7	99	(73)	191	(284)	(1)	871	15
At 31 December 2020	46,339	24,243	16,555	62,373	37,312	11,867	21	9,422	21,255	229,385
Accumulated depreciation										
At 1 January 2020	13,240	-	9,574	44,046	21,704	9,446	253	-	2,958	101,222
Charge for the year	1,059	-	2,206	5,110	6,635	632	5	-	2,987	18,634
Reclassifications	(235)	-	-	(13)	(67)	245	-	-	-	(70)
Disposals	(26)	-	(1,449)	(1,037)	(46)	(110)	-	-	-	(2,668)
Write Offs	-	-	-	-	-	-	-	-	(46)	(46)
Discontinued operations	(144)	-	(627)	(104)	(167)	(108)	(41)	-	-	(1,191)
Exchange differences	(686)	-	(19)	83	(50)	165	(175)	-	152	(530)
At 31 December 2020	13,208	-	9,685	48,085	28,009	10,270	42	-	6,051	115,351
Net book amount at 31 December 2020	33,131	24,243	6,870	14,288	9,303	1,597	(21)	9,422	15,204	114,034

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

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

Exchange difference on property and equipment
These exchange difference on property and equipment occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date.

Right of-use-asset
See Note 31b for additional disclosure on right-of-use assets.

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31 Property and equipment (continued)

COMPANY

	Improvement and buildings ₦'million	Motor vehicles ₦'million	Machinery ₦'million	Office equipment ₦'million	Computer equipment ₦'million	Furniture and fittings ₦'million	Right-of-use asset ₦'million	Total ₦'million
Cost								
At 1 January 2019	615	533	42	450	18	419	-	2,077
IFRS 16 Transition Impact	-	-	-	-	-	-	206	206
Additions	-	212	-	1	3	4	-	220
Disposal	-	(63)	-	-	-	-	-	(63)
At 31 December 2019	615	682	42	451	21	423	206	2,440
Accumulated depreciation								
At 1 January 2019	553	294	39	403	10	397	-	1,695
Charge for the year	61	114	2	44	4	21	72	318
Disposal	-	(63)		-		-	-	(63)
At 31 December 2019	614	344	41	447	14	418	72	1,950
Net book amount at 31 December 2019	1	338	1	4	7	5	134	490
Cost								
At 1 January 2020	615	682	42	451	21	423	206	2,440
Additions	-	23	15	2	3	1	-	44
Reclassification	-	-	4	-	-	(4)	-	-
Disposal	-	(13)		-	-	-	-	(13)
At 31 December 2020	615	692	61	453	24	420	206	2,471
Accumulated depreciation								
At 1 January 2020	614	344	41	447	14	418	72	1,950
Charge for the year	-	140	5	1	4	1	72	223
Disposal	-	(13)	-	-	-	-		(13)
At 31 December 2020	614	470	46	448	18	419	144	2,159
Net book amount at 31 December 2020	1	222	15	5	6	1	62	312

Right of-use-asset
See note 31b for additional disclosure on right of use assets

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31(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Right-of-use assets

	GROUP			COMPANY	
	Buildings ₦'million	Land ₦'million	Total ₦'million	Buildings ₦'million	Total ₦'million
Opening balance at 1 January 2020	18,746	252	18,998	206	206
Additions for the year	1,571	37	1,608	-	-
Derecognition	(222)	-	(222)	-	-
Exchange difference	871	-	871	-	-
Closing balance as at 31 December 2020	20,966	289	21,255	206	206
Depreciation					
Opening balance at 1 January 2020	2,907	51	2,958	72	72
Charge for the year	2,962	25	2,987	72	72
Exchange difference	152	-	152	-	-
Derecognition	(46)	-	(46)	-	-
Closing balance as at 31 December 2020	5,975	76	6,052	144	144
Net book value as at 31 December 2020	14,991	213	15,203	62	62
Impact of adoption of IFRS 16	18,250	252	18,502	206	206
Additions for the year	496	-	496	-	-
Closing balance as at 31 December 2019	18,746	252	18,998	206	206
Depreciation					
Impact of adoption of IFRS 16	-	-	-	-	-
Charge for the year	2,907	51	2,958	72	72
Closing balance as at 31 December 2019	2,907	51	2,958	72	72
Net book value as at 31 December 2019	15,839	201	16,040	134	134

31(b) Leases (continued)

(ii) Lease liabilities

	GROUP ₦'million	COMPANY ₦'million
Opening balance at 1 January 2020	12,013	137
Additions	1,128	-
Interest expense	707	13
Payments made during the year	(1,777)	(60)
Exchange difference	35	-
Closing balance as at 31 December 2020	12,106	90
Current lease liabilities	1,910	90
Non-current lease liabilities	10,196	-
	12,106	90
Impact of adoption of IFRS 16	13,894	123
Additions	213	-
Interest expense	718	14
Payments made during the year	(2,812)	-
Closing balance as at 31 December 2019	12,013	137
Current lease liabilities	2,661	86
Non-current lease liabilities	9,352	51
	12,013	137

31(b) Leases (continued)

(iii) Amounts recognised in the statement of profit or loss

	GROUP ₦'million	COMPANY ₦'million
31 December 2020		
Depreciation charge of right-of-use assets	2,987	72
Interest expense	707	13
Lease expense (short-term)	11	-
31 December 2019		
Depreciation charge of right-of-use assets	2,958	72
Interest expense	718	14

(iv) Amounts recognised in the statement of cashflow

	GROUP ₦'million	COMPANY ₦'million
31 December 2020		
Total cash outflow for leases	1,261	60
31 December 2019		
Total cash outflow for leases	1,396	-

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31(b) Leases (continued)

Liquidity risk (maturity analysis of lease liabilities)

GROUP	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year but less than 5 years	Over 5 years	Total
31 December 2020							
Lease liability	256	845	418	1,459	3,380	5,712	12,070
31 December 2019							
Lease liability	240	830	531	1,459	3,474	5,712	12,246

COMPANY	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year but less than 5 years	Over 5 years	Total
31 December 2020							
Lease liability	75	15	-	-	-	-	90
31 December 2019							
Lease liability	29	-	57	-	51	-	137

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32 Intangible assets

	GROUP			
	Goodwill ₦'million	Computer Software ₦'million	Work in Progress ₦'million	Total ₦'million
Cost				
At 1 January 2019	6,633	27,622	1,736	35,991
Additions	-	6,112	2,189	8,301
Reclassification	-	641	(898)	(257)
Write-off	-	(25)	-	(25)
Transfers	-	236	(246)	(10)
Exchange difference	(405)	70	-	(335)
At 31 December 2019	6,228	34,657	2,780	43,665
Additions	-	1,979	1,618	3,597
Reclassification	-	3,162	(3,162)	-
Write-off	-	29	-	29
Transfers	-	58	(45)	13
Disposals		(22)		(22)
Discontinued operations	(262)	(395)	-	(657)
Exchange difference	153	280	-	433
At 31 December 2020	6,119	39,748	1,191	47,058

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32 Intangible assets (continued)

	GROUP			
	Goodwill ₦'million	Computer Software ₦'million	Work in Progress ₦'million	Total ₦'million
Amortisation and impairment				
At 1 January 2019	1,925	17,933	-	19,858
Amortisation charge	-	6,197	-	6,197
Other changes	-	(1,389)	-	(1,389)
Exchange difference	-	38	-	38
At 31 December 2019	1,925	22,779	-	24,704
Amortisation charge	-	7,238	-	7,238
Transfers		(47)		(47)
Discontinued operations	-	(325)	-	(325)
Exchange difference	-	148	-	148
At 31 December 2020	1,925	29,793	-	31,718
Net book value:				
At 31 December 2020	4,194	9,955	1,191	15,340
At 31 December 2019	4,303	11,878	2,780	18,961

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

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business, see analysis by segment below. Each CGU to which goodwill is allocated for impairment testing purposes reflects the lowest level at which goodwill is monitored for internal management purposes.The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

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

There was no impairment identified in the year ended 31 December 2020.

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

32 Intangible assets (continued)

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

Impairment testing on cash generating units containing goodwill

Analysis of goodwill balances

	31 December 2020 ₦'million	31 December 2019 ₦'million
Commercial Banking group segment		
FBNBank Ghana	**3,105**	2,943
FBNBank DRC	**552**	552
FBNBank Sierra-Leone	**316**	324
FBNBank Guinea	**221**	222
	4,194	4,041
Insurance group segment		
FBN General Insurance	**-**	262
	4,194	4,303

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

	2020		2019	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Terminal growth rate: %	**17.1%**	**22.3%**	4.27%	5.33%
Discount rate: %	**38%**	**31%**	32.72%	32.70%
Deposit growth rate: %	**26%**	**85%**	3.90%	17.00%
Recoverable amount of the CGU: (₦'million)	**20,677**	**65,942**	15,783	39,067

32 Intangible assets (continued)

The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information.

Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate.

Management determined deposits to be the key value driver in each of the entities. Deposits are considered by Management as the most important source of funds for the banks' subsidiaries to finance their assets. Deposit growth rate was determined using historical trend of deposit growth in the last 5 years.

Goodwill Sensitivity Analysis

	% Change	Recoverable amount	Excess of recoverable amount over carrying amount
FBNBank DRC			
Terminal growth rate:	+0.5%	21,052	7,023
	-0.5%	20,322	6,293
WACC	+0.5%	20,203	6,174
	-0.5%	21,192	7,163
FBNBank Ghana			
Terminal growth rate:	+0.5%	69,809	31,731
	-0.5%	62,490	24,412
WACC	+0.5%	60,423	22,345
	-0.5%	72,842	34,764

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

	2020		2019	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (₦' million)	552	3,105	552	2,943
Net Asset (₦' million)	15,734	35,799	13,022	31,649
Total carrying amount (₦' million)	16,286	38,904	13,574	34,592
Excess of recoverable amount over carrying amount	6,649	27,864	2,209	4,475

33 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% (2019: 30%).

	31 December 2020 ₦'million	31 December 2019 ₦'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(16)	67
Allowance for loan losses	5,545	5,604
Tax losses carried forward	19,845	18,716
Other assets	260	272
Other liabilities	624	277
Defined benefit obligation	488	488
Effect of changes in exchange rate	873	(415)
	27,619	25,009
Deferred tax liabilities		
Property and equipment	62	211
Other assets	39	39
	101	250
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	27,619	24,775
- Deferred tax asset to be recovered within 12 months	-	234
	27,619	25,009
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	101	227
- Deferred tax liability to be recovered within 12 months	-	23
	101	250

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33 Deferred tax assets and liabilities (continued)

Group	1 Jan 2020 ₦'million	Recognised in P&L ₦'million	Recognised in OCI ₦'million	31 December 2020 ₦'million
Movements in Deferred tax assets during the year:				
Property and equipment	67	(83)	-	(16)
Allowance for loan losses	5,604	(59)	-	5,545
Tax losses carried forward	18,716	1,129	-	19,845
Other assets	272	(12)	-	260
Other liabilities	277	347	-	624
Defined benefit obligation	488	(1,413)	1,413	488
Effect of changes in exchange rate	(415)	1,288	-	873
	25,009	1,197	1,413	27,619

Group	1 Jan 2019 ₦'million	Recognised in P&L ₦'million	31 December 2019 ₦'million
Movements in Deferred tax assets during the year:			
Property and equipment	(79)	147	67
Allowance for loan losses	5,902	(298)	5,604
Tax losses carried forward	24,305	(5,589)	18,716
Other assets	525	(253)	272
Other liabilities	115	162	277
Defined benefit obligation	488	-	488
Effect of changes in exchange rate	(5,698)	5,283	(415)
	25,558	(548)	25,009

33 Deferred tax assets and liabilities (continued)

Group	1 Jan 2020 ₦'million	Recognised in profit and loss ₦'million	Recognised in OCI ₦'million	31 December 2020 ₦'million
Movements in Deferred tax liabilities during the year:				
Property and equipment	211	87	(236)	62
Other assets	39	-	-	39
	250	87	(236)	101

Group	1 Jan 2019 ₦'million	Recognised in profit and loss ₦'million	31 December 2019 ₦'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	227	(16)	211
Other assets	39	-	39
	266	(16)	250

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. The Group did not recognise deferred income tax assets of ₦77.20billion (2019: ₦59.96billion).

Temporary difference relating to the Group's investment in subsidiaries is ₦123.4billion (2019: ₦109.5billion). 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.

The Group has assessed that based on the Group's profit forecast, it is probable that there will be future taxable profits against which the tax losses, from which deferred tax asset has been recognised, can be utilised.

34 Deposits from banks

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Due to banks within Nigeria	587,104	604,950
Due to banks outside Nigeria	452,116	255,536
	1,039,220	860,486
Current	1,039,220	676,921
Non-current	-	183,565
	1,039,220	860,486

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

35 Deposits from customers

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Current	**1,507,398**	1,047,534
Savings	**1,791,203**	1,316,132
Term	**938,916**	895,647
Domiciliary	**644,615**	748,751
Electronic purse	**12,583**	11,772
	4,894,715	4,019,836
Current	**4,713,848**	3,339,725
Non-current	**180,867**	680,111
	4,894,715	4,019,836

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

36 Other liabilities

	GROUP		COMPANY	
	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Financial liabilities:				
Customer deposits for letters of credit	**233,872**	126,469	**-**	-
Accounts payable	**178,550**	60,788	**-**	-
Lease liability	**12,106**	12,013	**90**	137
Creditors	**49,173**	13,343	**295**	250
Bank cheques	**23,544**	20,270	**-**	-
Collection on behalf of third parties	**14,683**	18,690	**-**	-
Unclaimed dividend	**9,618**	8,093	**9,618**	8,093
Accruals	**7,516**	6,662	**3,541**	841
	529,062	266,328	**13,544**	9,321
Non financial liabilities:				
Allowance for credit losses on off-balance sheet items	**3,486**	4,820	**-**	-
Provisions	**28,445**	2,817	**-**	-
Other credit balance	**20,727**	23,175	**-**	-
	52,658	30,812	**-**	-
Other liabilities balance	**581,720**	297,140	**13,544**	9,321

Other Credit balances include transactional taxes and unearned income.

Current	**571,978**	287,398	**13,544**	9,321
Non-current	**9,742**	9,742	**-**	-
	581,720	297,140	**13,544**	9,321

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36 Other liabilities (continued)

The unclaimed dividend balance represents the aggregate amounts of dividends that remained unclaimed after 15 months or more which the Registrars returned to the Company in line with current regulations. In 2020, an additional sum of ₦1.525billion was returned to FBN Holdings Plc by the Registrars.

The provision for litigations is recognised in income statement within 'other operating expenses'. In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2020.

Reconciliation of impairment on Off Balance Sheet account

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Opening balance at 1 January	4,820	3,084
Impairment (writeback)/charge	(1,334)	1,736
Closing balance at 31 December	3,486	4,820

The movement in provision during the year is as follows:

Opening balance at 1 January	2,817	2,817
Additional provisions	25,628	-
Closing balance at 31 December	28,445	2,817
Analysis of total provisions:		
Current	410	410
Non Current	28,035	2,407
	28,445	2,817

36a Long service awards

Included in other credit balances is long service award. Long service award amounted to ₦3.49bn (December 2019: ₦1.69bn). The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurments are recognised in profit or loss in the period in which they arise.

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36a Long service awards (continued)

The movement in the long service awards over the year is as follows:

Group	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Total ₦'million
Defined benefit pension obligations at 1 January 2019	1,512	-	1,512
Current service cost	159	-	159
Interest cost on defined benefit obligation	218	-	218
Curtailment gains	(237)	-	(237)
Employer Contribution made within the year	-	203	203
Benefit paid by employer	(203)	(203)	(406)
Acturial (Gains)/Losses due to change in:			
- Financial assumption	166	-	166
- Experience adjustments	76	-	76
Defined benefit pension obligations at 31 December 2019	1,691	-	1,691
Current service cost	184	-	184
Interest cost on defined benefit obligation	214	-	214
Employer Contribution made within the year	-	294	294
Benefit paid by employer	(294)	(294)	(588)
Acturial (Gains)/Losses due to change in:			
- Financial assumption	667	-	667
- Experience adjustments	1,030	-	1,030
Defined benefit pension obligations at 31 December 2020	3,492	-	3,492

The table below shows the funded status of the Group's long service award;

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Defined Benefit Obligation (DBO)	3,492	1,691
Fair value of plan assets	-	-
Funded Status	3,492	1,691

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37 Liability on investment contracts

The liability on investment contracts comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Balance at beginning of period	**24,676**	19,766
Additions during the period	-	16,583
Withdrawals during the period	-	(12,758)
Guaranteed interest	-	1,085
Discontinued operations	**(24,676)**	-
Balance at end of period	-	24,676
Non-current	-	24,676
	-	24,676

38 Liability on insurance contracts

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Outstanding claims	-	2,435
Unearned premium	-	2,258
Short term insurance contract - Claims incurred but not reported (IBNR)	-	3,666
Liability on annuity fund	-	25,227
Liability on long-term insurance contract - Life fund	-	30,162
	-	63,748
Current	-	8,359
Non-current	-	55,389
	-	63,748

38 Liability on insurance contracts (continued)

Reconciliation of changes in liability on insurance contracts

	2020					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short-term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2020	2,435	2,258	3,666	25,227	30,162	63,748
Discontinued operations	(2,435)	(2,258)	(3,666)	(25,227)	(30,162)	(63,748)
As at 31 December 2020	-	-	-	-	-	-

	2019					
	Outstanding claims ₦'million	Unearned premium ₦'million	IBNR claims on short term insurance ₦'million	Annuity fund ₦'million	Life fund ₦'million	Total ₦'million
At 1 January 2019	2,063	1,470	1,729	13,486	15,443	34,191
Claims incurred	10,287	-	-	-	-	10,287
Claims paid	(9,915)	-	-	-	-	(9,915)
Change in the year	-	788	1,937	11,741	14,719	29,184
As at 31 December 2019	2,435	2,258	3,666	25,227	30,162	63,748

39 Borrowings

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Long-term borrowing comprise:		
FBN EuroBond (i)	**139,170**	-
Subordinated Debt (ii)	**78,078**	71,023
Proparco (iii)	**14,115**	16,553
Africa Development Bank (iv)	**-**	55,705
International Finance Corporation (v)	**49,682**	-
On-lending facilities from financial institutions (vi)	**57,322**	83,001
Borrowing from correspondence banks (vii)	**41,117**	24,314
	379,484	250,596
Current	**94,268**	94,268
Non-current	**285,216**	156,328
	379,484	250,596
At start of the year	**250,596**	338,214
Proceeds of new borrowings	**262,782**	129,653
Finance cost	**13,981**	15,552
Foreign exchange losses	**11,069**	2,608
Repayment of borrowings	**(145,620)**	(220,514)
Interest paid	**(13,324)**	(14,917)
At end of year	**379,484**	250,596

(i) FBN Eurobond:

Facilities represent Senior Note Participation Notes due 2025 issued by FBN Finance Company B.V, Netherlands on 27 October 2020 for a period of 5 years. The notes has interest at 8.625% per annum with coupon payable every six month. This facility is unsecured.

(ii) Surbodinated debt:

The amount of ₦78.08billion (US$194.5million) relates to subordinated debt of US$194.5million. Interest is payable at the rate of 9% (Fixed) per annum. The tenor of the debt is for a period of 5 years to mature in December 2024. Interest on the Subordinated debt is payable semiannually. This facility is unsecured.

(iii) Proparco:

Facility represents the outstanding balance of the credit facility of US$65million 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. This facility is unsecured.

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39 Borrowings (continued)

(iv) Africa Development Bank:

Facility represents the outstanding balance of the credit facility of US$200million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum, the facility matured in December 2020.

(v) International Finance Corporation:

The amount of ₦49.7bn (US$124mn) represents the outstanding balance of the credit facility of US$125million granted by International Finance Corporation (IFC) in December 2020. Interest is payable bi-annually at the rate of LIBOR +4.5% per annum and will mature December 2021. This facility is unsecured.

(vi) On-lending facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by First Bank of Nigeria Limited 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 ₦200billion 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 additional disbursement of ₦102million (2019: ₦256million) to First Bank of Nigeria Limited.

b. CBN/CACS intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, First Bank Nigeria Limited received ₦12.6billion (2019: ₦30.3billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

During the year, the CBN granted a moratorium and a reduction in interest rate on intervention funds. These was in response to the impact of COVID-19 pandemic on businesses. The rate was reduced to 5% for a period of one year starting March 2020.

(vii) Borrowings from correspondence banks:

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

(viii) Compliance with covenants

The Group had a loan with a carrying amount of ₦14.1billion at 31 December 2020 (31 December 2019: ₦16.6billion) which was obtained in 2016 and repayable in May 2024. The credit facility agreement ("Agreement") contains seven financial covenants that, among other things, require the Group to maintain ratios within defined thresholds. These covenants relate to capital adequacy, open assets exposure ratio, aggregate large exposures ratio, related party lending ratio, liquidity coverage ratio, individual and aggregate unhedged open foreign currency. During the period, there were no defaults on principal, interest or redemption terms of loan payable.

As at 31 December 2020, the First Bank of Nigeria Ltd. was in breach of two of the seven financial covenants comprising the open asset exposure ratio [Actual of 18%: Threshold of 15%] and the related party lending ratio [Actual of 22%: Threshold of 20%] (31 December 2019: Nil). Consequently, the loan has been reclassified as a current liability.

40 Retirement benefit obligations

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Defined Benefits Plan		
Defined Benefits - Pension (i)	6,164	2,413
Gratuity Scheme (ii)	1,363	939
	7,527	3,352

Plan liabilities are based upon independent actuarial valuation performed by Ernst & Young using the projected unit credit basis. This valuation was carried out as at 31 December 2020 and 31 December 2019.

Defined benefit - Pension (i)

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.

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

Group	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Total ₦'million
Defined benefit pension obligations at 1 January 2019	8,571	(7,574)	997
Interest expense/(income)	1,192	(1,138)	54
Service cost	(13)	-	(13)
Past service cost	916	-	916
Acturial (Gains)/Losses due to change in:			
- Financial Assumptions	819	49	868
- Experience Adjustment	(409)	-	(409)
Payments:			
- Benefit payment	(1,533)	1,533	-
Defined benefit pension obligations at 31 December 2019	9,543	(7,130)	2,413
Interest expense/(income)	1,247	(1,025)	222
Return on plan asset excluding interest income	-	(183)	(183)
Acturial (Gains)/Losses due to change in:			
- Financial Assumptions	3,718	-	3,718
- Experience Adjustment	(6)	-	(6)
Payments:			
- Benefit payment	(1,072)	1,072	-
Defined benefit pension obligations at 31 December 2020	13,430	(7,266)	6,164

The actual return on plan assets was ₦183million (2019: ₦1.09billion)

40 Retirement benefit obligations (continued)

Composition of Plan assets

	GROUP					
	2020			2019		
	Quoted ₦'million	Unquoted ₦'million	Total ₦'million	Quoted ₦'million	Unquoted ₦'million	Total ₦'million
Equity Instruments						
Banking	656	-	656	537	-	537
Oil Service	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Manufacturing	-	-	-	57	-	57
Debt Instruments						
Government	4,456	-	4,456	5,249	-	5,249
Corporate Bond	342	-	342	699	-	699
Money market investments	929	-	929	-	562	562
Money on call	938	-	938	-	26	26
Others	(55)	-	(55)	-	-	-
Total	7,266	-	7,266	6,542	588	7,130

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.

Gratuity scheme (ii)

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

40 Retirement benefit obligations (continued)

The movement in the defined benefit Gratuity Scheme (ii) over the year is as follows:

	GROUP		
	Present value of the obligation ₦'million	Fair value of plan assets ₦'million	Net ₦'million
Defined benefit pension obligations at 1 January 2019	973	(29)	944
Foreign exchange difference	15	6	21
Interest expense/(income)	172	(5)	167
Service cost	126		126
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	4	4
Net actuarial gain or loss	30	-	30
Contributions:			
- Employer	-	(353)	(353)
Payments:			
- Benefit payment	(355)	355	-
Defined benefit pension obligations at 31 December 2019	961	(22)	939
Foreign exchange difference	230	2	232
Interest expense/(income)	110	-	110
Service cost	148		148
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(4)	(4)
Net actuarial gain or loss	46	(4)	42
Contributions:			
- Employer	-	103	103
Payments:			
- Benefit payment	(104)	(104)	(208)
Defined benefit pension obligations at 31 December 2020	1,391	(29)	1,363

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 minimise 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.

40 Retirement benefit obligations (continued)

Inflation Risk: The plan benefit obligations are linked to inflation, and higher inflation lead to higher liabilities. However, majority of the plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

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 6.09 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. There is no regulatory framework guiding the operation of the plan assets.

	31 December 2020 ₦'million	31 December 2019 ₦'million
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	**7.5%**	13.5%
Inflation rate	**12%**	12%
Life expectancy	**20yrs**	20yrs

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

	Assumption	Defined Benefit Obligation ₦'m	Impact on Liability
Discount rate	7.5%	13,392	0.0%
	8.5%	12,581	-6.1%
	6.5%	14,314	6.9%
Inflation rate	12%	13,392	0.0%
	13%	13,392	0.0%
	11%	13,392	0.0%
Mortality experience	Base	13,392	0.0%
	Improved by 1 year	13,712	2.4%
	Decreased by 1 year	13,068	-2.4%

The above sensitivity analysis 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.

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40 Retirement benefit obligations (continued)

The below table shows the maturity profile of the defined obligation.

Maturity Profile on Defined Benefit Obligation	
Years	Amount (₦'000)
2021	1,522,470
2022	1,473,396
2023	1,424,008
2024	1,375,646
2025	1,325,895
2026 - 2030	5,846,768

Defined benefit cost, charged to income statement (refer Note 16)

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Defined Benefits - Pension (i)	222	66
Defined benefit cost, charged to other comprehensive income		
Defined Benefits - Pension (i)	3,712	458
Gratuity Scheme (ii)	(48)	(29)
Long service award	1,696	-
	5,360	429

The information of the professional 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:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738

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41 Share capital

	31 December 2020 ₦'million	31 December 2019 ₦'million
Authorised		
50 billion ordinary shares of 50k each (2019: 50 billion)	**25,000**	25,000
Issued and fully paid		

Movement during the year	Number of shares ₦'million	Ordinary shares ₦'million
At 31 December 2019	35,895	17,948
At 31 December 2020	**35,895**	**17,948**

42 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 2020(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

Fair value reserve: The 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.

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

42 Share premium and reserves (continued)

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.

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

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

43 Non-controlling interests

The movement in non-controlling interest for the year is shown below.

	31 December 2020 ₦'million	31 December 2019 ₦'million
Opening balance	**15,516**	12,289
Share of profit	**1,744**	3,747
Share of other comprehensive income	**247**	881
Non-controlling interests disposed (see Note 30.3)	**(7,824)**	-
Dividends	**(598)**	(1,401)
	9,085	15,516

44 Cashflow workings

a Reconciliation of profit before tax to cash generated from operations

		GROUP		COMPANY	
	Notes	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Profit before tax from continuing operations		83,221	75,199	34,073	13,874
Profit before tax from discontinued operations		14,792	8,162	-	-
Profit before tax including discontinued operations		98,013	83,361	34,073	13,874
Adjustments for:					
- Depreciation	31	18,634	16,401	223	319
- Amortisation	32	7,238	6,197	-	-
- Profit from disposal of investment in subsidiary	30.3	-	-	(19,890)	-
- Profit from disposal of property and equipment	15	(199)	(75)	-	-
- Profit from disposal of investment properties	15	-	(273)	-	-
- Foreign exchange gains	11	6,080	(1,186)	(34)	(6)
- Profit from investment securities	12	(48,078)	(17,493)	-	(8)
- Net (gains)/losses from financial assets at fair value through profit or loss	13	(18,939)	(13,030)	941	371
- Impairment on loans and advances	9	53,515	58,782	-	-
- Impairment on other financial assets		-	580	-	-
- Impairment on other assets	9	7,286	1,261	-	-
- Change in retirement benefit obligations		-	981	-	-
- Share of profit from associates	28	482	87	-	-
- Dividend income	14	(3,983)	(4,368)	(18,296)	(16,580)
- Interest income	7	(384,798)	(431,934)	(1,332)	(2,173)
- Interest expense	8	133,183	152,342	13	14
(Increase)/decrease in operating assets:					
- Cash and balances with the Central Bank (restricted cash)	(i)	(479,007)	(318,545)	-	-
- Loans and advances to banks	(ii)	(45,532)	(19,009)	-	-
- Loans and advances to customers	(iii)	(360,223)	(295,087)	33	16
- Financial assets at fair value through profit or loss	(iv)	156,306	(177,734)	-	-
- Other assets	(v)	(103,409)	(99,730)	61	0
- Asset pledged as collateral	(vi)	(170,991)	(155,871)	-	-
Increase/(decrease) in operating liabilities:					
- Deposits from banks	(vii)	178,734	116,171	-	-
- Deposits from customers	(viii)	874,879	533,152	-	-
- Liability on investment contracts	(ix)	(24,676)	4,910	-	-
- Liability on insurance contracts	(x)	(63,748)	29,556	-	-
- Other liabilities	(xi)	284,580	(107,017)	4,223	1,287
Cash flow generated/(used in) from operations		115,348	(637,571)	14	(2,888)

44 Cashflow workings (continued)

b Cashflow workings

		GROUP		COMPANY	
	Notes	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
(i) Cash and balances with the Central Bank (restricted cash)					
Opening balance		843,436	524,891	-	-
Movement during the year		479,007	318,545	-	-
Closing balance	19	1,322,443	843,436	-	-
(ii) Loans and advances to banks (Long term placement)					
Opening balance		129,959	110,950	-	-
Movement during the year		45,532	19,009	-	-
Closing balance	21	175,491	129,959	-	-
(iii) Loans and advances to customers					
Opening balance	22	1,852,411	1,709,440	94	110
ECL allowance on loan and advances to customers	22	74,277	78,912	-	-
Interest income	7	241,027	245,589	15	8
Interest received		(310,670)	(476,617)	(15)	(8)
Movement during the year		360,223	295,087	(33)	(16)
Closing balance	22	2,217,268	1,852,411	61	94

44 Cashflow workings (continued)

	Notes	GROUP 31 December 2020 ₦'million	GROUP 31 December 2019 ₦'million	COMPANY 31 December 2020 ₦'million	COMPANY 31 December 2019 ₦'million
(iv) Financial assets at fair value through profit or loss					
Opening balance		282,660	110,950	3,057	3,427
Interest income	7	328	251	-	-
Interest received		(19,267)	(19,305)	-	-
Fair value changes at FVTPL	13	18,939	13,030	(941)	(371)
Movement during the year		(156,306)	177,734	-	-
Closing balance	23	126,354	282,660	2,116	3,057
(v) Other assets					
Opening balance	26	212,092	112,362	15,922	292
Dividend receivable - current year	(xiv)	-	-	14,190	12,810
Dividend receivable - prior year	(xiv)	-	-	(12,810)	(61)
Reclassification (to)/from investment subsidiary		-	-	(2,881)	2,881
Movement during the year		103,409	99,730	(61)	-
Closing balance	26	315,501	212,092	14,360	15,922
(vi) Asset pledged as collateral					
Opening balance	25	464,922	309,051	-	-
Movement during the year		170,991	155,871	-	-
Closing balance	25	635,913	464,922	-	-
(vii) Deposit from banks					
Opening balance	34	860,486	749,315	-	-
Interest expense	8	26,353	24,855	-	-
Interest paid		(26,353)	(29,855)	-	-
Movement during the year		178,734	116,171	-	-
Closing balance	34	1,039,220	860,486	-	-

44 Cashflow workings (continued)

		GROUP		COMPANY	
	Notes	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
(viii) Deposit from customers					
Opening balance		4,019,836	3,486,691	-	-
Interest expense	8	90,609	111,217	-	-
Interest paid		(90,609)	(111,224)	-	-
Movement during the year		874,879	533,152	-	-
Closing balance	35	4,894,715	4,019,836	-	-
(ix) Liability on investment contracts					
Opening balance	37	24,676	19,766	-	-
Movement during the year		(24,676)	4,910	-	-
Closing balance	37	-	24,676	-	-
(x) Liability on insurance contracts					
Opening balance	38	63,748	34,192	-	-
Movement during the year		(63,748)	29,556	-	-
Closing balance	38	-	63,748	-	-
(xi) Other liabilities					
Opening balance	36	297,140	373,345	9,321	8,034
Provisions	36	28,445	2,817	-	-
Other credit balances	36	20,727	23,175	-	-
Allowance for off balance sheet items	36	3,486	4,820	-	-
Movement during the year		284,580	(107,017)	4,223	1,287
Closing balance	36	581,720	297,140	13,544	9,321
(xii) Disposal of property and equipment					
Cost	31	2,625	3,119	13	63
Accumulated depreciation	31	(2,669)	(2,744)	(13)	(63)
Net book value of disposed properties		(43)	375	-	-
Gain on disposed properties	15	199	75	-	-
Sales proceed		155	450	-	-
(xiii) Interest paid					
Interest paid on borrowings	39	13,324	14,917	-	-
Interest paid on deposit from customers	(viii)	90,609	111,224	-	-
Interest paid on deposit from banks	(vii)	26,353	29,855	-	-
		130,286	155,996	-	-

NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

44 Cashflow workings (continued)

	Notes	GROUP 31 December 2020 ₦'million	GROUP 31 December 2019 ₦'million	COMPANY 31 December 2020 ₦'million	COMPANY 31 December 2019 ₦'million
(xiv) Dividend received					
Opening dividend receivable		-	-	12,810	61
Dividend income	14	3,983	4,368	18,296	16,580
WHT on dividend retained	14	-	-	311	170
Dividend received		(3,983)	(4,368)	(17,227)	(4,001)
Closing dividend receivable		-	-	14,190	12,810
(xv) Additional investment in subsidiary					
Opening balance	29	-	-	239,514	242,395
Additional investment		-	-	25,000	-
Disposal	30.3			(4,724)	-
Reclassification from/(to) accounts receivable		-	-	2,881	(2,881)
Closing balance	29	-	-	262,671	239,514

45 Commitments and contingencies

45.1 Capital commitments

The Group's capital commitment in respect of authorized and contracted capital projects are disclosed below.

	GROUP 31 December 2020 ₦'million	GROUP 31 December 2019 ₦'million
Authorised and contracted		
Property and Equipment	1,510	713
Intangible Assets	2,074	4,218
	3,584	4,931

45.2 Legal proceedings

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

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.

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
At start of the year	**376**	376
Provisions	**25,598**	-
At end of year	**25,974**	376

45.3 Other contingent commitments

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

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Performance bonds and guarantees	**345,199**	441,774
Letters of credit	**489,314**	419,329
	834,513	861,103

45.4 Loan commitments

	GROUP	
	31 December 2020 ₦'million	31 December 2019 ₦'million
Undrawn irrevocable loan commitments	**87,263**	81,131
	87,263	81,131

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 3.6.

The Group cannot separately identify the expected credit loss on the undrawn commitment. Thus, the expected credit loss on the undrawn commitments have been recognised together with the loss allowance for the loan. See Note 22 on expected credit loss on Loans and advances to customers.

46 Offsetting financial assets and financial liabilities

The information shown for 31 December 2020 relates to First Bank of Nigeria 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					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
31 December 2020	(a) ₦'million	(b) ₦'million	(c) = (a) - (b) ₦'million	(d) ₦'million	(e) ₦'million	(f) = (c)-(d)-(e) ₦'million
ASSETS						
Financial assets at fair value through profit or loss	56,863	-	56,863	-	1,509	55,354
Total Assets subject to offsetting, master netting and similar arrangements	56,863	-	56,863	-	1,509	55,354
LIABILITIES						
Financial derivatives	(7,080)	-	(7,080)	-	-	(7,080)
Total Liabilities subject to offsetting, master netting and similar arrangements	(7,080)	-	(7,080)	-	-	(7,080)

46 Offsetting financial assets and financial liabilities (continued)

	GROUP					
	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
31 December 2019	(a) ₦'million	(b) ₦'million	(c) = (a) - (b) ₦'million	(d) ₦'million	(e) ₦'million	(f) = (c)-(d)-(e) ₦'million
ASSETS						
Financial assets at fair value through profit or loss	24,621	-	24,621	-	11,492	13,129
Reinsurance receivables	3,081	-	3,081	34	-	3,047
Total Assets subject to offsetting, master netting and similar arrangements	27,702	-	27,702	34	11,492	16,176
LIABILITIES						
Financial derivatives	(5,571)	-	(5,571)	-	(1,873)	(3,698)
Trade payables	(34)	-	(34)	(34)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(5,605)	-	(5,605)	(34)	(1,873)	(3,698)

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

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

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

47 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. (See Note 29 for the list of all subsidiaries of the Group).

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:

47.1 Transactions with related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2020 ₦'million	31 December 2019 ₦'million
First Bank of Nigeria Limited	Subsidiary	Placement	**2,500**	74
First Bank of Nigeria Limited	Subsidiary	Current account balance	**2,156**	3,791
First Bank of Nigeria Limited	Subsidiary	Bank charges	**11**	7
First Bank of Nigeria Limited	Subsidiary	Interest Income	**211**	174
FBNQuest Merchant Bank Limited	Subsidiary	Current account balance	**1**	2
FBNQuest Merchant Bank Limited	Subsidiary	Placement	**2,941**	545
FBNQuest Merchant Bank Limited	Subsidiary	Interest Income	**43**	311
FBNQuest Capital Limited	Subsidiary	Receivable	**-**	1,512
FBNQuest Trustees Limited	Subsidiary	Receivable	**-**	1,369
FBN Insurance Limited	Subsidiary	Premium	**-**	44

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 0.25% to 3%. Current account balances are balances in transactional operating accounts with related parties as at 31 December 2020.

47.2 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 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Salaries and other short-term employee benefits	**1,948**	1,699	**403**	392
Post-employment benefits	**33**	30	**16**	15
	1,982	1,729	**419**	407

47.3 Insider related credits

In compliance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits, the Company had no insider related credits during the year. Insider related credits relating to the banking subsidiaries have been appropriately disclosed in the component financial statements.

48 Directors' emoluments

Remuneration paid to the Directors was:

	31 December 2020 ₦'million	31 December 2019 ₦'million
Fees	**396**	414
Sitting allowances	**18**	18
Executive compensation	**122**	120
Other Directors' costs and expenses	**447**	425
	983	977
Included in the fees above are amounts paid to:		
Chairman	**64**	64
Highest paid Director	**122**	120

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

	Number	
	31 December 2020	31 December 2019
₦30,000,000 - ₦40,000,000	**1**	-
₦40,000,001 and above	**8**	10
	9	10

49 Compliance with regulations

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

(a) First Bank of Nigeria Limited

(i) The bank paid a penalty of ₦52million in February 2020 for involvement in Textile-importation using foreign exchange sourced from Nigerian Market

(ii) The bank paid a penalty of ₦2million in February 2020 for non-implementation of 2-Factor Authentication on FirstConsole as at June 2018

(iii) Additional penalty of ₦40million was paid in February 2020 inrespect to FX market in textile importation in the period October 16-November 30 2019

(iv) Additional penalty of ₦45million was paid in February 2020 inrespect to FX market in textile importation in the period October 16-November 30 2019

(v) A penalty of ₦20million was paid in October 2020 by the bank for allowing customers transfer accumulated cash deposits in excess of USD10,000 in contravention of Memorandum 25b of FOREX manual.

(vi) Additional penalty Of ₦61.4million was paid in December 2020 for allowing customer transfer accumulated cash deposits in excess of USD10,000 in contravention of Memorandum 25(b) of FOREX manual.

(b) FBN Holdings Plc

(i) The company paid a penalty of ₦2.5million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

(c) FBNQuest Capital Limited

(i) The company paid a penalty of ₦1million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

(d) FBNQuest Trustees Limited

(i) The company paid a penalty of ₦1million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

50 Events after statement of financial position date

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

51 Dividends per share

A cash dividend of ₦13.64billion at ₦0.38 per share (2019: ₦9.33billion) that relates to the period to 31 December 2019 was paid in April 2020.

52 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 2020 ₦'million	31 December 2019 ₦'million	31 December 2020 ₦'million	31 December 2019 ₦'million
Profit from continuing operations attributable to owners of the parent (₦'million)	**73,848**	62,297	**33,860**	13,862
Profit from discontinued operations attributable to owners of the parent (₦'million)	**14,138**	7,621	**-**	-
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	**2.06**	1.74	**0.94**	0.39
- from discontinued operations	**0.39**	0.21	**-**	-
	2.45	1.95	**0.94**	0.39

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.

OTHER NATIONAL DISCLOSURES

EVALUATION OF THE IMPACT OF COVID-19

In 2020, there was a global outbreak of the Corona virus Disease (COVID-19) which was declared a pandemic by the World Health Organisation (WHO). The disease caused disruptions of monumental proportions to social and economic activities all over the World as countries and businesses were forced to shut down and restrict movement of persons, goods and services in a bid to contain the spread of COVID-19.

FBNHoldings responded by activating Business Continuity Plans across the Group to ensure safety of all personnel, customers and other counterparties. An incident management team was created to monitor, report and deal with any occurrence across the Group. This ensured that while staff worked remotely, service delivery continued unabated via various platforms supported by the very robust technology already deployed by the Group even before the pandemic. Therefore, the impact of the pandemic on the Company's and Group's results of operation was effectively minimised in 2020.

Going forward in 2021, the Group has reviewed the current situation including but not limited to the current rate of infection, development and deployment of vaccines with gradual and careful re-opening of businesses and rebound of crude oil prices in the first quarter of 2021.

Based on this review, nothing has come to the attention of the Directors to indicate that the Group will not continue to operate into the foreseeable future. The Group has also assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement.

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED - GROUP

	31 December 2020 ₦'million	%	31 December 2019 ₦'million	%
Gross income	579,429		590,386	
Interest and fee expense	(152,629)		(172,825)	
	426,800		417,561	
Administrative overheads	(166,045)		(172,711)	
Value added	260,755	100	244,850	100
Distribution				
Employees				
- Salaries and benefits	100,584	39	95,873	39
Government				
- Taxation	8,111	3	9,242	4
The future				
- Asset replacement (depreciation)	18,634	7	16,401	7
- Asset replacement (amortisation)	7,238	3	6,197	2
- Asset replacement (provision for losses)	50,596	19	51,093	21
- Expansion (retained in the business)	75,592	29	66,044	27
	260,755	100	244,850	100

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED - COMPANY

	31 December 2020 ₦'million	%	31 December 2019 ₦'million	%
Gross income	38,601		18,396	
Interest and fee expense	(13)		(14)	
	38,588		18,382	
Administrative overheads	(2,827)		(2,988)	
Value added	35,761	100	15,394	100
Distribution				
Employees				
- Salaries and benefits	1,465	4	1,201	8
Government				
- Company income tax	213	1	12	0
The future				
- Asset replacement (depreciation)	223	1	319	2
- Asset replacement (amortisation)	-	-	-	-
- Asset replacement (provision for losses)	-	-	-	-
- Expansion (retained in the business)	33,860	94	13,862	90
	35,761	100	15,394	100

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Assets:					
Cash and balances with Central Bank	**1,631,730**	1,025,325	653,335	641,881	690,165
Loans and advances to banks	**1,016,823**	754,910	863,435	742,929	444,871
Loans and advances to customers	**2,217,268**	1,852,411	1,670,476	2,001,223	2,083,894
Financial assets at fair value through profit or loss	**126,354**	282,660	109,162	83,713	46,711
Investment securities	**1,549,290**	1,414,530	1,663,821	1,248,608	1,050,588
Assets pledged as collateral	**635,913**	464,922	309,051	208,925	197,420
Other assets	**315,501**	212,092	126,292	132,731	47,786
Investment in associates	**1,163**	711	625	1,357	1,114
Investment properties	**-**	100	515	1,993	3,003
Property, plant and equipment	**114,034**	112,939	91,515	88,263	88,315
Intangible assets	**15,340**	18,961	16,134	16,211	15,328
Deferred tax	**27,619**	25,009	25,558	18,554	17,278
Assets held-for-sale	**37,993**	38,956	38,990	50,149	50,332
	7,689,028	6,203,526	5,568,909	5,236,537	4,736,805
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	17,948
Share premium	**233,392**	233,392	233,392	233,392	233,392
Reserves	**504,746**	394,269	265,314	427,874	331,783
Non-controlling interest	**9,085**	15,516	12,289	(5,494)	(548)
Deposits from banks	**1,039,220**	860,486	749,315	665,366	416,078
Deposits from customers	**4,894,715**	4,019,836	3,486,691	3,143,338	3,104,221
Derivative liabilities	**7,464**	6,046	15,791	9,404	37,137
Liabilities on investment contracts	**-**	24,676	19,766	13,399	9,440
Liabilities on insurance contracts	**-**	63,748	34,192	21,734	10,287
Borrowings	**379,484**	250,596	338,214	420,919	316,792
Retirement benefit obligations	**7,527**	3,352	1,940	2,203	2,662
Current income tax	**11,247**	13,778	15,656	10,194	8,897
Other liabilities	**581,720**	297,140	375,642	266,198	235,388
Deferred income tax liabilities	**101**	250	266	606	813
Liabilities held-for-sale	**2,379**	2,493	2,493	9,457	12,515
	7,689,028	6,203,526	5,568,909	5,236,537	4,736,805

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	12 months ended 31 December 2020 ₦'million	12 months ended 31 December 2019 ₦'million	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million
Gross earnings	579,429	590,386	587,406	598,184	583,006
Net operating income	426,318	417,474	417,317	444,835	469,926
(Loss)/Gain from disposal of subsidiary	-	-	-	-	(8)
Insurance claims	-	-	(4,717)	(4,041)	(2,190)
Operating expenses	(292,501)	(291,182)	(261,305)	(236,278)	(218,744)
Group's share of associate's results	482	87	23	430	-
Impairment charge for credit losses	(50,596)	(51,093)	(87,465)	(150,424)	(226,037)
Profit before taxation	83,703	75,286	63,853	54,522	22,948
Taxation	(8,111)	(9,242)	(5,544)	(9,040)	(5,807)
Profit from continuing operations	75,592	66,044	58,309	45,482	17,141
Profit/(loss) from discontinuing operations	14,138	7,621	(77)	(7,774)	(4,898)
Profit for the year	89,730	73,665	58,232	37,708	12,243
Profit attributable to:					
Owners of the parent	87,986	69,918	57,692	41,328	14,122
Non controlling interest	1,744	3,747	540	(3,620)	(1,879)
	89,730	73,665	58,232	37,708	12,243
Earnings per share in kobo (basic/diluted)	245	195	161	115	39

OTHER NATIONAL DISCLOSURES

FINANCIAL SUMMARY - COMPANY

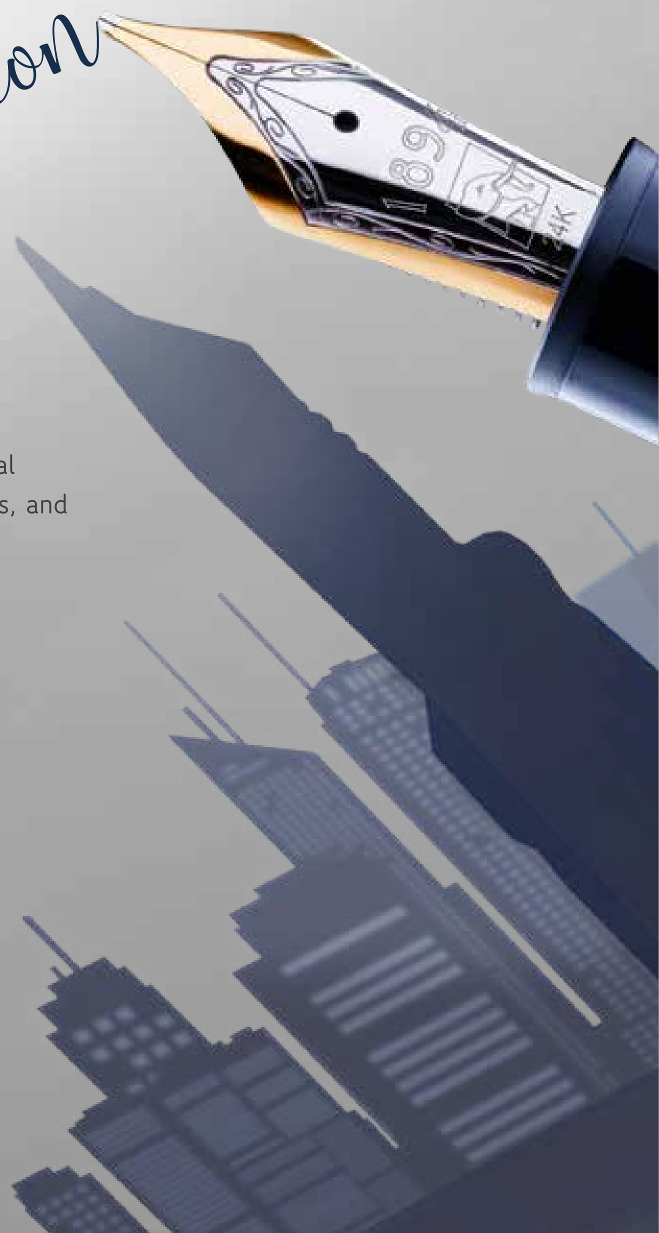
STATEMENT OF FINANCIAL POSITION

	31 December 2020 ₦'million	31 December 2019 ₦'million	31 December 2018 ₦'million	31 December 2017 ₦'million	31 December 2016 ₦'million
Assets:					
Loans and advances to banks	**11,240**	5,706	16,639	7,585	4,792
Loans and advances to customers	**61**	94	110	108	63
Financial assets at fair value through profit or loss	**2,116**	3,057	3,427	-	-
Investment securities	**9,863**	11,393	7,079	9,842	7019
Investment in associates	**-**	-	-	-	1500
Investment in subsidiaries	**262,671**	239,514	242,395	242,395	263,595
Other assets	**14,360**	15,922	292	9,011	4,670
Property, plant and equipment	**312**	490	382	680	1,192
	300,623	276,176	270,324	269,621	282,831
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	17,948
Share premium	**233,392**	233,392	233,392	233,392	252,892
Reserves	**35,525**	15,503	10,848	10,624	6,242
Current income tax	**214**	12	102	104	-
Other liabilities	**13,544**	9,321	8,034	7,553	5,751
	300,623	276,176	270,324	269,619	282,833

Income Statement

	12 months ended 31 December 2020 ₦'million	12 months ended 31 December 2019 ₦'million	12 months ended 31 December 2018 ₦'million	12 months ended 31 December 2017 ₦'million	12 months ended 31 December 2016 ₦'million
Gross Earnings	**38,602**	18,396	13,649	13,715	12,715
Net operating income	**18,699**	18,396	13,649	13,715	12,571
Gain from disposal of subsidiary/associate	**19,890**	-	-	-	144
Operating expenses	**(4,515)**	(4,508)	(4,209)	(4,333)	(5,104)
Profit before taxation	**34,073**	13,874	9,440	9,382	7,611
Taxation	**(213)**	(12)	(98)	(107)	(104)
Profit after taxation	**33,860**	13,862	9,342	9,275	7,507
Earnings per share in kobo (basic)	**94**	39	26	26	21

Shareholder Information



Resources for shareholders include the Notice of Annual General Meeting, proxy form, shareholder data update and related forms, and contact details.

SHAREHOLDER RESOURCES

DIVIDEND HISTORY AS AT 31 DECEMBER 2020

FBN HOLDINGS PLC

Payment No.	Year End	Dividend Type	Date Payable	Total Net Dividend Amount (₦)	Dividend Per Share	Net Dividend Amount Unclaimed As At 31 December 2020	% Net DIV. Amount Unclaimed
Unclaimed dividend brought forward						2,950,648,340.50	
1.	31-Dec-2012	INTERIM	6-Mar-2013	29,434,858,173.90	1.00	1,215,607,967.62	4.13
2.	27-May-2013	FINAL	27-May-2014	32,408,788,807.89	1.10	1,667,398,788.56	5.14
3.	31-Dec-2014	FINAL	25-May-2015	2,963,937,941.77	0.10	301,543,959.59	10.17
4.	31-Dec-2015	FINAL	30-May-2016	4,889,733,076.23	0.15	579,402,383.27	11.85
5.	31-Dec-2016	FINAL	22-May-2017	6,512,770,910.98	0.20	776,634,469.70	11.92
6.	31-Dec-2017	FINAL	16-May-2018	8,141,810,416.31	0.25	1,148,662,608.17	14.11
7.	31-Dec-2-18	FINAL	6-May-2019	8,463,553,721.79	0.26	1,640,978,428.71	19.39
8.	31-Dec-2019	FINAL	28-April-2020	12,371,715,777.28	0.38	4,994,288,606.69	40.37
						15,275,165,552.81	

CREDIT RATINGS SUMMARY

	Rated Entity	Report Date	National		International		Outlook
			Long term	Short term	Long term	Short term	
Standard & Poor's	FBNHoldings	December 2020	ngBBB-	NgA-3	B-	B	Stable
	FirstBank	December 2020	ngBBB-	NgA-3	B-	B	Stable
Fitch	FBNHoldings	December 2020	BBB(nga)	F2(nga)	B-	B	Negative
	FirstBank	December 2020	BBB(nga)	F2(nga)	B-	B	Negative
Global Credit Rating	FirstBank	December 2020	A-(NG)	A2(NG)	-	-	Positive

FBNHOLDINGS AND EQUITY MARKET STATISTICS AS AT 31 DECEMBER 2020

		2020	2019
FBNH Share Price	High for the year (₦)	8.40	8.45
	Low for the year (₦)	3.70	4.35
	Closing (₦)	7.15	6.15
FBNH Share Statistics	Total volume of shares traded (million)	8,473.40	4,230.69
	Total value of shares traded (₦'million)	47,526.61	28,217.95
	Market capitalisation (million)	256,651.34	220,756.05
Market Indicators	NSE All Share Index	40,270.72	26,842.07
	Total equities volume traded (billion)	96.95	79.43
	Total equities value traded (₦'billion)	1,028,17	958.70
	Equities market cap (₦'trillion)	21.06	12.97

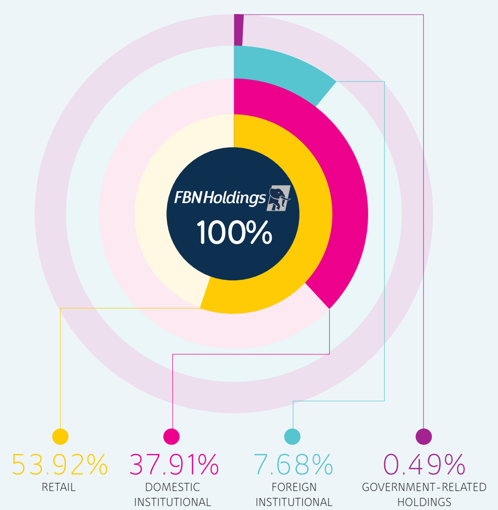
SHAREHOLDER RESOURCES

FBN HOLDINGS PLC - RANGE ANALYSIS AS AT 31 DECEMBER 2020

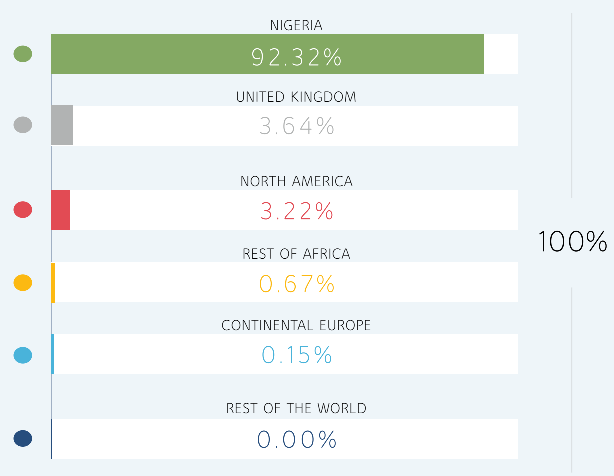
RANGE			No. of Holders	% Holders	Units	% Units
1	-	1,000	292,365	24.33	212,776,599	0.59
1,001	-	5,000	491,819	40.94	1,182,644,697	3.29
5,001	-	10,000	170,414	14.18	1,171,659,435	3.26
10,001	-	50,000	204,022	16.98	4,144,495,378	11.55
50,001	-	100,000	20,922	1.74	1,458,108,857	4.06
100,001	-	500,000	17,401	1.45	3,469,556,250	9.67
500,001	-	1,000,000	2,184	0.18	1,539,101,963	4.29
1,000,001	-	5,000,000	1,821	0.15	3,507,609,127	9.77
5,000,001	-	10,000,000	215	0.02	1,518,067,538	4.23
10,000,001	-	50,000,000	213	0.02	4,423,273,877	12.32
50,000,001	-	100,000,000	31	-	2,129,282,620	5.93
100,000,001	-	35,895,292,791	40	-	11,138,716,450	31.03
			1,201,447	100.00	35,895,292,791	100.00

Shareholding Analysis as at 31 December 2020

BREAKDOWN OF SHAREHOLDERS BY TYPE



GEOGRAPHICAL BREAKDOWN OF SHAREHOLDERS



SHAREHOLDER RESOURCES

FREE FLOAT STATUS

Company Name:	FBN Holdings Plc
Board Listed:	Premium Board
Year End:	December
Reporting Period:	Year Ended 31 December 2020
Share Price at end of reporting period:	₦7.15 (31 Dec 2019: ₦6.15)

	31 December 2020		31 December 2019	
DESCRIPTION	Unit	%	Unit	%
Issued Share Capital	35,895,292,791	100	35,895,292,791	100
Substantial Shareholdings (5% and above):				
NIL	-	-	-	-
NIL	-	-	-	-
Total Substantial Shareholdings	-	-	-	-
Directors' shareholdings (direct and indirect), excluding directors with substantial interests				
Dr Oba Otudeko, *CFR* (Direct)	5,895,264	0.01	5,895,264	0.01
Dr Oba Otudeko, *CFR* (Indirect)	532,075,839	1.48	532,075,839	1.48
U.K. Eke, *MFR* (Direct)	85,268,414	0.23	65,196,390	0.18
Oye Hassan-Odukale, *MFR* (Direct)	8,854,003	0.02	8,854,003	0.02
Oye Hassan-Odukale, *MFR* (Indirect)	360,961,091	1.00	310,961,091	0.86
Chidi Anya (Indirect)	552,168	0.00	552,168	0.00
Dr Hamza Wuro Bokki (Direct)	6,680,863	0.01	6,680,863	0.01
'Debola Osibogun (Direct)	4,127,659	0.01	1,171,612	0.00
Omatseyin Ayida (Direct)	1,100,000	0.00	1,100,000	0.00
Omatseyin Ayida (Indirect)	134,640,242	0.37	134,680,565	0.37
Dr Adesola Adeduntan (Direct)	18,871,689	0.05	18,871,689	0.05
Oluwande Muoyo (Direct)[1]	-	0.00	1,971,481	0.00
Oluwande Muoyo (Indirect)[1]	-	0.00	798,596	0.00
Cecilia Akintomide, *OON* (Direct)	1,005,500	0.00	5,500	0.00
Seni Adetu (Direct and Indirect)	-	0.00	-	0.00
Juliet Anammah (Direct and Indirect)	-	0.00	-	0.00
Otu Hughes (Direct and Indirect)	-	0.00	-	0.00
Total Directors' Shareholdings	1,160,032,732	3.23	1,088,815,061	3.03
Other Influential Shareholdings:				
NIL	-	-	-	-
NIL	-	-	-	-
Total Other Influential Shareholdings	-	-	-	-
Free Floats in Units and Percentage	34,735,260,059	96.77	34,806,477,730	96.97
Free Floats in Value (₦)	**248,357,109,422**		**214,059,838,040**	

Declaration:

FBN Holdings Plc with a free float value of ₦248,357,109,421.85 (96.77%) as at December, 2020 (31 Dec 2019: ₦214,059,838,039.50 (96.97%)) is compliant with the Nigerian Stock Exchange's free float requirements for companies listed on the Premium Board.

OLUSEYE KOSOKO
Company Secretary
FRC/2013/NBA/00000002006

[1]Resigned with effect from 30 April 2020

SHAREHOLDER RESOURCES

SHARE CAPITALISATION HISTORY

Year*	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (₦)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 Jul 1976	-	5,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 Jul 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 Jul 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 Jul 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 Jul 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Plc shares issued in exchange for minority shares in FBN Merchant Bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Plc shares issued to majority shareholders in FBN Merchant Bank arising from consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
01 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010	-	-	-	3,625,787,150	32,632,084,356	Bonus (1 for 8)
21 May 2015	-	-	-	3,263,208,435	35,895,292,791	Bonus (1 for 10)

*Approval date by Security and Exchange Commission

NOTICE OF 9TH ANNUAL GENERAL MEETING

FBNHoldings
RC 916455

NOTICE IS HEREBY GIVEN that the 9th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Oriental Hotel, 3 Lekki-Epe Expressway, Victoria Island, Lagos on Tuesday, 27 April 2021 at 10am or so soon thereafter to transact the following:

Ordinary Business:

1. To receive the audited accounts for the financial year ended 31 December 2020 together with the reports of the Directors, Auditor, Board Appraisers and Audit Committee thereon.

2. To declare a dividend.

3. To approve the appointment of the following Directors:

   a. Seni Adetu as Independent Non-Executive Director

   b. Juliet Anammah as Independent Non-Executive Director

   c. Otu Hughes as Non-Executive Director

4. To re-elect the following Directors retiring by rotation:

   a. Oye Hassan-Odukale, *MFR*

   b. Dr Adesola Adeduntan

   c. 'Debola Osibogun

5. To authorise the Directors to fix the remuneration of the Auditor.

6. To disclose the remuneration of Managers of the Company.

7. To elect members of the Audit Committee.

Notes

1. PROXY

In view of the COVID-19 pandemic and the directives issued by relevant authorities on physical distancing and the ban on large gathering, the Corporate Affairs Commission has approved that attendance to the meeting shall only be by proxies. Consequently, Members are required to appoint a proxy of their choice from the following proxies to attend and vote in their stead:

a. Dr Oba Otudeko, *CFR* – Group Chairman

b. U.K. Eke, *MFR* – Group Managing Director

c. Dr Adesola Adeduntan – Non-Executive Director

A proxy form is attached to the Annual Report. All instruments of proxy should be e-mailed to info@firstregistrarsnigeria.com or deposited at the registered Office of the Company or the Office of the Registrars, First Registrars & Investor Services Limited, No 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.

NOTE: All instruments of proxy shall be at the Company's expense.

2. DIVIDEND

If the proposed dividend recommended by the Directors is approved by members at the AGM, the dividend will be payable on Wednesday, 28 April 2021 to members whose names appear in the Register of Members at the close of business on 20 April 2021. Shareholders who have completed the e-dividend mandate forms will receive a direct credit of the dividend into their bank accounts.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 114 of Companies and Allied Matters Act (CAMA), please note that the Register of Members and Transfer Books of the Company will be closed from 21-22 April 2021 (both dates inclusive) to enable the Registrars to update records in preparation for the payment of dividends.

4. E-DIVIDEND MANDATE

Shareholders are kindly requested to update their records and advise First Registrars & Investor Services Limited of their updated records and relevant bank accounts for payment of their dividends. Detachable forms in respect of mandate for e-dividend payment and shareholder data update are attached to the Annual Report for convenience. The forms can also be downloaded from the Company's website at www.fbnholdings.com or from First Registrars & Investor Services Limited's website at www.firstregistrarsnigeria.com.

NOTICE OF 9TH ANNUAL GENERAL MEETING

The duly completed form should be delivered to First Registrars & Investor Services Limited, No 2, Abebe Village Road, Iganmu, Lagos.

5. UNCLAIMED DIVIDEND WARRANTS

Shareholders are hereby informed that some dividend warrants have been returned to the Registrars as unclaimed, while some have neither been presented for payment nor to the Registrars for revalidation.

Affected members are by this Notice advised to contact the Registrars, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos for resolution.

6. STATUTORY AUDIT COMMITEE

In accordance with Section 404 (6) of CAMA, a shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Companies and Allied Matter Act (CAMA), Code of Corporate Governance of the Financial Reporting Council, Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) respectively indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

In view of the above, we therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae. The curriculum vitae of eligible candidates will be posted on the Company's website before the date of the meeting.

7. ELECTION OF DIRECTORS

a. **Seni Adetu** was appointed as an Independent Non-Executive Director of the Company on 27 October 2020. His appointment has been approved by the Central Bank of Nigeria and will be presented for Shareholders' approval at the 9th Annual General Meeting.

b. **Juliet Anammah** was appointed as an Independent Non-Executive Director of the Company on 27 October 2020 subject to the approval of the Central Bank of Nigeria. She will be presented for Shareholders' approval at the 9th Annual General Meeting.

c. **Otu Hughes** was appointed as a Non-Executive Director of the Company on 27 October 2020 subject to the approval of the Central Bank of Nigeria. He will be presented for Shareholders' approval at the 9th Annual General Meeting.

8. RETIREMENT/RE-ELECTION OF DIRECTORS

Oye Hassan-Odukale, *MFR*, Dr Adesola Adeduntan and 'Debola Osibogun are retiring by rotation at this meeting in line with Section 285 of CAMA. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are available in the Annual Report and on the Company's website.

9. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting, but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than two weeks before the date of the meeting.

10. LIVE STREAMING OF THE AGM

The AGM will be streamed live online. This will enable Shareholders and other relevant Stakeholders who will not be attending the meeting physically to also be part of the proceedings. The link for the live streaming will be made available on the Company's website: www.fbnholdings.com and by the Registrar, in due course.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
35 Marina, Lagos

Dated 9 March 2021

FBNHoldings

PROXY FORM

FBN HOLDINGS PLC (RC 916455)

9TH ANNUAL GENERAL MEETING TO BE HELD at the Oriental Hotel, 3 Lekki-Epe Expressway, Victoria Island, Lagos on Tuesday, 27 April 2021 at 10a.m.

*We...

(Name of shareholder in block letters)

The undersigned, being a member of the above-named Company hereby appoint .... or failing him, the Chairman of the meeting as our Proxy to vote for us and on our behalf at the Annual General Meeting of the Company to be held on 27 April 2021 and at any adjournment thereof.

Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit.

Dated this...day of...............................2021

Signature...

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the office of FBNHoldings' registrars; First Registrars and Investor Services Limited, 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

We desire this proxy to be used in favour of/or against the resolution as indicated alongside

	Resolutions	For	Against
1)	To Receive the Consolidated Annual Reports and Accounts		
2)	To declare a Dividend		
3a)	To Elect Seni Adetu as Independent Non-Executive Director		
3b)	To Elect Juliet Anammah as Independent Non-Executive Director		
3c)	To Elect Otu Hughes as Non-Executive Director		
4a)	To Re-Elect Oye Hassan-Odukale, *MFR*, as Director		
4b)	To Re-Elect Dr Adesola Adeduntan as Director		
4c)	To Re-Elect 'Debola Osibogun as Director		
5)	To authorise the Directors to fix the remuneration of the Auditor		
6)	To disclose the remuneration of Managers of the Company		
7)	To Elect Members of the Audit Committee		

Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

Admission Form
FBN Holdings Plc. (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at the Oriental Hotel, Victoria Island, Lagos on Tuesday, 27 April 2021 at 10 a.m.

Name of Shareholder*

Name of Proxy* (IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of him. A Proxy need not be a member. The above proxy form has been prepared to enable you exercise your right to vote.

IMPORTANT

Please insert your name in CAPITAL LETTERS on both proxy and admission forms where asterisked. Insert the name of any person whether a member of the company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

FirstRegistrars
& INVESTOR SERVICES

E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form
2. Fill out all compulsory(*) fields
3. Fill out in CAPITAL LETTERS

You need not worry about the safety of your shares anymore. Simply stay aboard with our e-products and services.

E-share Notifier SMS alert on transactions that occur on your share account (AGM and EGM, dividend declaration, bonuses, debits/credits etc.)

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. This service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online Access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION
Please fill in the form and return to the address below:

THE REGISTRARS
First Registrars & Investor Services Limited,
Plot 2 Abebe Village Road, Iganmu,
PMB 12692, Lagos, Nigeria.

SHAREHOLDER ACCOUNT INFORMATION

Surname* | First name* | Other names |

Address line 1* |

Address line 2* |

City | State* | Country |

Mobile number 1* | Mobile number 2* |

Email address* |

Signature(s)*

Corporate stamp/seal*

CHARGES:

Individual:	₦1,000 per annum/product
Corporate bodies:	₦2,000 per annum/product

Please tick (√) the product(s) you are activating.
All payments should be made into each product's account number respectively:

- E-share notifier activation - Account No. 2013302579
- M-access activation - Account No. 2011760908
- Online access activation - Account No. 2013798370

In any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

FirstRegistrars & INVESTOR SERVICES

FBNHoldings

E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FORM

Affix Current Passport Here

(To be stamped by Bankers)

Write your name at the back of your passport photograph

INSTRUCTION

Please fill out all compulsory(*) fields and complete all sections of this form to make it eligible for processing and return to the address below.

THE REGISTRARS,
First Registrars & Investor Services Limited.
2 Abebe Village Road, Iganmu,
PMB 12692 Lagos, Nigeria.

I/We hereby request that henceforth, all my/our dividend payment(s) due to me/us from my/our holdings in **FBN Holdings Plc** be credited directly to my/our bank detailed below:

Bank verification number (BVN)

Bank name

Bank branch

Bank address

Bank account number

Account opening date

Account type (Tick) Current Savings

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address

City State Country

Previous address (If any)

CHN (If any) Email address

Mobile number 1* Mobile number 2*

Signature(s)* Joint\Company's signatories* Company's seal*

Authorised signature of banker Authorised stamp of banker

FirstRegistrars & INVESTOR SERVICES

FBNHoldings

E-BONUS FORM

INSTRUCTION

Please fill out all compulsory(*) fields and complete all sections of this form to make it eligible for processing and return to the address below:

THE REGISTRARS,
First Registrars & Investor Services Limited.
2, Abebe Village Road, Iganmu,
PMB 12692 Marina,
Lagos, Nigeria.

Please credit my account at Central Securities Clearing Systems Limited (CSCS) with all subsequent allotments and bonuses due to me from FBN Holdings Plc.

SHAREHOLDER ACCOUNT INFORMATION

Surname* | First name* | Other names |

Address line 1* |

Address line 2* |

City |

Mobile number* |

State |

Email address* |

Country |

Signature(s)*

Joint/Company's signatures*

Company seal*

CSCS Details

Stockbroker |

Clearinghouse number C |

Authorised signature and stamp of stockbroker |

Please attach a copy of your CSCS Statement to this form as evidence that you maintain a valid account with the CSCS

FBNHoldings

FBN HOLDINGS PLC SHAREHOLDER DATA UPDATE FORM

INSTRUCTION

Please submit or post the completed form to any First Registrars & Investor Services Limited branch nationwide or through any of the branches of First Bank of Nigeria Limited or to the Company Secretary/Investor Relations offices of FBN Holdings Plc for onward delivery to the Registrar.

We are committed to updating the records of our shareholders and to achieve this, please fill out all the compulsory (*) fields in the form below:

Surname*

First name*

Other names

Gender

Email address*

Mobile number*

Old address*

New addresses (to be used for address update)*

Next of kin

Next of kin's phone number

I/We hereby authorise FBN Holdings Plc to update my/our shareholding accounts with the above information

Individual shareholder signature*	Joint shareholder signature*
Corporate shareholder*	Company seal*

Kindly download the data update form from our website:
www.fbnholdings.com

ABBREVIATIONS

AfDB	African Development Bank
AGM	Assistant General Manager
ALCO	Assets and Liabilities Management Committee
AMCON	Asset Management Corporation of Nigeria
AOM	Area Operations Manager
ATM	Automated Teller Machine
AUM	Assets Under Management
AURR	Additional Unexpired Risk Reserve
BARAC	Board Audit and Risk Assessment Committee
BCL	Basic Chain Ladder Method
BFIC	Board Finance and Investment Committee
BGNC	Board Governance and Nominations Committee
BU	Business Unit
CAAP	Control Administrative and Accounting Procedure
CAE	Chief Audit Executive
CAMA	Companies and Allied Matters Act
CAR	Capital Adequacy Ratio
CASA	Current and Savings Accounts
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CEP	Continuous Education Programme
CFP	Contingency Funding Plan
CFR	Commander of the Order of the Federal Republic
CGU	Cash Generating Unit
CIPM	Chartered Institute of Personnel Management
COSO	Committee of Sponsoring Organisations
COT	Commission on Turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral Risk Rating
CSCS	Central Securities Clearing System
CSR	Corporate Social Responsibility
CX	Customer Experience
DCS	Direct Cash Settlement
DMD	Deputy Managing Director
DMB	Deposit Money Banks
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
DVM	Doctor of Veterinary Medicine
EAR	Earnings at Risk
ECA	Export Credit Agencies
ECM	Equity Capital Markets
EGM	Extraordinary General Meeting
EPS	Earnings per Share
ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
ETFs	Exchange Traded Funds
FCA	Fellow, Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of Chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMAP	FirstBank Management Associate Programme
FMCG	Fast-Moving Consumer Goods
FPCNL	First Pension Custodian Nigeria Limited
FRR	Facility Risk Rating
FSA	Financial Services Authority
FSS	First Share Services
FMDA	Financial Market Dealers Association
FUTA	Federal University of Technology, Akure
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GMC	Group Management Committee
GRSC	Group Risk Stakeholder Committee
GPI	Gross Premium Income
GITSC	Group IT Steering Committee
GITOC	Group IT Operations Committee
GRC	Governance Risk Management and Compliance
HCMD	Human Capital Management and Development
HNI	High Net Worth Individual
HR	Human Resources
IBNR	Incurred But Not Reported
ICAFAS	Internal Control and Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
ICEG	Internal Control and Enhancement Group
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IMTOs	International Money Transfer Organisations

ABBREVIATIONS

IOD	Institute of Directors
IOCs	International Oil Companies
IRS	Internal Revenue Service
ISO	International Organisation for Standardisation
ISMS	Information Security Management System
IT	Information Technology
ITF	Industrial Training Fund
IVR	Interactive Voice Response
JAN	Junior Achievement Nigeria
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LEAP	Leadership Effectiveness Accountability and Professionalism
LGD	Loss Given Default
M&A	Mergers and Acquisitions
MANCO	Management Committee
MBAM	Merchant Banking and Asset Management
MB/D	Million Barrels a Day
MDAs	Ministries, Departments and Agencies
MDSA	My Daily Savings Account
MFBs	Microfinance Banks
MIS	Management Information System
MOOCs	Massive Open Online Course
MRPC	Market Risk Policy Committee
MSMEs	Micro, Small and Medium-size Enterprises
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NERC	Nigerian Electricity Regulatory Commission
NGN	Nigerian naira
NGO	Non-Governmental Organisation
NIM	Net Interest Margins
NIM	Nigerian Institute of Management
NPL	Non-performing loan
NPS	Net Promoter Score
NSE	Nigerian Stock Exchange
NVMA	Nigerian Veterinary Medical Association
OOF	Oba Otudeko Foundation
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating Expenditure
OPL	Open Position Limit
ORM	Operational Risk Management
ORR	Obligor Risk Rating
OTC	Over the Counter
P or L	Profit or Loss Account
PAT	Profit after Tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit Before Tax
PCI DSS	Payment Card Industry Data Security Standard
PCS	People Connect System
PD	Probability of Default
P/E	Price Earnings
PE	Private Equity
PFA	Pension Fund Administrator
PFP	Pay for Performance
PFR	Pay for Role
P&L	Profit and Loss
POS	Point of Sale
PSQA	Process and Service Quality Assurance
RCSA	Risk and Control Self-Assessment
RIMAN	Risk Managers Association of Nigeria
RM	Relationship Manager
ROE	Return on Equity
ROM	Regional Operations Manager
SAC	Statutory Audit Committee
SAS	Statistical Analysis Software
SBU	Strategic Business Unit
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SMCAA	Small and Middle Capitalisation Companies Association
SME	Small and Medium Enterprise
SMDP	Senior Management Development Programme
SMS	Short Message Service
SRF	Strategic Resource Function
TAT	Turnaround Time
TOM	Target Operating Model
UAT	User Acceptance Testing
USSD	Unstructured Supplementary Service Data
UPR	Unexpired Premium Reserve
VaR	Value at Risk
WACC	Weighted Average Cost of Capital

APPENDIX - COMPLAINTS MANAGEMENT POLICY

1.0 Introduction

FBN Holdings Plc (the Group) is committed to delivering a high standard of service to all its stakeholders. The Group seeks to maintain its reputation as a group of companies delivering high-quality professional services, committed to responding to the needs and concerns of its various stakeholders.

A complaint, for the purpose of this Policy, is defined as "an expression of dissatisfaction made to an organisation, related to its products and or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected".

This Policy is designed to align with relevant regulatory requirements and best practice in complaints management, and to meet the requirements of the following regulators:

- The Central Bank of Nigeria (CBN);
- The Securities and Exchange Commission (SEC); and
- The Nigerian Stock Exchange (NSE).

Where applicable, the principles contained in this Policy shall guide the Group's subsidiaries in developing their respective sector-specific Complaints Management Policies and Guidelines.

2.0 Objectives of the Policy

This Policy is aimed at ensuring prompt and efficient management of complaints brought to the attention of the Group. It is also intended to improve service delivery by enabling the Group to identify areas of concern, remedy problematic or unfair situations, enhance operating methods and ensure efficient, fair and prompt handling of all complaints received.

Specific objectives of this Policy are to ensure that:

- The complainant is provided with access to an open and responsive Complaints Management Policy;
- Complaints are resolved in a consistent, systematic and responsive manner to the satisfaction of the complainant and the Group;
- Causes of complaints are identified and resolved or eliminated;
- Trends are monitored towards improving the Group's operations; and
- The Group complies with all relevant sector-specific regulations on complaints management as issued by the Regulators.

3.0 Scope of the Policy

This Policy shall apply to:

- FBN Holdings Plc, subsidiary companies, and staff within the Group;
- All internal and external customers/clients;
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third-party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

3.1. Complaints to be handled by this Policy

This Policy is designed to manage the following types of complaints:

- Customer/client complaints, including complaints that may require formal or informal feedback, concerns, statements of issues/omissions and points of disagreement or dispute;
- Complaints by competitors in any of the business groups;
- Complaints by or through regulators, such as the CBN, SEC, NSE and/or self-regulatory organisations such as the Financial Market Dealers Quotation; and
- Other complaints which could be in the form of trade manipulations, accounting frauds, Ponzi schemes, etc.

All complaints to relevant entities in the Group shall be forwarded to the address detailed in Appendix 1 of this Policy, while complaints relating to the Group office (FBN Holdings Plc) shall be forwarded to the address in Section 7 of this Policy.

APPENDIX - COMPLAINTS MANAGEMENT POLICY

All complaints shall contain at the minimum, the following:

The complainant's:

- Name
- Full address
- Mobile number
- Email address
- Signature
- Date of complaint
- Nature/description of complaint(s)
- Other supporting documents

3.2. Complaints not covered by this Policy

This Policy does not cover complaints that:

- Relate to matters that are sub-judice or in arbitration, including employee-related disputes;
- Fall outside the purview of the business of the Group; and
- Do not require a resolution or formal follow-up.

4.0 Complaints Management Principles

In line with leading practices, the underlisted principles shall guide FBNHoldings complaints management process:

Principle	Application
Visibility	The Complaints Management Policy is well publicised to customers, clients, staff and other stakeholders on the FBNHoldings website, with extracts of the Policy in the Annual Reports and Accounts.
Accessibility	The Complaints Management Policy is user-friendly and is available to all customers/clients and other stakeholders. Complaints are welcome from customers/clients who are dissatisfied with the Group member decisions, actions or services.
Responsiveness	• Complaints will be acknowledged and resolved promptly. • Complaints will be handled efficiently and effectively and accorded the urgency it deserves. • Complainants will be treated courteously and kept informed of the progress of their complaint throughout the complaint handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner throughout the Complaints Management Process.
Charges	Access to the Group's Complaints Management Process is free of any charge to the complainant.
Confidentiality	Complaints are handled confidentially to avoid any form of embarrassment to innocent people. Personal and identifiable information concerning the complainant is actively protected from disclosure and is only made available for the purposes of addressing the complaint.
Customer/Client-focused Approach	Group members are committed to the efficient, prompt and fair resolution of complaints. The Group is open to feedback and constantly reminds customers/clients of their right to make complaints.
Accountability	The Group accepts responsibility for effective complaints handling and units responsible for complaints management will ensure that, where appropriate, issues due to failure in the complaints handling process are adequately addressed.
Continual Improvement	The Complaints Management Policy and process will be reviewed once every two years to enhance its overall efficiency and delivery of effective outcomes.

APPENDIX - COMPLAINTS MANAGEMENT POLICY

5.0 Board and Management Commitment to the Policy

- The Board and Management are highly committed to promoting an effective and efficient Complaints Handling Process across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.

- Regular complaints management training entrenches best-in-class complaints handling techniques and strict adherence to the complaints handling policy.

- All complaints received shall be acknowledged and analysed to help inform continuous quality improvement initiatives.

6.0 Policy Statement

- This Policy is designed to provide guidance on how the Group manages complaints. FBNHoldings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

- The Group encourages all stakeholders (complainants) to lodge their complaints as this helps the Group to improve its services and products. Also, the Group encourages staff to respect customers/clients and endeavour to anticipate their needs and expectations.

The Group is committed to the following:

- Creating awareness among our stakeholders of the Group's complaint management process;

- Helping customers/clients and staff understand our complaints handling process;

- Investigating complaints impartially with a balanced view of available information or evidence;

- Considering complaints on their merits, taking account of individual circumstances; and

- Recognising customers/clients' right to provide feedback and complain about the product or services rendered.

Finally, the Policy shall be made available to all stakeholders on the website of FBNHoldings and an extract of the Policy shall also be made available to shareholders in the Annual Report and Accounts of FBN Holdings Plc.

7.0 Time Limit for Investigation of Complaints, Regulatory Reporting Responsibility and Complaints Register

- In line with the Policy, all complaints are handled promptly. While it might not be possible to set a specified time limit for the resolution of complaints, given their diverse nature, subsidiaries shall strive to resolve all complaints within the time limits specified by the respective sector-specific regulators.

- Where regulators require the Group office (FBN Holdings Plc) or entities within the Group to render regular reports on complaints, entities affected by such requirements shall be responsible for such regulatory returns. The Compliance functions of the affected entities shall monitor compliance with such regulatory reporting requirements and ensure the implementation of this Policy.

- In line with SEC and NSE requirements, entities within the Group, operating in the Capital Market (Capital Market Operators - CMO), shall be required to maintain an electronic complaints register, which will be updated monthly with the following:

- Name of the complainant

- Date of the complaint

- Nature of the complaint

- Brief details of the complaint

- Status of resolution

- Remarks/comments

APPENDIX - COMPLAINTS MANAGEMENT POLICY

SUBSIDIARY	BUSINESS ADDRESS	TELEPHONE NUMBER	EMAIL ADDRESS
First Bank of Nigeria Limited	Samuel Asabia House, 35 Marina, Lagos, Nigeria	0700 FIRSTCONTACT, +234 1 4485500	firstcontact@firstbanknigeria.com
FBNQuest Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos, Nigeria	+234 1 2702290- 4	customercare@fbnmerchantbank.com
FBNQuest Capital Limited	16 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos, Nigeria	+234 1 2707180-9	customercare@fbnquest.com
FBNQuest Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos, Nigeria	+234 1 4622673; +234 1 4622831-34; +234 1 4605120-24; +2347080653100	FirstTrustees@firstbanknigeria.com
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos, Nigeria	01-4622181-5	fbninsurancebrokers@firstbanknigeria.com

All complaints from shareholders and other stakeholders relating to FBN Holdings Plc shall be directed to:

Company Secretariat or Investor Relations Department
FBN Holdings Plc
Samuel Asabia House
35 Marina, P. O Box 5216
Lagos, Nigeria

E-mails and phone numbers:
companysecretariat@fbnholdings.com
Phone: +234(1)9052222 and +234(1)9052223
or
investor.relations@fbnholdings.com
Phone: +234(1)9052720 and +234(1)9051086

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
GROUP		
FBN Holdings Plc	Samuel Asabia House, 35 Marina, Lagos, Nigeria	0700 FIRSTCONTACT, +234 1 448 5500, +234 708 062 5000
COMMERCIAL BANKING		
First Bank of Nigeria Limited	Samuel Asabia House, 35 Marina, Lagos, Nigeria	0700 FIRSTCONTACT, +234 1 448 5500
FBNBank UK Limited	28 Finsbury Circus, London, EC2M 7DT, United Kingdom	+44 207 920 4920
FBNBank DRC S.A. Limited	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 82 000 0107
FBNBank Ghana Limited	Plot No: 6, 7 and 9 Liberation Road Accra, near the Golden Tulip Hotel, Accra Ghana	+233 302 23 6133, +233 302 23 5819
FBNBank TheGambia Limited	FBNBank Building 38, Kairaba Avenue, Serrekunda, KSMD, P.O. Box 1600, Banjul, The Gambia	+220 799 3502, +220 437 7889, +220 914 7426
FBNBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 664 53 53 53
FBNBank Sierra Leone Limited	3 Charlotte Street, Freetown, Sierra Leone	+232 76 741 737, +232 99 305 600
FBNBank Senegal Limited	Immeuble NIANGADO, Rond-Point Ngor Almadies à côté de la Station Shell. Dakar, Senegal	+221 33 869 7935, +221 77 657 8736
First Pension Custodian Nigeria Limited	6 Maduike Street, Off Raymond Njoku Street, S.W. Ikoyi, Lagos, Nigeria	+234 1 277 7800-1
FirstBank Representative Office		
Beijing Rep. Office	Unit 1431, Tower B COFCO Plaza, No 8 Jianguomennei, Street, Dong Cheng District, Beijing, China	+861 3911 187318, +861 3343 267635
MERCHANT BANKING		
FBNQuest Merchant Bank Limited	10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria.	+234 708 062 6000-4
FBNQuest Asset Management Limited	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers, Nigeria	+234 708 062 6000-4
FBNQuest Securities Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4
CAPITAL MARKET		
FBNQuest Capital Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos, Nigeria	+234 708 062 6000-4
FBNQuest Funds Limited	16 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos, Nigeria	+234 708 062 6000-4
TRUSTEESHIP		
FBNQuest Trustees Limited	10, Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 812 993 4624
INSURANCE BROKERAGE		
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1905 4590, +234 1 905 4591

FBNHoldings

Shareholder Enquiries

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+234 1 2799880, 2701078, 2701079
+234 1 2701071, 2701072
P. M. B. 12692, Marina
firstregistrarsnigeria.com

Head, Investor Relations

Tolulope Oluwole
investor.relations@fbnholdings.com
+234 1 9052720

Customer Enquiries

firstcontact@firstbanknigeria.com
0700 FIRSTCONTACT
+234 1 4485500
+234 708 0625000

Registered Address

Samuel Asabia House
35 Marina, Lagos
PO Box 5216, Nigeria
Registration No. RC916455