FBN Holdings

WOVEN INTO THE FABRIC OF SOCIETY
125 YEARS
Since 1894
...proud to be a part of this heritage

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

FBN HOLDINGS PLC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

FBN Holdings Plc.
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for the year ended 31 December 2018

DIRECTORS AND ADVISORS

DIRECTORS

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

COMPANY SECRETARY:	Oluseye Kosoko
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Victoria Island, Lagos
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

CORPORATE GOVERNANCE

Introduction

FBN Holdings Plc reiterates its unwavering commitment to high standards of Corporate Governance standards and ethical conduct. This has informed our drive to always do business the right way.

At FBNHoldings, we recognise that good governance practices are best initiated and observed in the Board room. Consequently, there is a conscious effort by the Board to promote good governance by setting the right 'tone at the top', as well as the Board's commitment and actions through policy directions. A great deal is demanded and expected of our Directors, particularly given the systemic importance of our financial institutions to national economy and the impact on the societies in which we operate. A review of our Board structure reveals that the composition is well aligned to drive good governance.

The Group's oversight functions are discharged through the Boards of operating entities, which ensures compliance with statutory and regulatory requirements of their respective industries. At the Holding Company and in all operating entities, the Boards operate through various Committees and the Group's robust governance framework ensures a good blend of Board autonomy as well as Group coordination at the operating company level.

Governance Framework

The governance framework aligns with global best practices and complies with the requirements of the Central Bank of Nigeria(CBN), Securities and Exchange Commission (SEC) as well as the Nigerian Stock Exchange (NSE).

The Group's governance practices provide the solid foundation for the realisation of the benefits inherent in our extensive footprints, rich heritage, extended offerings and quality management.

Quality of Disclosure

The Board and Management are aligned in the quest to provide the investing community with timely information. As such, transparency and disclosure is demonstrated in the Group's financial reports, through detailed and comprehensive reporting, providing shareholders with sufficient context and a clear picture of the dealings of the institution.

Diversity

The Group recognises the value of diversity in the employee base. Diversity is derived from a broad and representative mix of background and experience, as different perspectives enables development of innovative ideas and opportunities. Internal initiatives to support diversity and inclusion within the Group are promoted, as it is realised that strategic objectives may only be achieved by building a sound reputation founded on the highest standards of responsible behaviour. There has also been a remarkable improvement in the Board's gender diversity.

Consequently, the overriding principles guiding Board appointments are merit, skill and experience of appointees to deliver the Group's strategy, the Board has a 30% female Board membership, in line with CBN's recommendation.

Shareholder and Regulatory Engagement

Given the interest of shareholders in the performance of the Group, the Board and Management, have adopted a policy of continuous engagement and consultation with shareholders and stakeholder groups. These engagements have provided shareholders with a better understanding of the Group's governance mechanism, performance and outlook.

Similarly, in recognition of the importance of regulatory bodies to the different entities within the Group, Regulators are constantly engaged to foster an atmosphere of cordiality as well as ensure compliance with extant regulations. These engagements will be sustained on an ongoing basis.

Governance Structure

The following governance bodies are in place;

A. The Board of Directors

FBNHoldings' Board is a considered blend of diversity, experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure that new ideas and experience are added to its decision-making processes. Since the last Annual General Meeting of FBNHoldings, there have been no changes to the Board's composition. The Board comprises of the following members:

- Dr. Oba Otudeko, *CFR* - Group Chairman
- UK Eke, *MFR* - Group Managing Director
- Oye Hassan-Odukale, *MFR* - Non-Executive Director
- ‘Debola Osibogun - Non-Executive Director
- Chidi Anya - Non-Executive Director
- Cecilia Akintomide, *OON* - Independent Non-Executive Director
- Oluwande Muoyo - Independent Non-Executive Director
- Omatseyin Ayida - Non-Executive Director
- Dr. Hamza Wuro Bokki - Non-Executive Director
- Dr. Adesola Adeduntan - Non-Executive Director

Responsibilities of the Board of Directors

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 for the Management by setting policy directions and strategy and overseeing its implementation. The Board seeks to ensure that 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 our strategy, consideration is given to the impact that those decisions will have on the Group’s obligations to various stakeholders, such as shareholders, employees, suppliers and the community in which the Group operates.

The Board is also responsible for ensuring that effective systems of internal controls are maintained, and that Management maintains an effective risk management and oversight process across the Group, to ensure that growth is delivered in a controlled and sustainable way. In addition, the Board is responsible for 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, major acquisitions, mergers or disposals, Board membership, financial results and governance issues, including the approval of the corporate governance framework.

The Board’s responsibilities as enumerated in the Board Charter are:

- building long-term shareholder value by ensuring that adequate systems, policies and procedures are in place to safeguard the assets of the Group;
- appointing and developing members and refreshing the overall competency of the Board as necessary from time-to-time;
- articulating and approving the Group's strategy and financial objectives, and 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 (ED) in the Group;
- approving the criteria for assessing the performance of the GMD and the EDs;
- monitoring and evaluating the performance of the GMD against agreed key performance objectives and targets, and ratifying the evaluation of EDs as prepared by the GMD;
- reviewing, on a regular and continuing basis, the succession planning for the Board and Senior Management staff, and recommending changes where necessary;
- reviewing and approving the appointment, promotion and termination of Senior Management staff (Assistant General Manager (AGM) and above) on the recommendation of the relevant Board Committee;
- overseeing the implementation of corporate governance principles and guidelines;
- reviewing and approving the recommendations of the Governance Committee in relation to the remuneration of Directors;
- overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks facing the Group;
- articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Group; and
- overseeing the Group's corporate sustainability practices with regards to its economic, social and environmental obligations.

The Board of FBNHoldings met eight times in 2018. Detailed below is the record of attendance:

Name	Jan. 30	Mar. 23	Apr. 26	May 14	Jul. 26	Oct. 24	Nov. 1	Dec. 18
Dr. Oba Otudeko, *CFR*	√	√	√	√	√	√	√	√
UK Eke, *MFR*	√	√	√	√	√	√	√	√
Oye Hassan-Odukale, *MFR*	√	√	√	√	√	√	√	√
‘Debola Osibogun	√	√	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√	√	√	√
Oluwande Muoyo	√	√	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√	√	√
Dr. Adesola Adeduntan	√	√	√	√	√	√	√	√

B. Board Committees

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, tenure and reporting lines to the Board. 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 in place the following constituted Board Committees:

- Board Governance and Nomination Committee
- Board Finance and Investment Committee
- Board Audit and Risk Assessment Committee

In addition, there is an Independent Committee – The Statutory Audit Committee.

1. Board Governance and Nomination Committee

The Committee comprises of the following members:

- ‘Debola Osibogun - Chairman
- Dr. Hamza Wuro Bokki - Member
- Oluwande Muoyo - Member
- Omatseyin Ayida - Member

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 remuneration of Directors, both Executive and Non-Executive;
- nominate new Directors to the Board;
- succession plan for the Board of Directors and key Management staff across the Group;
- nominate and endorse Board appointments for subsidiary companies;
- recommend Directors' remuneration for the Group;
- oversee Board performance and evaluation within the Group;
- identify individuals for consideration for Board appointment and present to the Board for ratification;
- 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 two independent Directors who meet the independence criteria as defined in CBN circular;
- make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification;
- review and make recommendations to the Board on all retirement and termination payment plans to the Executive Directors;
- ensure proper disclosure of Directors' remuneration to stakeholders;
- ensure compliance with regulatory requirements and other international best practices in corporate governance;
- review and approve amendments to the Group's Corporate Governance framework;
- review and approve the corporate governance disclosures to be included in the annual report;
- ensure the performance evaluation of the GMD is performed by the Board on an annual basis and formal feedback provided to the GMD;
- nominate independent consultants to conduct an annual review and appraisal of the performance of the Board and make recommendations to the Board in this regard. This review and appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight over corporate culture, monitoring role and evaluation of Management performance and stewardship towards shareholders;
- evaluate the performance of the Board Committees and boards of subsidiary companies on an annual basis. The Committee may utilise the service of the

independent consultant approved by the Board for the annual board appraisal as it deems fit. The evaluation process will be in line with the Groups 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 SEC, CBN and FRCN Codes of Corporate Governance and other global best practices on corporate governance.

The Committee met six times in 2018. The record of attendance is presented below:

Name	Jan. 29	Mar. 20	Apr. 25	Jul. 25	Oct 23	Dec. 13
‘Debola Osibogun	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	×	√	√	√
Oluwande Muoyo	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	×	√

2. Board Finance and Investment Committee

The Committee is comprised of the following members:

- Oye Hassan-Odukale, MFR - Chairman
- Dr. Hamza Wuro Bokki - Member
- Cecilia Akintomide, OON - Member
- UK Eke, MFR - Member

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 that 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 discontinuities in Management’s assumptions and planning premises;
- critically evaluate and make recommendations to the Board for approval of the Group’s business strategy, at least annually;

- periodically engage Management on informal dialogue 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 investments portfolios;
- oversee the Group's investment planning, execution and monitoring process;
- oversee the long-term financing options for the Group;
- review the Group's financial projections as well as capital and operating budgets, and review on a quarterly basis with management, the progress of key initiatives, including 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;
- recommend for Board approval the Group's dividend policy, including nature and timing; and
- ensure that an effective tax policy is implemented.

The Committee met five times in 2018. Detailed below is the record of attendance:

Name	**Jan. 23**	**Apr. 16**	**Jul. 23**	**Oct. 16**	**Dec. 11**
Oye Hassan-Odukale, *MFR*	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√
UK Eke, *MFR*	√	√	√	√	√

3. Board Audit and Risk Assessment Committee

The Committee comprises of the following members:

- Oluwande Muoyo - Chairman
- 'Debola Osibogun - Member
- Omatseyin Ayida - Member
- Chidi Anya - Member

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 action plans in place to manage the risk;
- 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, particularly: 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;
- review the Group's legal representation letter presented to the external auditors and discuss significant items, if any, with the Company Secretary;
- 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 statutory auditor annually. The report of this assessment should be submitted to the Board and the Statutory Audit Committee.

The Committee met five times in 2018. Detailed below is the record of attendance:

Name	**Jan. 23**	**Mar. 22**	**Apr. 12**	**Jul. 17**	**Oct. 16**
Oluwande Muoyo	√	√	√	√	√
'Debola Osibogun	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	×
Chidi Anya	√	√	√	√	√

4. Statutory Audit Committee (SAC)

Section 359 (3) of the Companies and Allied Matters Act) requires every public company to establish a Statutory Audit Committee composed of an equal number of directors and representatives of its shareholders, provided there a maximum of six members of the SAC.

The Committee comprises of the following members:

- Ismail Adamu - Chairman (Shareholder Representative)
- Christopher Okereke - Member (Shareholder Representative)

- Kolawole Durojaiye - Member (Shareholder Representative)
- Oye Hassan-Odukale, MFR- Member (Non-Executive Director)
- Chidi Anya - Member (Non-Executive Director)
- Cecilia Akintomide, OON - Member (Independent Non-Executive Director)

The statutory duties and role of the SAC are clearly encapsulated in Section 359 (3) and (4) of CAMA. In addition, the various Codes of Corporate Governance – the CBN and SEC Codes – set out the corporate governance role and responsibilities of the SAC to include the following:

- ascertain whether the accounting and reporting policies of the Company 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 (Management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair the independent judgement of the external auditors;
- authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the committee; and
- assist in the oversight of the integrity of the Company's financial statements and establish and develop the internal audit function.

Financial Literacy and Independence of the Statutory Audit Committee

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

The Committee is composed of six members as statutorily required, three are shareholder representatives, including the Chairman. The shareholder representatives are independent and answerable to the shareholders.

The other three members are two Non-Executive Directors and an Independent Director. This composition underpins the independence of the SAC from executive influence.

Detailed below is the record of SAC attendance for the year 2018:

Name	Mar. 23	Jul. 3	Sept. 25	Dec. 10
Ismail Adamu	√	√	√	√
Christopher Okereke	√	√	√	√
Kolawole Durojaiye	×	√	√	√
Oye Hassan-Odukale, MFR	√	√	√	√
Chidi Anya	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√

C. Group Executive Committee

The role of the Group Executive Committee (GEC) is ensuring implementation and alignment of the Group's strategy. The GEC is a management committee and meets quarterly, or as may be required. The Committee met four times in 2018.

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

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

The responsibilities of the Committee are to:

- review and ratify the quarterly and annual financial statements;
- review and approve the annual Internal Audit plan encompassing all the Group's auditable activities and entities and on a quarterly basis, discuss the status of implementation of the internal audit plan;
- annually review and reassess the internal audit division's responsibilities and functions, making changes as necessary, and arrange an independent evaluation of

the internal audit function's activities every three years in line with SEC Code of Corporate Governance; and

- oversee the establishment of whistleblowing procedures for the receipt, retention, and treatment of complaints received by the Group regarding accounting, internal controls, auditing matters, unethical activity and breaches of the corporate governance code, and ensure the confidentiality and anonymity of submissions received with respect to such complaints.

Roles of Group Chairman and Group Managing Director

The principal role of the Group Chairman of the Board is to manage and provide leadership to the Board of Directors of FBN Holdings Plc. The Group Chairman is accountable to shareholders and responsible for the effective and orderly conduct of Board and general meetings. The roles of the Chairman and the Group Managing Director are separate, so that the Group Chairman is independent of Management and free from any interest or other relationship that may interfere with his independent judgement other than interests resulting from Company shareholdings and remuneration.

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

Board Appointment Philosophy

The process of appointments to the Board of FBN Holdings Plc are transparent and in accordance with relevant regulatory laws and guidelines. Directors are selected based on their skills, competencies and experience. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment. Thereafter, recommendations on candidates' suitability are made to the Board, which then decides on the appointment of the candidate subject to the approval of the relevant regulatory authorities and ratification of the shareholders at the annual general meeting.

Tenure of Directors

Non-Executive Directors

Non-Executive Directors are appointed for an initial term of four years and can be re-elected for a maximum of two subsequent terms of four years each, subject to satisfactory performance and approval of the members.

Executive Directors

Executive Directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to a satisfactory annual performance evaluation. Hence, the maximum tenure of an Executive Director is six years. The Board may grant a waiver of the tenure limit in the case of an Executive Director whose performance is deemed exceptional. This will, however, require formal justification and unanimous approval of the Board. Executive Directors are discouraged from holding directorships external to the Group.

Board Training Philosophy

Regardless of the expected indepth knowledge and experience of those appointed to the Board, local and international training programmes are organised for Board members to improve their decision-making capacity, thereby contributing to the effectiveness of the Board. An annual Training Plan is agreed by the Board while the Company Secretariat ensures the implementation of the plan.

Board Compensation

Non-Executive Directors

In line with the CBN and SEC Codes, Non-Executive Directors receive fixed annual fees and sitting allowances for their services on Board and Board Committee meetings. 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.

Executive Directors

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

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.

Board Appraisal

In compliance with the Securities and Exchange Commission Code of Corporate Governance (the SEC Code), the CBN Code of Corporate Governance and in consonance with our commitment to strengthening the Group's corporate governance practices while enhancing the capacity of the Board in the effective discharge of its responsibilities, the Board engaged the services of an independent consultant, KPMG Professional Services, to conduct an appraisal of the Board of Directors and individual Director peer appraisal for the year ending 31 December 2018.

The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities.

In 2018, KPMG's appraisal of the Board revealed FBN Holdings Plc's corporate governance practices were largely in compliance with the key provisions of the CBN Code and SEC Code. Specific recommendations for further improving FBNHoldings governance practices were also articulated and included in a detailed report to the Board. These are related to oversight of subsidiary companies, related party disclosures, and Directors' training.

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 Chairmen

Thereafter, the Committee defines the competency requirements for the key positions. The competency requirements provide a blueprint of what is required to succeed at each position and includes the required knowledge, skills, attitudes, as well as ethics, values and code of conduct. The competency requirements are identified and defined in line with the future needs and strategic objectives of the Group and provide the basis to assess potential successors for the identified key positions and to identify skills gaps and developmental needs.

On conclusion of this phase, the Committee thereafter identifies a Talent Pool, following which the Committee determines the Skills and Competency Gaps.

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

For Non-Executive Directors, the Governance Committee will periodically undertake a careful analysis of the existing Board's strengths and weaknesses, 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 Governance Committee shall define the skills and competency profile that reflect the needs of the Board.

For Executive Management positions, the Governance Committee in conjunction with the GMD, shall note and review the skills gap of the possible successors against expected competency requirements.

Whistleblowing in FBN Holdings Plc

The Board recognises that there may be instances where set ethical guidelines may be violated. The Whistleblowing Policy ("Policy") was adopted by the Group to ensure such violations receive attention from the appropriate office. The Policy provides a channel for the employees of the Group and other relevant stakeholders to confidentially raise concerns about workplace malpractices to enable the relevant authorities investigate and deal with such malpractice in a manner consistent with the Group's policies and relevant regulations.

This Policy complies with the requirements of various regulatory authorities with oversight on the activities of the Group, including the CBN 'Guidelines for Whistleblowing for Banks and other Financial Institutions in Nigeria'.

The Policy

The Policy applies to both internal whistleblowers (staff, contract employees, Management or Directors) and external whistleblowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders) and it is intended to encourage staff and other relevant stakeholders to report perceived unethical or illegal conduct of employees, Management, Directors and other stakeholders within the Group to appropriate authorities without fear of harassment, intimidation, victimisation or reprisal of any kind for raising concern(s) under the Policy.

Subsidiaries within the Group have a localised version of the whistleblowing policy and provide channels through which whistleblowers can report perceived acts of impropriety, unethical or illegal conduct. Such reports should not be based on mere speculation, rumours and gossips, but on factual knowledge. The full version of the Group Whistleblowing Policy can be viewed on our website: www.fbnholdings.com.

The culture of whistleblowing

To entrench the culture of whistleblowing among staff, emails and flyers on the advantages of whistleblowing, and the channels through which the whistleblowers can report perceived act of impropriety, unethical or illegal conduct are publicised. The provisions of the Whistleblowing Policy, and the Group's core values, encourage staff to speak up without fear and with the assurance that such reported cases will be thoroughly investigated by Management and the findings will be communicated to the parties involved.

Internal whistleblowing procedure

Internal whistleblowing involves staff members across the Group raising concerns about unethical conduct. An internal whistleblower can report perceived act of impropriety, unethical or illegal conduct through any of the following either by declaration or in confidence/anonymously:

- Formal letter to the Group Managing Director (GMD) FBN Holdings Plc and/or the Head, Internal Audit FBN Holdings Plc.
- Call or text a dedicated phone number 0812 716 6777; 0817 597 8505.
- Internal instant messaging platform.
- Dedicated email address (FBNHoldingsWhistleBlowing@fbnholdings.com).

If the concern is reported to a staff other than the GMD or the Head, Internal Audit, the recipient is required to immediately forward same to the Head, Internal Audit with the GMD FBN Holdings Plc in copy.

If the concerns affect the Head, Internal Audit, the GMD is notified and when a Director is involved, such concern shall be directed to the Chairman of the Board Audit and Risk Assessment Committee (BARAC).

The concern(s) shall be presented in the following format:

- Background of the concerns (with relevant dates).

- Reason(s) why the whistleblower is particularly concerned about the situation.

Disciplinary measures in line with the staff handbook shall be taken against any employee that receives a whistleblowing report and fails to escalate or an internal whistleblower that acts out of malice.

External whistleblowing procedure

External whistleblowers are non-members of staff such as contractors, service providers, shareholders, depositors, analysts, consultant, job applicants or members of the public. An external whistleblower may raise concerns through any of the following channels, either by declaration or in confidence/anonymously:

- By 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.

Protection and compensation for whistleblowers

The Group's Policy protects whistleblowers who disclose concerns, provided the disclosure is made:

- With the reasonable belief that it is intended to show malpractice or impropriety;
- To an appropriate person or authority; and
- In good faith without malice or mischief.

The Group will not subject a whistleblower to any punishment and where necessary, compensation of whistleblowers that have suffered loss shall be at the discretion of Management taking into consideration the appropriate regulatory guidance on compensation of whistleblowers which may be issued from time-to-time.

Directors' Report
For the year ended 31 December 2018

The Directors present their report on the affairs of FBN Holdings Plc ("the Company") together with the financial statements and auditors' report for the year ended 31 December 2018.

a. *Legal Form*

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

b. *Principal Activity and Business Review*

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

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

The Company consists of three groups namely:

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

The Company prepares separate and consolidated financial statements.

c. *Directors' Shareholding*

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

S/N	Name	Direct holding	Indirect holding
1.	Dr Oba Otudeko, CFR	5,895,264	532,075,839
2.	Mr. Oye Hassan-Odukale, MFR	1,854,003	306,438,196
3.	Mr. Chidi Anya	-	52,168
4.	Dr. Hamza Sule Wuro Bokki	5,389,061	-
5.	Otunba (Mrs.) Adebola Osibogun	1,171,612	-
6.	Mr. Omatseyin Akene Ayida	1,100,000	-
7.	Mr. Urum Kalu Eke, MFR	22,453,436	-
8.	Dr. Adesola Kazeem Adeduntan	18,871,689	-
9.	Mrs. Oluwande Muoyo	771,481	798,596
10.	Ms. Cecilia Akintomide, OON	5,500	-

d. Operating Results

The Directors recommend for approval a dividend of 26kobo per share, amounting to ₦9,332,776,126.00. Highlights of the operating results for the period under review are as follows:

	Group		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	N' million	**N' million**	**N' million**	**N' million**
Gross Earnings	583,477	595,446	13,649	13,715
Profit Before Tax	65,288	54,522	9,440	9,382
Taxation	(5,544)	(9,040)	(98)	(107)
Profit for the year from continuing operations	59,744	45,482	9,342	9,275
Total Profit for the year	59,667	37,708	9,342	9,275
Appropriation:				
Transfer to statutory reserves	9,221	7,877	-	-
Transfer to statutory credit reserve	33,621	19,176	-	-
Transfer to contingency reserve	764	530	-	-
Transfer to non-controlling interest	668	(3,620)	-	-
Transfer to retained earnings	15,393	13,745	9,342	9,275

e. Directors interests in contracts

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

f. Property and equipment

Information relating to changes in property and equipment is given in Note 32 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.

g. Shareholding Analysis

Shareholding Range Analysis as at 31 December 2018

RANGE	No of Holders	% Holders	Units	% Units
1 - 1000	290,486	24.06	212,330,313	0.59
1001 - 5000	493,961	40.91	1,188,571,073	3.31
5001 - 10000	171,852	14.23	1,181,566,058	3.29
10001 - 50000	208,129	17.24	4,229,261,089	11.78
50001 - 100000	21,349	1.77	1,486,200,326	4.14
100001 - 500000	17,486	1.45	3,464,795,921	9.65
500001 - 1000000	2,058	0.17	1,444,799,335	4.03
1000001 - 5000000	1,668	0.14	3,154,847,892	8.79
5000001 - 10000000	199	0.02	1,392,579,662	3.88
10000001 - 50000000	168	0.01	3,478,532,596	9.69
50000001 - 100000000	28	0.00	1,991,286,018	5.55
100000001 - 35895292791	39	0.00	12,670,522,508	35.30
	1,207,423	**100.00**	**35,895,292,791**	**100.00**

Shareholding Range Analysis as at 31 December 2017

RANGE	No of Holders	% Holders	Units	% Units
1 - 1000	288,173	23.71	211,720,768	0.59
1001 - 5000	495,403	40.76	1,192,738,913	3.32
5001 - 10000	173,452	14.27	1,192,851,018	3.32
10001 - 50000	212,863	17.51	4,335,714,996	12.08
50001 - 100000	22,207	1.83	1,545,536,512	4.31
100001 - 500000	18,779	1.54	3,744,625,897	10.43
500001 - 1000000	2,273	0.19	1,585,614,049	4.42
1000001 - 5000000	1,953	0.16	3,723,645,738	10.37
5000001 - 10000000	213	0.02	1,502,030,493	4.18
10000001 - 50000000	185	0.02	3,578,186,131	9.97
50000001 - 100000000	27	0.00	1,792,666,365	4.99
100000001 - 35895292791	35	0.00	11,489,961,911	32.01
	1,215,563	**100.00**	**35,895,292,791**	**100.00**

h. *Substantial interest in shares*

According to the register of members as at 31 December 2018, there is no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. *Human Resources*

Employment of Disabled Persons

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

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

j. *Health, Safety and Welfare at Work*

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

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

The Company has a Group Life Assurance cover and operates a defined contributory pension plan in line with Pension Reform Act 2014. It also operates Employees Compensation scheme (which replaced the Workmen Compensation scheme) in line with Employee’s Compensation Act 2011 for the benefit of its employees.

k. *Employee Involvement and Training*

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

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

I. Auditors

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

BY ORDER OF THE BOARD

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

FBN Holdings Plc.

Responsibility for annual financial statements

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

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

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

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

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

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

The directors 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.

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

FBN Holdings Plc.

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	Oluseye Kosoko
Group Chairman	Company Secretary
FRC/2013/ICAN/00000002365	FRC/2013/NBA/00000002006

FBN Holdings

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended December 31, 2018 and hereby state as follows:

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

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

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

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

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

Dated March 12, 2019

Alhaji Ismail Adamu
Chairman, Audit Committee
FRC/2019/CIBN/00000019286

Members of the Committee

Alhaji Ismail Adamu
Dr. Christopher O. Okereke, FCA, mni
Mr. Kolawole Durojaiye, FCA
Mr. Oye Hassan-Odukale MFR
Mr. Chidi Anya
Ms. Cecilia Akintomide OON

Independent auditor's report

To the Members of FBN Holdings Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FBN Holdings Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2018, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate income statements for the year ended 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year ended 31 December 2018;
- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers (refer to notes 2.9e, 9 and 23)	
The gross balance of loans and advances to customers as at 31 December 2018 was N2,069 billion for the group. The associated impairment reserve on loans and advances to customers was N385 billion. The measurement of impairment losses is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The significant judgments include: • determination of the Group's definition of default; • determination of the criteria for assessing significant increase in credit risk (SICR); • methodology used to determine the 12 month and lifetime probability of default (PD) used in the Expected credit loss (ECL) model. • estimation of Loss Given Default (LGD) by considering collateral values and the haircut adjustment as well as estimation of unsecured LGD; • determination of the credit conversion factor for undrawn loan commitments and the key inputs used in determining the lifetime exposure at default (EAD);	We adopted a substantive approach in assessing the allowance for impairment made by management. We applied a risk based target testing approach in selecting a sample of customers for detailed checking of customer information and account history, and assessing whether events or changes have occurred that may affect the performance and the stage allocation of the loans. For a sample of loans, we tested the collateral values used in the computation of secured loss given default, by comparing the collateral values to the results of valuation performed by management's valuation experts. We assessed the competence and independence of the management's experts. We obtained the ECL models, and tested the appropriateness of the historical data used. We used our credit modelling experts to perform the following procedures on the ECL models: o Checked that the Group's definition of default is consistent with the requirements of the standard. o Checked the reasonableness of the criteria defined by the Group as indicating a significant increase in credit risk. Staging rules were reviewed by establishing that quantitative, qualitative and backstop indicators are considered in classifying loans and advances to customers into different stages as required under IFRS 9.

- methodology for incorporating forward looking macroeconomic information into impairment parameters as well as determination of multiple economic scenarios used in the ECL model;

This matter is considered a key audit matter in the consolidated financial statements only.

- Examined the appropriateness of the probability of default (PD) by checking that PDs were correctly assigned to each customer based on the customer rating.
- Examined the appropriateness of PD term structure by checking the reasonableness of the adjustment factors.
- Checked that individual maturities of selected facilities was considered in the determination of the PD term structure used in the ECL computation.
- Evaluated the reasonableness of the Loss Given Default (LGD) assumptions on haircut and unsecured recovery rates. We also re-performed the LGD calculations to test for accuracy.
- Reviewed the appropriateness of the credit conversion factor used in determining the exposure at default for loan commitments. We also checked the accuracy of the methodology used in forecasting the EAD term structure for a select sample of loans.
- Tested sensitivity of the expected loss measurements to macro-economic factors (forward-looking assumptions) and checked the appropriateness of the multiple economic scenarios chosen as well as their probability weights. The forward looking information was checked to the data source.
- Reviewed the IFRS 9 disclosures for reasonableness.

Valuation of liability on insurance contracts – (refer to notes 2.24, 5f and 39)

The balance of Liability on insurance contracts is N34.2 billion.

We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management makes in determining the reserve for insurance contract liabilities.

Determination of the fair value of the contracts is an area that involves the exercise of

Our procedures included the following:

- We reviewed the methodology and processes adopted by management for making reserves in the books;
- We tested controls around the reserving process and maintenance of data for valuation of insurance contract liabilities;
- We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate. The work on the liability adequacy

significant judgements and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes such as mortality, morbidity, lapse and surrender, and also economic assumptions relating to inflation rates, expenses, return on investments, discount rates and future growth rates. These are the key inputs used to estimate these long-term liabilities.

An in-house actuary assesses on a periodic basis, an estimate of the insurance liabilities for the various portfolios. At the end of each financial year, management employs the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation.

This matter is considered a key audit matter in the consolidated financial statements only.

test included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience and specific product features;

- We checked the data used in the valuation of the insurance contract liabilities for consistency with internal records;
- With the assistance of the auditor's expert, we reviewed the operating assumptions relating to mortality, morbidity lapse and surrender and economic assumptions around inflation rates, expenses, return on investments, discount rates and future growth rates; and
- We checked the figures disclosed in the financial statements to the amounts stated in the actuarial valuation report.
- We reviewed the financial statement disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises Directors and Advisors, Corporate governance report, Directors Report, Responsibility for annual financial statements, Statement of compliance with NSE listing rule on securities trading policy, Report of the audit committee, Statement of value added, and Five-year financial summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the FBN Holdings Plc 2018 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the FBN Holdings Plc 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 47 to the consolidated and separate financial statements; and

v) contraventions of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2018 are disclosed in Note 49 to the consolidated and separate financial statements.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0978280

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

12 April 2019

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

INCOME STATEMENT

	Note	GROUP 31 December 2018 N 'million	GROUP Restated 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Continuing operations					
Interest income	7	434,410	469,586	2,163	2,215
Interest expense	8	(150,242)	(138,064)	-	-
Net interest income		**284,168**	**331,522**	**2,163**	**2,215**
Impairment charge for losses	9	(86,911)	(150,424)	-	-
Net interest income after impairment charge for losses		**197,257**	**181,098**	**2,163**	**2,215**
Insurance premium revenue	10	18,035	12,973	-	-
Insurance premium revenue ceded to reinsurers		(2,494)	(2,739)	-	-
Net insurance premium revenue		**15,541**	**10,234**	**-**	**-**
Fee and commission income	11	92,724	74,453	-	-
Fee and commission expense	11b	(17,330)	(12,117)	-	-
Net gains on foreign exchange	12	32,636	21,062	52	8
Net gains/(losses) on investment securities	13	5,733	2,610	(21)	16
Net (losses)/gains from financial instruments at fair value through profit or loss	14	(3,135)	11,117	575	-
Dividend income	15	2,312	2,053	10,840	11,437
Other operating income	16	3,233	3,901	40	38
Insurance claims		(4,717)	(4,041)	-	-
Personnel expenses	17	(93,395)	(85,678)	(904)	(982)
Depreciation of property and equipment	32	(12,282)	(11,600)	(397)	(398)
Amortisation of intangible assets	33	(5,336)	(4,201)	-	-
Other operating expenses	18	(147,976)	(134,799)	(2,908)	(2,952)
Operating profit		**65,265**	**54,092**	**9,440**	**9,382**
Share of profit of associates		23	430	-	-
Profit before tax		**65,288**	**54,522**	**9,440**	**9,382**
Income tax expense	19a	(5,544)	(9,040)	(98)	(107)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59,744**	**45,482**	**9,342**	**9,275**
Discontinued operations					
Loss for the year from discontinued operations	31	(77)	(7,774)	-	-
PROFIT FOR THE YEAR		**59,667**	**37,708**	**9,342**	**9,275**
Profit/(loss) attributable to:					
Owners of the parent		58,999	41,328	9,342	9,275
Non-controlling interests		668	(3,620)	-	-
		59,667	**37,708**	**9,342**	**9,275**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/ loss per share (in Naira):	52				
From continuing operations		1.65	1.37	0.26	0.26
From discontinued operations		(0.00)	(0.22)	-	-
From profit for the year		1.65	1.15	0.26	0.26

STATEMENT OF COMPREHENSIVE INCOME		GROUP		COMPANY	
	Note	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
PROFIT FOR THE YEAR		**59,667**	**37,708**	**9,342**	**9,275**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net (losses)/gains on FVOCI debt assets					
-Unrealised net (losses)/gains arising during the year		(20,512)	16,208	(144)	144
-Net reclassification adjustments for realised net gains		5,776	659	-	-
-Net changes in allowance on FVOCI financial instruments		983	-	-	-
Share of other comprehensive income of associates		(5)	(65)	-	-
Exchange difference on translation of foreign operations		880	13,362	-	-
Items that will not be reclassified to profit or loss					
Net gains on FVOCI equity instruments		12,694	34,032	-	19
Remeasurement of defined benefit pension scheme	41	597	744	-	-
Income tax relating to components of other comprehensive income	34	(1,934)	(784)	-	-
Total Other comprehensive (loss)/income for the year		**(1,521)**	**64,156**	**(144)**	**163**
COMPREHENSIVE INCOME FOR THE YEAR		**58,146**	**101,864**	**9,198**	**9,438**
Comprehensive income/(loss) attributable to:					
Owners of the parent		57,654	105,123	9,198	9,438
Non-controlling interests		492	(3,259)	-	-
		58,146	**101,864**	**9,198**	**9,438**
Total comprehensive income/(loss) attributable to owners of the parent arises from :					
Continuing operations		57,696	107,920	9,198	9,438
Discontinued operations		(42)	(2,797)	-	-
		57,654	**105,123**	**9,198**	**9,438**

STATEMENT OF FINANCIAL POSITION

		GROUP			COMPANY	
			Restated	Restated		
		31 December	31 December	1 January	31 December	31 December
	Note	2018	2017	2017	2018	2017
		N 'million	N 'million	N 'million	N 'million	N 'million
ASSETS						
Cash and balances with central banks	20	653,335	641,881	690,165	-	-
Loans and advances to banks	22	863,435	742,929	444,871	16,639	7,585
Loans and advances to customers	23	1,683,813	2,001,223	2,083,894	110	108
Financial assets at fair value through profit or loss	24	109,162	83,713	46,711	3,427	-
Investment securities	25	1,663,821	1,248,608	1,050,588	7,079	9,842
Asset pledged as collateral	26	309,051	208,925	197,420	-	-
Other assets	27	112,362	132,731	47,786	292	9,011
Investment properties	28	515	1,993	3,003	-	-
Investments in associates accounted for using the equity method	29	625	1,357	1,114	-	-
Investment in subsidiaries	30	-	-	-	242,395	242,395
Property and equipment	32	91,515	88,263	88,315	382	680
Intangible assets	33	16,134	16,211	15,328	-	-
Deferred tax assets	34	25,558	18,554	17,278	-	-
		5,529,326	5,186,388	4,686,473	270,324	269,621
Assets held for sale	31	38,990	50,149	50,332	-	-
Total assets		**5,568,316**	**5,236,537**	**4,736,805**	**270,324**	**269,621**
LIABILITIES						
Deposits from banks	35	749,315	665,366	416,078	-	-
Deposits from customers	36	3,486,691	3,143,338	3,104,221	-	-
Derivative liabilities	24a	15,791	9,404	37,137	-	-
Current income tax liability	19b	15,656	10,194	8,897	102	104
Other liabilities	37	373,345	266,198	237,557	8,034	7,553
Liability on investment contracts	38	19,766	13,399	9,440	-	-
Liability on insurance contracts	39	34,192	21,734	10,287	-	-
Borrowings	40	338,214	420,919	316,792	-	-
Retirement benefit obligations	41	1,940	2,203	2,662	-	-
Deferred tax liabilities	34	266	606	813	-	-
		5,035,176	4,553,361	4,143,884	8,136	7,657
Liabilities held for sale	31	2,493	9,457	12,515	-	-
Total liabilities		**5,037,669**	**4,562,818**	**4,156,399**	**8,136**	**7,657**
EQUITY						
Share capital	42	17,948	17,948	17,948	17,948	17,948
Share premium	43	233,392	233,392	233,392	233,392	233,392
Retained earnings	43	4,373	166,303	159,462	10,850	10,104
Statutory reserve	43	93,325	84,103	76,226	-	-
Capital reserve	43	1,223	1,223	1,223	10	10
Small scale investment reserve	43	6,076	6,076	6,076	-	-
Fair value reserve	43	77,276	77,981	27,507	(12)	510
Contingency reserve	43	2,022	1,257	727	-	-
Statutory credit reserve	43	33,599	42,816	23,640	-	-
Foreign currency translation reserve	43	48,995	48,115	34,753	-	-
		518,229	679,214	580,954	262,188	261,964
Non-controlling interest		12,418	(5,494)	(548)	-	-
Total equity		**530,647**	**673,719**	**580,406**	**262,188**	**261,964**
Total equity and liabilities		**5,568,316**	**5,236,537**	**4,736,805**	**270,324**	**269,621**

The financial statements were approved and authorised for issue by the Board of Directors on 13 March 2019 and signed on its behalf by:

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

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Share capital	Share premium	Retained earnings	Capital reserve	Statutory reserve	Small scale investments reserve	Available for sale fair value reserve	Contingency reserve	Statutory credit reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2017	17,948	233,392	161,631	1,223	76,226	6,076	27,507	727	23,640	34,753	583,123 -	548	582,575
Restatement- AMCON levy - Note 54			(2,169)								(2,169)		
Restated Balance at 1 January 2017	17,948	233,392	159,462	1,223	76,226	6,076	27,507	727	23,640	34,753	580,954	(548)	580,406
Profit/(loss) for the year	-	-	41,328	-	-	-	-	-	-	-	41,328	(3,620)	37,708
Other comprehensive income													-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	13,362	13,362	-	13,362
Fair value movements on financial assets	-	-	-	-	-	-	50,539	-	-	-	50,539	360	50,899
Income tax relating to components of other comprehensive income			(784)								(784)		(784)
Remeasurement of defined benefit pension scheme, net of tax	-	-	744	-	-	-	-	-	-	-	744	-	744
Share of OCI of associates, net of tax	-	-	-	-	-	-	(65)	-	-	-	(65)	-	(65)
Total comprehensive income	-	-	41,288	-	-	-	50,474	-	-	13,362	105,124	(3,260)	101,864
Transactions with owners													
Dividends	-	-	(7,179)	-	-	-	-	-	-	-	(7,179)	(760)	(7,939)
Acquisition of Non controlling interest	-	-	-	-	-	-	-	-	-	-	0	(611)	(611)
Transfer to retained earnings	-	-	315	-	-	-	-	-	-	-	315	(315)	-
Transfer between reserves	-	-	(27,583)	-	7,877	-	-	530	19,176	-	-	-	-
Total transactions with Owners	-	-	(34,447)	-	7,877	-	-	530	19,176	-	(6,864)	(1,686)	(8,550)
At 31 December 2017	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214 -	5,494	673,719
Balance at 1 January 2018	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214	(5,494)	673,719
Initial application of IFRS 9			(169,700)				204		(42,838)		(212,334)		(212,334)
Impact of IFRS 9 on deferred Tax - Note 34			2,743								2,743		2,743
Restated opening balance	17,948	233,392	(654)	1,223	84,103	6,076	78,185	1,257	(22)	48,115	469,623	(5,494)	464,129
Profit/(loss) for the year	-	-	58,999	-	-	-	-	-	-	-	58,999	668	59,667
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	880	880	-	880
Fair value movements on financial assets	-	-	-	-	-	-	(1,867)	-	-	-	(1,867)	(176)	(2,043)
Changes in allowance on FVOCI financial instruments							983				983		983
Income tax relating to components of other comprehensive income	-	-	(1,934)	-	-	-					(1,934)		(1,934)
Remeasurement of defined benefit pension scheme	-	-	597	-	-	-	-	-	-	-	597	-	597
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	57,663		-	-	(889)	-	-	880	57,653	492	58,146
Transactions with owners													
Dividends	-	-	(8,974)		-	-	-	-	-	-	(8,974)	(1,027)	(10,001)
Investment by Non controlling interest	-	-	-	-	-	-	-	-	-	-	0	18,371	18,371
Transfer between reserves	-	-	(43,661)	-	9,221	-	(20)	764	33,621	-	(75)	75	(0)
Total transactions with Owners	-	-	(52,635)	-	9,221	-	(20)	764	33,621	-	(9,049)	17,419	8,370
At 31 December 2018	17,948	233,392	4,373	1,223	93,324	6,076	77,276	2,022	33,599	48,995	518,229	12,418	530,647

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	Available for sale fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2017	17,948	233,392	8,008	10	347	259,705
Profit for the year	-	-	9,275	-	-	9,275
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	163	163
Total comprehensive income	-	-	9,275	-	163	9,438
Transactions with owners						
Dividends	-	-	(7,179)	-	-	(7,179)
Business restructuring	-	-	-	-	-	-
Total transactions with Owners	-	-	(7,179)	-	-	(7,179)
At 31 December 2017	17,948	233,392	10,104	10	510	261,964
Balance at 1 January 2018	17,948	233,392	10,104	10	510	261,964
Initial application of IFRS 9	-	-	378	-	(378)	-
Restated opening balance	17,948	233,392	10,482	10	132	261,964
Profit for the year	-	-	9,342	-	-	9,342
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	(144)	(144)
Total comprehensive income	-	-	9,342	-	(144)	9,198
Transactions with owners						
Dividends	-	-	(8,974)	-	-	(8,974)
	-	-	-	-	-	-
Total transactions with Owners	0	0	(8,974)	-	-	(8,974)
At 31 December 2018	17,948	233,392	10,850	10	(12)	262,188

STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Operating activities					
Cash flow (used in)/generated from operations	44	233,563	116,302	(3,590)	(3,609)
Income taxes paid	19	(6,026)	(6,761)	(63)	(87)
Interest received		437,392	459,401	2,410	2,110
Interest paid		(126,472)	(138,939)	-	-
Net cash flow generated from/(used in) operating activities		538,458	430,003	(1,243)	(1,586)
Investing activities					
Disposal of subsidiaries, net of cash disposed		500	-	-	-
Purchase of investment securities		(1,295,228)	(1,036,882)	(10,691)	(13,142)
Proceeds from the sale of investment securities		1,114,808	895,237	10,181	15,934
Dividends received		2,312	2,054	19,825	13,139
Purchase of property and equipment	32	(15,615)	(12,816)	(105)	(235)
Purchase of intangible assets	33	(5,542)	(6,114)	-	-
Proceeds on disposal of property and equipment		388	576	9	1
Net cash flow (used in)/generated from investing activities		(198,377)	(157,945)	19,219	15,697
Financing activities					
Dividend paid		(10,001)	(7,939)	(8,974)	(7,179)
Proceeds from new borrowings	40	41,709	92,800	-	-
Repayment of borrowings	40	(148,749)	(17,596)	-	-
Interest paid on borrowings	40	(31,926)	(23,416)	-	-
Acquisition of NCI/(disposal) by NCI		18,373	(611)	-	-
Net cash flow (used in)/generated from financing activities		(130,594)	43,238	(8,974)	(7,179)
Increase/(decrease) in cash and cash equivalents		209,487	315,296	9,002	6,932
Cash and cash equivalents at start of year		1,166,447	746,231	7,585	645
Effect of exchange rate fluctuations on cash held		43,955	104,920	52	8
Cash and cash equivalents at end of year	21	1,419,889	1,166,447	16,639	7,585

1 General information

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

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

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 13 March 2019.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

The consolidated financial statements comprise the income statement, statement of comprehensive income, statement of financial position, the statement of changes in equity, statement of cash flows and the related notes for the Group and the Company.

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

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

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

2.1.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available for sale financial assets are measured at fair value through equity.
- The liability for defined benefit obligations is recognized 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.
- Assets and liabilities held to maturity are measured at amortised cost.
- 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

Below are the standards that have become effective for the period beginning on or after 1 January 2018 that are relevant to the

i. IFRS 9 Financial Instruments
ii. IFRS 15 Revenue from contracts with customers
None of these standards were early adopted by the Group.

(i) IFRS 9 - Financial Instruments

The Group has adopted IFRS 9: Financial Instruments from 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairments of financial assets.

See details in section 2.9 and Note 53

(ii) **IFRS 15 - Revenue from contracts with customers**

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Group has adopted IFRS 15 Revenue from contracts with customers from 1 January 2018 which resulted in changes to the wording of the accounting policies. However, the adoption of IFRS 15 does not have any significant impact on the Group.

See details in section 2.10(b) and Note 11a

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

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements.

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

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

The Group is close to concluding the impact assessment resulting from the application of IFRS 16 on its consolidated financial statements.

The Group intends to adopt IFRS 16 not later than the accounting period beginning on or after January 2019.

2.3 Consolidation

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

a. Subsidiaries

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

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

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

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

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

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

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

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

b. Changes in ownership interests in subsidiaries without change of control.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c. Disposal of subsidiaries

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

d. Associates

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

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

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

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

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

e. Investment entities

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

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

a. *Functional and presentation currency*

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

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

b. *Transactions and balances*

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

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

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

c. Group companies

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

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

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

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

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

2.7 Income taxation

a. Current income tax

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

b. Deferred tax

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

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

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

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

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

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

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

2.8 Inventories

The Group purchases and constructs properties for resale.

The Group recognises Property as inventory under the following circumstances:

i. property purchased for the specific purpose of resale

ii. property constructed for the specific purpose of resale (work in progress under the scope of IFRS 15, 'Revenue from Contracts with Customers')

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

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

2.9 Financial assets and liabilities

In accordance with 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 3.2.11, 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

From 1 January 2018, 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 (FVPL)
● 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).
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 categorized 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 realize 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 FVPL.

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.
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 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*

From 1 January 2018, the Group will recognize expected credit losses ("ECL") on forward-looking basis for its financial assets measured at amortized 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 recognizes a new asset at fair value and recalculates the effective interest rate.

Any difference between the amortized 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 amortized cost'.

If the cash flows of the modified asset carried at amortized 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 recognizes 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*

From 1 January 2018, the 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 a 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, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

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

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

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

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

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

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

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 assetinstead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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.
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).

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

Electronic banking fees: Electronic banking fees relate to fees & 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 & 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 recognized 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 commissioned earned is deducted & recognized 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 specialized services as requested by customers. Such transaction/services include execution of primary & 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 recognized 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.

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

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

Leases are divided into finance leases and operating leases.

a. The group is the lessee

(i) Operating lease

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

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

(ii) Finance lease

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

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

b The group is the lessor

(i) Operating lease

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

(ii) Finance lease

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

2.15 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.

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

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

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

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

2.16 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	33⅓%
Furniture and fittings	20%
Machinery	20%

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.

c. Brand, customer deposits and customer relationships

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

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

a. Defined contribution plan

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

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

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

b. Defined benefit plan

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

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

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

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

(ii) Short-term benefits

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

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

2.21 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

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

(ii) Long-term insurance contracts with fixed and guaranteed terms

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

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

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

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

Individual insurance contracts

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

Individual savings contracts

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

c. *Insurance contract liabilities*

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

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

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

2.23 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. *Statutory credit reserve*

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

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

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

The results of the application of Prudential Guidelines and the impairment determined for these assets under 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 "Statutory credit 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 statutory 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 guaranteee 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 FBN Holdings, 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 organization.

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.

• Risk officers are empowered to perform their duties professionally and independently without undue interference.

• Risk management is governed by well-defined policies that are clearly communicated across the Group.

• Risk management is a shared responsibility. Therefore, the Group aims to build a shared perspective on risks that is grounded in consensus.

• The Group's risk management governance structure is clearly defined.

• There is a clear segregation of duties between market-facing business units and risk management functions.

• Risk-related issues are taken into consideration in all business decisions. The Group shall continue to strive to maintain a conservative balance between risk and revenue considerations.

• Risk officers work as allies and thought partners to other stakeholders within and outside the Group and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties; and

• Risks are reported openly and fully to the appropriate levels once they are identified.

• Risk officers work as allies and thought partners to other stakeholders within and outside the Group, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

• All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.1.2 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; Board Audit and Risk Assessment Committee. 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. These committees include Group executive committee.

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 defense' 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 Committees □ Chief Risk Officers, Heads of Risk 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;
- 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);
- 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 rationalized and systematized approach that allows for risk assessment and governance reporting;
- Providing oversight on the risk management process;
- 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 & 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:
- Standardize 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.

(a) Portfolio limits

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

The Group's Portfolio limit includes:
• Maintain aggregate large exposure of not more than 400% of 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 realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:
– No single retail loan should amount to more than 0.2% of total retail portfolio.

The Group also sets internal credit approval limits for various levels in the credit process.

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.

No loan allowance is recognized for the portion of the Group's financial assets which are fully collateralized by cash in the same currency in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is N8.08 billion as at 31 December,2018.

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**	**Impairment Allowance**	**Carrying Amount**	**Fair value of Collateral held**
Credit-Impaired assets	N'million	N'million	N'million	N'million
Retail portfolio				
- Overdrafts	10,690	7,837	2,860	26,336
- Credit cards	272	82	191	-
- Term loans	42,555	23,833	18,716	6,515
- Mortgages	1,840	902	937	80
Corporate portfolio				
- Overdrafts	120,932	74,966	45,967	20,245
- Term loans	342,392	264,081	78,311	50,551
- Project Finance	15,766	2,659	13,106	26,974
- Advances under Finance Lease	559	320	239	-
Total Credit Impaired Assets	535,007	374,680	160,328	130,702

3.2.4 Exposure Management

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

3.2.5 Delinquency Management/Loan Workout

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

3.2.6 Credit Recovery

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

3.2.7 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 2018 was N97.97bn. 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 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. Governance also covers derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilized 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.

3.2.9 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.

3.2.10 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	
	Ba2		12	
	Ba3		13	
Considered speculative and are subject to high credit risk	B1	B	14	Non Investment Grade
	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	

3.2.11 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 3.2.11(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 3.2.11(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 3.2.11(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 3.2.11(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:

Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold.

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 3.2.11(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 specialized 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. Specialized facilities include lending for Project/ Object finance and Commercial Real Estate.

Backstop criteria for non-specialized facilities

Stage	Days in Delinquency
Stage 1	< 30days
Stage 2	>= 30 and <90 days
Stage 3	>= 90 days

Backstop criteria for specialized facilities

Stage	Days in Delinquency
Stage 1	< 90days
Stage 2	>= 90 and <180days
Stage 3	>= 180days

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018

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 specialized 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 specialized 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 12month 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 3.2.11(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 macro-economic 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 judgment has also been applied in this process.
Forecasts of these macro-economic 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 3.2.10). 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.

3.2.12 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below.

Corporate Portfolio, Investment Securities and Placements with financial institutions

		2019	2020	2021	2022	2023
Gross Domestic Product (NGN' billions)	Base	73,928	77,023	80,096	83,076	86,073
	Upturn	74,759	80,026	84,150	87,743	91,149
	Downturn	70,782	71,436	74,380	77,942	81,548
Stock Index Price (NGN per share)	Base	160	175	183	189	197
	Upturn	183	199	205	210	216
	Downturn	128	139	154	168	179
Oil price (USD per barrel)	Base	73	68	67	68	69
	Upturn	92	88	86	85	85
	Downturn	51	47	51	56	58

The weightings assigned to each economic scenario at 31 December 2018 were as follows:

	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	40%	30%	30%

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.

3.2.13 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.

Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

Corporate Portfolios

		Oil Price		
		N'm	N'm	N'm
		(-5%)	No change	+5%
GDP	+5%	252,721	252,721	252,721
	No Change	252,721	252,176	252,721
	(-5%)	252,721	252,721	252,721

3.2.14 Measurement basis of financial assets and liabilities

GROUP

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2018				
Financial assets				
Cash and balances with central banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	867,283	867,283
- Project finance	-	-	471,078	471,078
- Advances under finance lease	-	-	417	417
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Financial assets at fair value through profit or loss	109,162	-	-	109,162
Investment securities:				
- Investments at FVOCI	-	874,119	-	874,119
- Investments at amortised cost	-	-	789,702	789,702
Asset pledged as collateral	-	215,753	93,298	309,051
Other assets	-	-	36,270	36,270
Total Financial Assets	109,162	1,089,871	4,119,854	5,318,887

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Deposits from banks	-	749,315	749,315
Deposits from customers	-	3,486,691	3,486,691
Financial liabilities at fair value through profit or loss	15,791	-	15,791
Other liabilities	-	346,627	346,627
Liability on investment contracts	-	19,766	19,766
Borrowings	-	338,214	338,214
Total Financial Liabilities	15,791	4,940,614	4,956,405

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Amortised cost	
	Held for trading	Available for sale	Loans and Receivables	Held to maturity	Total
	N'million	*N'million*	*N'million*	*N'million*	*N'million*
GROUP					
31 December 2017					
Financial assets					
Cash and balances with central banks	-	-	641,881	-	641,881
Loans and advances to banks	-	-	742,929	-	742,929
Loans and advances to customers:					-
- Overdrafts	-	-	296,135	-	296,135
- Term loans	-	-	1,670,334	-	1,670,334
- Staff loans	-	-	7,947	-	7,947
- Project finance	-	-	26,296	-	26,296
- Advances under finance lease	-	-	511	-	511
Financial assets at fair value through profit or loss	83,713	-	-	-	83,713
Investment securities:					-
- Available-for-sale investments	-	1,122,757	-	-	1,122,757
- Held to maturity investments	-	-	-	108,283	108,283
- Loans and receivables	-	-	17,568	-	17,568
Asset pledged as collateral	-	134,513	-	74,412	208,924
Other assets	-	-	63,462	-	63,462
Total Financial Assets	83,713	1,257,270	3,467,064	182,695	4,990,743

3.2.14 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Deposits from banks	-	665,366	665,366
Deposits from customers	-	3,143,338	3,143,338
Financial liabilities at fair value through profit or loss	9,404	-	9,404
Other liabilities	-	226,410	226,410
Liability on investment contracts	-	13,399	13,399
Borrowings	-	420,919	420,919
Total Financial Liabilities	9,404	4,469,432	4,478,837

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	110	110
Financial assets at FVTPL				-
Investment securities:				-
- Investment securities at FVOCI	-	7,078	-	7,078
Other assets	-	-	87	87
Total Financial Assets	-	7,078	16,836	23,915

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	8,034	8,034
Total Financial Liabilities	-	8,034	8,034

	Fair Value through OCI	Amortised cost	Amortised cost	
	Available for sale	Loans and Receivables	Held to maturity	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2017				
Financial assets				
Loans and advances to banks	-	7,585	-	7,585
Loans and advances to customers				
- Staff loans	-	108	-	108
Investment securities:				-
- Available-for-sale investments	9,842	-	-	9,842
Other assets	-	8,832	-	8,832
Total Financial Assets	9,842	16,524	-	26,367

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	7,553	7,553
Total Financial Liabilities	-	7,553	7,553

3.2.15 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 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	542,098	-	-	-	542,098
Non Investment Grade	531	-	-	-	531
Gross Carrying Amount	542,629	-	-	-	542,629
Loss allowance	-	-	-	-	-
Carrying Amount	542,629	-	-	-	542,629

	Loans and Advances to Banks 31 Dec 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	463,241	-	-	-	463,241
Non Investment Grade	366,091	34,998	-	-	401,090
Gross Carrying Amount	829,332	34,998	-	-	864,330
Loss allowance	(895)	-	-	-	(895)
Carrying Amount	828,437	34,998	-	-	863,435

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	345	-	-	-	345
Non Investment Grade	143,351	3,433	19	-	146,803
Default	-	-	55,339	-	55,339
Gross Carrying Amount	143,696	3,433	55,357	-	202,487
Loss allowance	(1,451)	(33)	(32,653)	-	(34,137)
Carrying Amount	142,245	3,401	22,704	-	168,350

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	407,977	30,329	-	-	438,307
Non Investment Grade	450,199	498,642	20,262	-	969,103
Default	-	-	459,389	-	459,389
Gross Carrying Amount	858,176	528,972	479,651	-	1,866,798
Loss allowance	(4,157)	(5,151)	(342,028)	-	(351,336)
Carrying Amount	854,019	523,820	137,623	-	1,515,462

	Debt Investment Securities - at FVOCI 31 Dec 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	719,347	-	-	-	719,347
Non Investment Grade	46,423	-	-	-	46,423
Carrying Amount	765,770	-	-	-	765,770
Loss allowance	(1,134)	-	-	-	(1,134)

	Investment Securities - at Amortised Cost 31 Dec 2018				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	738,120	-	-	-	738,120
Non Investment Grade	52,410	-	-	-	52,410
Default	7	-	-	-	7
Gross Carrying Amount	790,537	-	-	-	790,537
Loss allowance	(836)	-	-	-	(836)
Carrying Amount	789,702	-	-	-	789,702

	Assets Pledged as Collateral 31 Dec 2018				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	309,051	-	-	-	309,051
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	309,051	-	-	-	309,051
Loss allowance	-	-	-	-	-
Carrying Amount	309,051	-	-	-	309,051

	'31 Dec 2018 Total N'millions
Other assets	36,736

Company

	Loans and Advances to Banks 31 Dec 2018				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	16,639	-	-	-	16,639
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	16,639	-	-	-	16,639
Loss allowance	-	-	-	-	-
Carrying Amount	16,639	-	-	-	16,639

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2018				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	-	-	-	-	-
Non Investment Grade	110	-	-	-	110
Default	-	-	-	-	-
Gross Carrying Amount	110	-	-	-	110
Loss allowance	-	-	-	-	-
Carrying Amount	110	-	-	-	110

	Debt Investment Securities - at FVOCI 31 Dec 2018				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	7,079	-	-	-	7,079
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	7,079	-	-	-	7,079
Loss allowance	-	-	-	-	-
Carrying Amount	7,079	-	-	-	7,079

	Other Assets -Simplified approach				
	12-month	Lifetime	Lifetime	Credit-Impaired	'31 Dec 2018 Total N'millions
Other assets					87

Maximum exposure to credit risk
Financial instruments subject to impairment

2017	Group 31 Dec 2017 N'millions	Company 31 Dec 2017 N'millions
Balances with central banks	472,848	-
Loans and advances to banks	742,929	7,585
Loans and advances to customers		
- Overdrafts	296,135	-
- Term loans	1,670,334	-
- Staff loans	7,947	108
- Project finance	26,296	-
- Advances under finance lease	511	-
Financial assets at FVTPL	75,157	-
Investment securities - Debt		
-Available-for-sale investments	1,026,739	6,989
-Held to maturity investments	108,283	-
-Loans and receivables	17,568	-
Asset pledged as collateral	208,925	-
Other assets	63,462	8,832
	4,717,137	23,513
Credit risk exposures relating to off balance sheet assets are as follows:		
Loan commitments	8,263	-
Letter of credit and other credit related obligations	530,969	-
	539,232	-
TOTAL MAXIMUM EXPOSURE	5,256,369	23,513

(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 Maximum exposure to credit risk		COMPANY Maximum exposure to credit risk	
	31 Dec 2018 N'm	31 Dec 2017 N'm	31 Dec 2018 N'm	31 Dec 2017 N'm
Financial Assets at FVPTL				
- Debt Securities	55,042	52,164	-	-
- Derivatives	17,786	22,993	-	-

3.2.16 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 2018 and 31 December 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	526,268	-	-	16,158	203	-	542,629
Loans and advances to banks	393,238	-	-	63,687	281,443	125,068	863,435
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,254	2,335	556	6,630	0	-	13,775
- Term loans	19,549	42,501	18,256	18,069	36	-	98,410
- Credit cards	770	774	372	-	-	-	1,916
- Mortgage	33,948	1,578	593	2,885	9,216	6,030	54,249
Corporate portfolio:							
- Overdrafts	111,902	20,976	6,576	16,202	21,016	13	176,685
- Term loans	637,295	124,312	15,089	52,578	37,454	554	867,283
- Project finance	425,725	7,159	38,194	-	-	-	471,078
- Advances under finance lease	69	348	-	-	-	-	417
Financial assets at FVTPL	60,996	-	-	11,778	54	-	72,828
Investment securities							
- FVOCI Investments	761,943	2,176	1,651	-	-	-	765,770
- Amortised cost investments	39,299	654	-	173,136	70,965	505,648	789,702
Asset pledged as collateral	294,908	-	-	14,143	-	-	309,051
Other assets	20,029	8,995	1,291	5,265	649	41	36,270
31 December 2018	3,330,192	211,808	82,579	380,531	421,035	637,354	5,063,500

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

Loan commitments	21,341	19,044	1,289	1,228	-	-	42,902
Letters of credit and other credit related obligations	705,983	52,613	40,271	14,461	26,677	2,184	842,189
31 December 2018	727,323	71,657	41,560	15,690	26,677	2,184	885,091

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	458,273	-	-	14,377	198	-	472,848
Loans and advances to banks	236,597	-	-	48,582	308,276	149,474	742,929
Loans and advances to customers							
- Overdrafts	159,842	44,437	12,936	43,495	28,154	7,271	296,135
- Term loans	1,220,248	201,162	54,942	83,451	47,813	62,718	1,670,334
- Staff loans	6,049	-	20	1,837	41	-	7,947
- Project finance	6,092	5,503	14,700	-	-	-	26,296
- Advances under finance lease	233	275	3	-	-	-	511
Financial assets at fair value through profit or loss	68,753	-	-	2,238	4,166	-	75,157
Investment securities							
- Available-for-sale investments	593,590	3,233	1,933	17,131	56,263	354,589	1,026,739
- Held to maturity investments	65,661	2,016	-	40,606	-	-	108,283
- Loans and receivables	17,568	-	-	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	5,100	-	-	208,925
Other assets	49,757	6,693	318	5,961	732	-	63,462
31 December 2017	3,086,492	263,319	84,852	262,778	445,643	574,052	4,717,137

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

Loan commitments	4,962	1,073	-	2,228	-	-	8,263
Letters of credit and other credit related obligations	303,807	45,271	32,858	2,354	143,417	3,262.00	530,969
31 December 2017	308,769	46,344	32,858	4,582	143,417	3,262	539,232

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

COMPANY

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Loans and advances to banks	16,639	-	-	-	-	-	16,639
Loans and advances to customers							
- Term loans	110	-	-	-	-	-	110
Financial assets at FVTPL	-	-	-	-	-	-	-
Investment securities							
- FVOCI Investments	7,079	-	-	-	-	-	7,079
Other assets	87	-	-	-	-	-	87
31 December 2018	23,916	-	-	-	-	-	23,916

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Loans and advances to banks	7,585	-	-	-	-	-	7,585
Loans and advances to customers							
- Staff loans	108	-	-	-	-	-	108
Investment securities							
- Available-for-sale investments	6,989	-	-	-	-	-	6,989
Other assets	8,832	-	-	-	-	-	8,832
31 December 2017	23,513	-	-	-	-	-	23,513

b) Industry sectors

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

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or	Investment Securities - FVOCI	Investment Securities - Amortised cost	Asset pledged as collateral	Other assets
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	2,957	9,092	13,447	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	121	3,064	-	-	2,017
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	0	-	-	-
Finance and insurance	542,629	863,435	61,818	50,429	206,675	14,143	27,849
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	5,500
Utilities	-	-	-	-	-	-	63
Retail services	-	-	-	-	-	-	-
Public sector	-	-	7,933	703,185	569,633	294,909	841
Total at 31 December 2018	542,629	863,435	72,828	765,770	789,702	309,051	36,270

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

	Loans and advances to customers - Retail Portfolio				
	Overdraft	Term loans	Credit Cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	93	299	-	-	392
Oil and gas	250	782	-	205	1,237
Consumer credit	3,351	83,623	1,914	364	89,252
Manufacturing	783	584	-	267	1,634
Real estate	24	41	0	25,767	25,832
Construction	371	87	-	-	458
Finance and insurance	250	1,623	-	184	2,057
Transportation	35	206	-	175	416
Communication	92	105	-	452	648
General commerce	3,559	6,770	-	651	10,980
Utilities	343	82	-	-	425
Retail services	4,532	2,710	2	26,185	33,428
Public sector	93	1,499	-	-	1,592
Total at 31 December 2018	13,775	98,410	1,916	54,249	168,350

	Loans and advances to customers - Corporate Portfolio				
	Overdraft	Term loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	8,117	37,361	-	-	45,478
Oil and gas	58,815	202,664	313,870	361	575,710
Consumer credit	0	305	-	-	305
Manufacturing	36,309	239,904	-	-	276,213
Real estate	13,168	13,319	35,612	-	62,099
Construction	18,293	54,966	17,930	5	91,194
Finance and insurance	1,202	15,745	-	-	16,947
Transportation	524	7,795	4,273	-	12,592
Communication	13,108	22,955	-	-	36,063
General commerce	20,108	45,020	-	-	65,129
Utilities	3,404	13,492	99,392	-	116,287
Retail services	3,637	32,615	-	51	36,303
Public sector	0	181,143	-	-	181,143
Total at 31 December 2018	176,685	867,283	471,078	417	1,515,463

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities- Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	10,266	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	981	4,859	3,903	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	472,848	742,903	11,772	435,659	16,718	-	12,250
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	26	52,137	586,221	87,662	17,568	196,675
Total at 31 December 2017	472,848	742,929	75,157	1,026,739	108,283	17,568	208,925

	Other assets	Loans to customers					
		Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Agriculture	-	5,264	49,932	1	-	-	55,196
Oil and gas	-	58,959	672,194	-	8,369	-	739,522
Consumer credit	-	6,361	92,875	5,704	-	2	104,942
Manufacturing	-	78,163	250,611	-	-	-	328,774
Real estate	-	59,576	56,025	1,815	-	-	117,416
Construction	-	13,012	49,807	-	14,700	8	77,527
Finance and insurance	57,635	340	43,697	39	-	-	44,076
Transportation	-	358	12,442	-	-	-	12,800
Communication	-	16,457	39,202	-	3,227	-	58,886
General commerce	5	29,947	35,958	-	-	-	65,905
Utilities	5,512	3,617	123,696	-	-	-	127,313
Retail services	-	23,910	51,649	388	-	501	76,448
Public sector	310	171	192,246	-	-	-	192,417
Total at 31 December 2017	63,462	296,135	1,670,334	7,947	26,296	511	2,001,222

b) Industry sectors

	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Other assets	Loans to customers Retail portfolio
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY						
Finance and insurance	16,639	-	-	-	87	-
Retail services	-	-	-	-	-	110
Public sector	-	-	7,079	-	-	-
Total at 31 December 2018	16,639	-	7,079	-	87	110

	Loans and advances to banks	Investment Securities - Available for sale	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Other assets N 'million	Loans to customers Staff Loan
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
COMPANY						
Finance and insurance	7,585	-	-	-	8,832	
Consumer credit						108
Public sector	-	6,989	-	-	-	-
Total at 31 December 2017	7,585	6,989	-	-	8,832	108

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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2018	31 Dec 2018	31 Dec 2017	31 Dec 2017
	N 'million	**N 'million**	**N 'million**	**N 'million**
		GROUP		
Agriculture	758	17,318	-	5,169
Oil and gas	29,520	75,301	1,080	57,869
Consumer credit	2,768	-	79	-
Manufacturing	3,396	175,158	18	131,730
Real estate	17	-	-	167
Construction	186	58,193	12	54,140
Finance and insurance	250	359,394	35	168,407
Transportation	-	1,500	-	2,752
Communication	1,672	3,862	76	2,006
General commerce	2,646	92,014	1,949	48,570
Utilities	-	17,750	4,897	21,582
Retail services	1,689	26,081	113	11,581
Public sector	-	15,619	4	26,996
TOTAL	42,902	842,189	8,263	530,969

3.2.17 Loans and advances to customers

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

December 2018	Loans to customers				
	Overdraft	Term loans	Credit Cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Retail					
Stage 1 loans	9,479	79,510	1,723	53,267	143,979
Stage 2 loans	1,685	1,341	7	118	3,151
Stage 3 loans	10,690	42,555	272	1,840	55,357
Gross	21,855	123,406	2,003	55,224	202,488
Less: allowance for impairment (note 23)	(8,080)	(24,996)	(87)	(975)	(34,138)
Net	13,775	98,410	1,916	54,249	168,350
Lifetime ECL (see note 23)	7,842	23,859	82	905	32,687
12-months' ECL (see note 23)	238	1,137	5	70	1,451
Total	8,080	24,996	87	975	34,138

December 2018	Loans to customers				
	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Corporate					
Stage 1 loans	113,386	591,491	153,130	178	858,185
Stage 2 loans	17,651	203,682	307,629	-	528,962
Stage 3 loans	120,932	342,394	15,766	559	479,651
Gross	251,969	1,137,567	476,524	737	1,866,798
Less: allowance for impairment (note 23)	(75,284)	(270,284)	(5,447)	(320)	(351,335)
Net	176,685	867,283	471,078	417	1,515,463
Lifetime ECL (see note 23)	75,048	266,861	4,949	320	347,178
12-months' ECL (see note 23)	236	3,423	498	-	4,157
Total	75,284	270,284	5,447	320	351,336

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
December 2017						
Neither past due nor impaired	241,404	1,340,167	8,223	26,775	375	1,616,944
Past due but not impaired	34,281	109,016	14	-	110	143,421
Individually impaired	67,565	422,698	6	-	533	490,802
Collectively impaired	2,378	26,794	-	-	54	29,226
Gross	345,628	1,898,675	8,243	26,775	1,072	2,280,393
Less: allowance for impairment (note 23)	(49,493)	(228,341)	(296)	(479)	(561)	(279,170)
Net	296,135	1,670,334	7,947	26,296	511	2,001,223
Individually impaired	44,205	185,326	4	-	533	230,068
Portfolio allowance	5,288	43,015	292	479	28	49,102
Total	49,493	228,341	296	479	561	279,170

	Term loans N 'million	**Total N 'million**
COMPANY		
Retail		
December 2018		
Stage 1 loans	110	110
Gross	110	110
Less: allowance for impairment	-	-
Net	110	110
December 2017		
Neither past due nor impaired	108	108
Gross	108	108
Less: allowance for impairment	-	-
Net	108	108

GROUP

December 2018

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 3.2.2 for an explanation of the internal rating system).

	Overdraft	Term loans	Credit cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Grades:					
Ba	4,686	63,547	1,723	7,150	77,106
B	3,469	5,212	-	46,108	54,789
Caa	1,063	8,627	-	9	9,699
Ca	262	2,124	- -	0	2,385
C	-	-	-	-	-
	9,479	79,510	1,723	53,267	143,979

	Overdraft	Term loans	Credit cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2					
Past due up to 30 days	1,425	247	-	2	1,674
Past due by 30 - 60 days	170	749	4	91	1,014
Past due 60-90 days	90	346	3	24	463
Above 90 days	-	-	-	-	-
Gross amount	1,685	1,341	7	118	3,151
(c) Loans and advances - Stage 3					
Gross amount	10,690	42,555	272	1,840	55,357
Life time ECL- credit impaired	(7,837)	(23,833)	(82)	(902)	(32,654)
Net amount	2,854	18,722	191	937	22,703

3.2.17 Loans and advances to customers continued

December 2018

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 3.2.2 for an explanation of the internal rating system).

	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Grades:					
Aaa	5	11,605	-	-	11,611
Aa	10,988	254,371	5,050	-	270,409
A	2,110	62,195	-	-	64,306
Baa	8,107	53,829	-	-	61,937
Ba	57,468	41,378	131,880	178	230,904
B	34,707	168,112	16,200	0	219,019
	113,386	591,491	153,130	178	858,185

	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2					
Past due up to 30 days	5,727	99,831	99,374	-	204,931
Past due by 30 - 60 days	11,907	25,990	9,095	-	46,992
Past due 60-90 days	14	3,470	905	-	4,390
Above 90 days	3	74,392	198,255	-	272,649
Gross amount	17,651	203,682	307,629	-	528,962
(c) Loans and advances - Stage 3					
Gross amount	120,932	342,392	15,766	559	479,649
Life time ECL- credit impaired	(74,966)	(264,081)	(2,659)	(320)	(342,026)
Net amount	45,967	78,311	13,106	239	137,623

December 2017

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

a) Grades:						
AAA	257	10,888	482	1	1	11,629
AA	994	51,303	-	-	-	52,297
A	16,174	57,603	3	-	-	73,780
BBB	39,264	249,526	1,615	-	-	290,405
BB	68,379	329,896	1,865	18,109	203	418,452
B	55,972	426,890	4,060	8,665	171	495,758
CCC	29	387	-	-	-	416
CC	56	1,424	138	-	-	1,618
C	60,279	212,249	59	-	-	272,587
	241,404	1,340,167	8,223	26,775	375	1,616,946

(b) Loans and advances past due but not impaired

Past due up to 30 days	21,881	61,599	9	-	110	83,599
Past due by 30 - 60 days	11,313	20,852	5	-	-	32,170
Past due 60-90 days	1,087	26,565	-	-	-	27,652
Gross amount	34,281	109,016	14	-	110	143,421

(c) Collectively impaired loans

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

	2,378	26,794	-	-	54	29,226

(d) Loans and advances individually impaired

Gross amount	67,565	422,698	6	-	533	490,802
Specific impairment	(44,205)	(185,326)	(4)	-	(533)	(230,068)
Net amount	23,360	237,372	2	-	-	260,734

3.2.18 Collaterized Assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2018 and 31 December 2017 are as shown below

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2018	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	863,435	316,931
Financial assets at fair value through profit or loss	-	-	72,828	11,492
Total Financial Assets	-	-	936,264	328,423

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2017	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	742,929	5,426
Financial assets at fair value through profit or loss	-	-	83,713	2,452
Total Financial Assets	-	-	826,642	7,878

COMPANY	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2018	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	16,639	-
Financial assets at fair value through profit or loss	-	-	3,427	-
Total Financial Assets	-	-	20,067	-

COMPANY	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2017	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	7,585	-
Financial assets at fair value through profit or loss	-	-	-	-
Total Financial Assets	-	-	7,585	-

The underlisted financial assets are not collaterised:
Cash and balances with Central Banks
Investment securities:
- Available for sale investments/ FVOCI Investments
- 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.

GROUP

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

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	2,487,177	426,509	273,375	191,148	113,499	8,400	3,500,108
Financial liabilities at fair value through profit or loss	902	1,497	401	10,916	2,075	-	15,791
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	-	-	-	-	-	-
Total financial liabilities	3,366,143	536,431	307,723	296,912	479,976	19,233	5,006,419
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	6,461	29,324	264,866	135,886	168,231	237,423	842,190
Total commitments	24,809	30,297	267,564	154,087	170,817	237,518	885,092
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877
31 December 2017							
Financial liabilities							
Deposits from banks	605,683	11,798	2,414	45,471	-	-	665,366
Deposits from customers	2,299,832	322,019	175,699	156,664	173,416	15,709	3,143,338
Financial liabilities at fair value through profit or loss	9,372	-	33	-	-	-	9,404
Borrowings	18,050	20,431	10,262	21,466	337,195	13,515	420,919
Other liabilities	108,611	54,190	62,529	999	81	-	226,410
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	3,041,548	409,921	251,900	226,237	519,162	30,070	4,478,837
Loan commitments	915	130	675	531	1,114	4,898	8,263
Letters of credit and other credit related obligations	27,537	31,147	98,625	307,773	65,887	-	530,969
Total commitments	28,452	31,277	99,300	308,304	67,001	4,898	539,232
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599

3.3 Liquidity risk continued

COMPANY

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2018							
Financial liabilities							
Other liabilities	7,055	980	-	-	-	-	8,035
Total financial liabilities	7,055	980	-	-	-	-	8,035
Assets held for managing liquidity risk	17,515	1,136	932	3,902	868	673	25,025
31 December 2017							
Financial liabilities							
Other liabilities	-	-	-	7,553	-	-	7,553
Total financial liabilities	-	-	-	7,553	-	-	7,553
Assets held for managing liquidity risk	7,585	-	-	8,832	-	-	8,832

(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 N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	180,159	480,115	402,203	346,875	465,479	1,625,144	3,499,975
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	-	-	-	-	-	-
Total financial liabilities	1,058,224	588,540	436,150	441,723	829,881	1,635,977	4,990,495
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	17,222	29,324	264,866	134,479	168,231	234,834	848,956
Total commitments	35,570	30,297	267,564	152,680	170,817	234,929	891,857
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	11,798	2,414	45,471	-	-	668,180
Deposits from customers	359,473	340,645	303,117	323,176	500,877	1,324,790	3,152,077
Borrowings	18,050	20,431	10,262	21,466	418,819	13,515	502,543
Other liabilities	98,850	54,190	62,529	999	81	-	216,649
Investment contracts	-	1,483	963	1,638	8,470	846	13,399
Total financial liabilities	1,084,870	428,547	379,284	392,749	928,247	1,339,151	4,552,847
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,539	31,147	98,625	307,773	65,888	-	530,972
Total commitments	28,454	31,277	99,300	308,304	67,002	4,897	539,234
Assets held for managing liquidity risk	1,109,694	323,009	256,554	364,534	218,164	82,643	2,354,599

3.3.4 Assets held for managing liquidity risk

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

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

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term. On an actuarial basis, the bank's demand deposits exhibit much longer duration, with 75.53% of the bank's current account balances and 67.48% of savings account balances being deemed core.

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

3.3.5 Derivative liabilities

(a) Derivatives settled on a net basis

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

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

GROUP	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2018							
Derivative liabilities							
FX Futures	10	12	7	24	-	-	53
Accumulator-Forward FX contract	-	-	-	-	-	-	-
Put Options	1,167	905	3,614	6,733	3,213	-	15,632
	1,177	917	3,621	6,757	3,213	-	15,685
Derivative assets							
FX Futures	10	12	6	23	-	-	51
Put Options	1,254	1,132	3,980	7,331	3,434	-	17,131
Forward Contract	-	-	-	-	-	-	-
	1,264	1,144	3,986	7,354	3,434	-	17,182
	2,441	2,061	7,607	14,111	6,647	-	32,867
At 31 December 2017							
Derivative liabilities							
Cross-Currency Swap	32	20	-	-	-	-	52
Accumulator-Forward FX contract	-	139	4	19	-	-	162
Put Options	(346)	2,275	3,244	5,680	6,932	-	17,785
	(314)	2,434	3,248	5,699	6,932	-	17,998
Derivative assets							
Cross-Currency Swap	32	-	-	-	-	-	32
Put Options	-	146	4	19	-	-	169
Forward Contract	371	2,320	3,939	7,087	7,848	-	21,565
	403	2,466	3,943	7,106	7,848	-	21,765
	89	4,900	7,190	12,805	14,780	-	39,763

(b) Derivatives settled on a gross basis.

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

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2018 (N' million)							
Assets held for trading							
FX Swap - Payable	-	(11,281)	(7,836)	-	-	-	(19,117)
FX Swap - Receivable	-	11,525	7,900	-	-	-	19,425
Forward Contract - Payment	(118,478)	(63,387)	(8,727)	-	-	-	(190,592)
Forward Contract - Receipt	51,436	38,127	3,912	213	-	-	93,688
	(67,042)	(25,016)	(4,751)	213	-	-	(96,596)
Liabilities held for trading							
Forward Contract - Payment	(31,035)	(28,830)	(3,664)	(213)	-	-	(63,742)
Forward Contract - Receipt	5,113	-	-	-	-	-	5,113
	(25,922)	(28,830)	(3,664)	(213)	-	-	(58,629)
At 31 December 2017 (N' million)							
Assets held for trading							
FX Swap - Payable	(28,353)	(14,672)	(12,265)	-	-		(55,290)
FX Swap - Receivable	33,102	16,501	13,480	-	-		63,083
Forward Contract - Payment	(369)	-	-	-	-		(369)
Forward Contract - Receipt	92,212	42,600	40,312	8,062	-		183,186
Put option							-
	96,592	44,429	41,527	8,062	-	-	190,610
Liabilities held for trading							
FX Swap - Payable	28,353	14,672	12,265	-	-	-	55,290
FX Swap - Receivable	33,102	16,501	13,480	-	-	-	63,083
Forward Contract - Payment	369	-	-	-	-	-	369
Forward Contract - Receipt	92,212	42,600	40,312	8,062	-	-	183,186
	154,036	73,773	66,057	8,062	-	-	301,928

3.4 Market risk

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

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio, and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and or income statement.
Through the financial year, the Bank was exposed to market risk in its trading, and non-trading activities mainly as a result of:
• interest rate movements in reaction to monetary policy changes by the Central 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 3.4.6 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.

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

The Fixed Income portfolio (Interest Rate Risk) trading VaR is NGN401 million as at 31st December 2018 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 N6 million as at 31st December 2018, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

VAR summary

	12 months to 31 December 2018		
	Average	**High**	**Low**
Foreign exchange risk	40	132	0
Interest rate risk	1,133	4,948	401
Total VAR	**1,173**	**5,080**	**401**

VAR summary

	12 months to 31 December 2017		
	Average	**High**	**Low**
Foreign exchange risk	58	280	4
Interest rate risk	1,493	5,870	34
Total VAR	**1,551**	**6,150**	**38**

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.

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 2018 and 31 December 2017. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira	USD	GBP	Euro	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
31 December 2018						
Financial assets						
Cash and balances with Central Banks	588,135	26,934	2,633	14,377	21,256	653,335
Loans and advances to banks	306,586	313,197	206,384	25,743	11,525	863,435
Loans and advances to customers:						
Retail portfolio						
- Overdrafts	5,394	4,407	0	1,588	2,387	13,775
- Term loans	79,751	11,833	35	12	6,779	98,410
- Credit cards	1,455	461	-	-	-	1,916
- Mortgage	8,046	45,840	-	-	363	54,249
Loans and advances to customers:						
Corporate portfolio						
- Overdrafts	96,111	57,516	-	21,043	2,015	176,685
- Term loans	419,281	392,144	28,903	22,173	4,781	867,283
- Project finance	86,040	385,038	-	-	-	471,078
- Advances under finance lease	417	-	-	-	-	417
Investment securities						
- FVOCI Investments	792,452	81,667	-	-	-	874,119
- Amortised cost investments	33,335	687,566	-	7	68,795	789,702
Asset pledged as collateral	294,120	788	-	-	14,143	309,051
Financial assets at fair value through profit or loss	86,930	22,232	-	-	-	109,162
Other assets	26,449	7,623	662	54	1,482	36,270
	2,824,501	2,037,246	238,618	84,997	133,525	5,318,887

Financial liabilities						
Customer deposits	2,437,277	633,675	318,406	33,361	63,973	3,486,691
Deposits from banks	36,855	673,438	22,930	8,000	8,092	749,315
Financial liabilities at FVTPL		15,510	-	281	-	15,791
Borrowings	61,992	272,110	517	108	3,487	338,214
Other liabilities	119,624	194,807	3,107	18,847	10,242	346,627
Investment contracts	19,766	-	-	-	-	19,766
	2,675,514	1,789,540	344,960	60,597	85,794	4,956,405

	Naira **N 'million**	**USD** **N 'million**	**GBP** **N 'million**	**Euro** **N 'million**	**Others** **N 'million**	**Total** **N 'million**
31 December 2017						
Financial assets						
Cash and balances with Central Banks	514,992	99,284	1,759	7,565	18,281	641,881
Loans and advances to banks	186,112	260,089	268,516	19,729	8,483	742,929
Loans and advances						
- Overdrafts	154,324	96,780	12,932	27,799	4,300	296,135
- Term loans	576,675	1,017,184	48,950	16,771	10,755	1,670,334
- Staff loans	6,069	1,416	41	1	420	7,947
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities						
- Available-for-sale investments	646,143	476,614	-	-	-	1,122,757
- Held to maturity investments	67,688	-	-	-	40,595	108,283
- Loans and receivables	-	17,568	-	-	-	17,568
Asset pledged as collateral	203,825	-	-	-	5,100	208,925
Financial assets at fair value through profit or loss	60,570	23,143	-	-	-	83,713
Other assets	55,143	4,843	356	336	2,784	63,462
	2,489,620	2,005,651	332,554	72,201	90,718	4,990,743
Financial liabilities						
Customer deposits	2,193,814	473,512	384,477	26,510	65,025	3,143,338
Deposits from banks	6,140	623,893	19,031	9,843	6,459	665,366
Financial liabilities at FVTPL	20	9,375	-	10	-	9,404
Borrowings	58,324	359,541	6	386	2,662	420,919
Other liabilities	100,752	109,276	946	14,095	1,341	226,410
Investment contracts	13,399	-	-	-	-	13,399
	2,372,449	1,575,596	404,460	50,844	75,487	4,478,837

COMPANY

	Naira **N 'million**	**USD** **N 'million**	**GBP** **N 'million**	**Euro** **N 'million**	**Others** **N 'million**	**Total** **N 'million**
31 December 2018						
Financial assets						
Loans and advances to banks	16,312	327	-	-	-	16,639
Loans and advances to customers:						
Retail portfolio						
- Term loans	110	-	-	-	-	110
Investment securities						
- FVOCI Investments	7,079	-	-	-	-	7,079
Financial assets at fair value through profit or loss	3,427	-	-	-	-	3,427
Other assets	87	-	-	-	-	87
	27,016	327	-	-	-	27,343
Financial liabilities						
Other liabilities	8,034					8,034
	8,034	-	-	-	-	8,034

COMPANY

	Naira **N 'million**	**USD** **N 'million**	**GBP** **N 'million**	**Euro** **N 'million**	**Others** **N 'million**	**Total** **N 'million**
31 December 2018						
Financial assets						
Loans and advances to banks	7,585	303	-	-	-	7,888
Loans and advances to customers						
- Staff loans	108	-	-	-	-	108
Investment securities						
- FVOCI Investments	9,842	-	-	-	-	9,842
Other assets	8,832	-	-	-	-	8,832
	26,367	303	-	-	-	26,670
Financial liabilities						
Other liabilities	7,553					7,553
	7,553	-	-	-	-	7,553

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 following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar and EURO. Management believe that a 25% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and EURO denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 10% against the US dollar and EURO. For a 10% strengthening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2018	**31 Dec 2017**
Naira strengthens by 10% against the US dollar (2017:25%) Profit/(loss)	(24,771)	(107,628)
Naira weakens by 10% against the US dollar (2017:25%) Profit/(loss)	24,771	107,628
Naira strengthens by 10% against the EURO (2017:25%) Profit/(loss)	(2,440)	(5,339)
Naira weakens by 10% against the EURO (2017:25%) Profit/(loss)	2,440	5,339

3.4.4 Interest rate risk

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

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

	Carrying amount N' million	**Variable interest N' million**	**Fixed interest N' million**	**Non interest-bearing N' million**
GROUP				
31 December 2018				
Financial assets				
Cash and balances with central banks	653,335	-	-	653,335
Loans and advances to banks	863,435	450,355	231,827	181,253
Loans and advances to customers:				
Retail portfolio				
- Overdrafts	13,775	13,775	-	-
- Term loans	98,410	90,670	7,740	-
- Credit cards	1,916	1,916	-	-
- Mortgage	54,249	54,228	21	-
Loans and advances to customers:				
Corporate portfolio				
- Overdrafts	176,685	176,685	-	-
- Term loans	867,283	861,184	4,836	1,263
- Project finance	471,078	471,078	-	-
- Advances under finance lease	417	417	-	-
Financial assets at fair value through profit or loss	109,162	-	55,041	54,123
Investment securities:				
- FVOCI Investments	874,119	18,836	747,333	107,950
- Amortised cost investments	789,702	1,870	787,832	-
Assets pledged as collateral	309,051	-	309,051	-
Other assets	36,270	-	7,393	36,270
	5,318,887	**2,141,013**	**2,151,074**	**1,034,195**
Financial liabilities				
Deposits from customers	3,486,691	1,566,210	1,124,949	795,532
Deposits from banks	749,315	634,602	114,128	586
Financial liabilities at fair value through profit or loss	15,791	-	-	15,791
Other liabilities	346,627	-	-	346,627
Liability on investment contracts	19,766	-	-	338,215
Borrowings	338,214	72,948	265,266	-
	4,956,405	**2,273,760**	**1,504,342**	**1,496,751**
Interest rate mismatch		**(132,747)**	**646,732**	**(462,555)**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
31 December 2017				
Financial assets				
Cash and balances with Central Banks	641,881	79,084	500	562,297
Loans and advances to banks	742,929	316,533	288,563	137,833
Loans and advances				
- Overdrafts	296,135	296,135	-	-
- Term loans	1,670,334	1,649,377	20,957	-
- Staff loans	7,947	-	7,947	-
- Project finance	26,296	26,296	-	-
- Advances under finance lease	511	511	-	-
Financial assets at fair value through profit or loss	83,713	-	52,413	31,300
Investment securities:				
- Available-for-sale investments	1,122,757	-	1,029,274	93,483
- Held to maturity investments	108,283	-	108,283	-
- Loans and receivables	17,568	-	17,568	-
Assets pledged as collateral	208,925	11,865	197,060	-
Other assets	63,462	-	-	63,462
	4,990,742	**2,379,800**	**1,722,564**	**888,374**
Financial liabilities				
Customer deposits	3,143,338	1,419,166	1,146,392	577,780
Deposits from banks	665,366	547,665	117,701	-
Financial liabilities at fair value through profit or loss	9,404	-	33	9,352
Other liabilities	226,410	-	-	226,410
Liability on investment contracts	13,399	13,399	-	-
Borrowings	420,919	77,707	343,212	-
	4,478,837	**2,057,936**	**1,607,337**	**813,542**
Interest rate mismatch		**321,864**	**115,227**	**74,833**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	16,639		16,639	
Loans and advances to customers:				
Retail portfolio				
- Term loans	110		110	
Financial assets at fair value through profit or loss	3,427			3,427
Investment securities:				
- FVOCI Investments	7,079		7,079	
Other assets	87			87
	27,343	**-**	**23,829**	**3,514**
Financial liabilities				
Other liabilities	8,034			8,034
	8,033	**-**	**-**	**8,034**
Interest rate mismatch		**-**	**23,829**	**(4,518)**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2017				
Financial assets				
Loans and advances to banks	7,585		7,585	
Loans and advances to customers				
- Staff loans	108		108	
Financial assets at fair value through profit or loss	-			-
Investment securities:				
- FVOCI Investments	9,842		6,990	2,852
Other assets	9,011			9,011
	26,545	**-**	**14,682**	**11,864**
Financial liabilities				
Other liabilities	7,553			7,553
	7,553	**-**	**-**	**7,553**
Interest rate mismatch		**-**	**14,682**	**4,312**

3.4.6 Interest rate sensitivity analysis

The aggregate figures presented above are further segregated into their various components as shown below:

	GROUP		COMPANY	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss				
Treasury bills	22,424	29,328	-	-
Government bonds	32,618	22,836	-	-
Total	55,042	52,164	-	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	(1,101)	(1,043)	-	-
Favourable change @ 2% increase in interest rates	1,101	1,043	-	-
Investment securities - FVOCI				
Treasury bills	604,247	706,836	6,080	6,297
Government bonds	161,523	319,903	999	693
Total	765,770	1,026,739	7,078	6,990
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	(15,315)	(20,535)	(142)	(140)
Favourable change @ 2% increase in interest rates	15,315	20,535	142	140

3.5 Management of insurance risk

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

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

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

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

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

3.5.1 Underwriting risk

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

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

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

- All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
- The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

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

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

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

3.5.2 Frequency and severity of claims

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

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

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

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

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than N20 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

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

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

	31 December 2018			**31 December 2017**		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Individual traditional	13,799	-	13,799	8,677	-	8,677
Investment linked contracts	19,766	-	19,766	13,399	-	13,399
Group credit life	585	-	585	219	-	219
Group Life – UPR incl AURR	455	(63)	392	356	(146)	210
General business – UPR incl AURR	1,153	0	1,153	906	0	906
Group Life - IBNR	1,138	(150)	989	1,670	(326)	1,344
Annuity	14,194		14,194	7,432		7,432
Additional reserves	212	-	212	221	-	221
Claims reserve - Life business	318	(30)	289	375	-	375
General business - IBNR	591	(256)	335	211	89	300
Claims reserve - General business	1,745	(1,283)	462	863	349	1,212
Total	**53,958**	**(1,782)**	**52,176**	**34,329**	**(33)**	**34,296**

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

	31 December 2018			**31 December 2017**		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Group Life	952	(243)	709	748	(808)	(60)
Group Credit Life	180	-	180	230	-	230
Annuity	1,691		1,691	557		557
Individual Life	2,019	-	2,019	1,369	-	1,369
Bancassurance	0		0	0		0
General business	1,734	(1,539)	195	1,210	(454)	756
Total	**6,576**	**(1,782)**	**4,795**	**4,114**	**(1,262)**	**2,852**

3.5.3 Sources of uncertainty in the estimation of future claim payments

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

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

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

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

The insurance liabilities have been made on the following principles:

Type of Business	Valuation Method
Individual Risk Business	Gross premium valuation approach
Individual deposit based business (Flexi save)	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Life and Group School Fees	UPR + IBNR
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Fergusion method

Individual business

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

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

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

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

Group business

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

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

A loss ratio approach has been used for IBNR reserving, which considers the pattern of claims emerging.

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

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

Non-life business

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

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

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

3.5.4 Process used to decide on assumptions

Valuation interest rates

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

Net valuation interest rate of 14.6% & 14.00% pa were adopted for annuity and other long term businesses, which has been applied as a single long term rate of return. As at 31 December 2018, FGN bond yields of duration between 5 and 20 years were round 15%. By comparison long term bonds were yielding 14% at December 2017.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long term yield to arrive at a gross valuation interest rate of 14.85%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	**Annuity**
Average yield on a long-term FGN bond	15.37%	15.37%
Less Prudent Margin	-0.25%	-0.25%
Less Reinvestment Risk Margin	0.00%	-0.25%
Gross Valuation Interest Rate	15.12%	14.87%
Less 6% tax	-0.91%	0.00%
Net Valuation Interest Rate	14.21%	14.87%
Rates Adopted	14.21%	14.87%

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

Type of Business	**Current Valuation**	**Previous valuation**
Risk products	14.21%	13.00%
Risk reserves for deposit-based policies	14.21%	13.00%
Pension Annuity	14.87%	13.00%

Expenses

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

Future maintenance expenses

The regulatory maintenance expenses are derived from the best estimate maintenance expenses plus a prudence margin for adverse deviations. The best estimate maintenance expenses are calculated as the sum of the following:

(1) Per policy maintenance charges
(2) Allocated operating expenses

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

The Group performed an expense analysis in during the year, which suggests actual expense experience over the year of:
(1) Individual life: N4,000 per policy
(2) Credit life: N2,200 per policy
(3) Family shield: N525 per policy
(4) Group life: 42% of premium

The Group adopted a valuation expense assumption of N4,000 per policy on risk policies excluding family shield and N2,200 per policy for credit life while expense per policy for family shield is set at N525. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of Business	Current valuation N'per policy	Previous valuation N'per policy
Individual Life	N4,000	N5,000
Credit Life	N2,200	N1,540
Family Shield	N525	N620

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2018 was 11.28%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality

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

The A67/70 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data which demonstrated a good fit to the A67/70 table.

Annuity valuation and Future mortality improvements

For annuity, we have adopted the UK Pensioner table PA (90) with age rating of -1.

Withdrawals

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

Lapses

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

Education and Cashflow	Lapse Rate p.a	Surrender Rate p.a
Year 1	25.0%	-
Year 2	-	17.5%
Year 3	-	3.5%
Year 4	-	3.5%
Year 5+	-	3.5%

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

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

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

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

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

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

Bonuses

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

Group and Credit life businesses

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

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

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.
(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided
(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission. Commission is currently payable at 15% of premium.

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

No additional contingency reserves was made in addition to those provided for long term business to be held. Other liabilities such as expense and data contingencies reserves has been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	**2018**	**2017**
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

Reinsurance agreements

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

Changes in assumptions

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

3.5.5 Insurance and Market risk sensitivities

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

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

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

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

2018	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	13,799	11,417	16,699	14,194	13,420	14,074	13,578
PRA Regulated Annuities	14,194	13,558	14,896	14,212	14,176	14,232	14,165
Investment linked contracts	19,766	19,766	19,766	19,766	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744	1,744	1,744	1,744	1,744
Group Credit Life	585	585	585	585	585	585	585
Group life – UPR incl AURR	455	455	455	455	455	455	455
Group Life - IBNR	1,138	1,138	1,138	1,138	1,138	1,138	1,138
Additional reserves	212	212	212	212	212	212	212
Reinsurance	(213)	(213)	(213)	(213)	(213)	(213)	(213)
Net Liability	51,682	48,664	55,284	52,095	51,285	51,994	51,432
% change in Net Liability		-5.8%	7.0%	0.8%	-0.8%	0.6%	-0.5%
Assets	66,635	66,635	66,635	66,635	66,635	66,635	66,635
Surplus	14,953	17,971	11,351	14,540	15,350	14,640	15,203

2018	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	13,799	13,903	13,695
PRA Regulated Annuities	14,194	14,248	14,141
Investment linked contracts	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744
Group Credit Life	585	585	585
Group life – UPR incl AURR	455	455	455
Group Life - IBNR	1,138	1,138	1,138
Additional reserves	212	212	212
Reinsurance	(213)	(213)	(213)
Net Liability	51,682	51,840	51,526
% change in Net Liability		0.3%	-0.3%
Assets	66,635	66,635	66,635
Surplus	14,952	14,794	15,109

2017	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	9,341	7,526	11,617	9,736	8,953	9,706	9,058
PRA Regulated Annuities	7,431	7,028	7,885	7,446	7,418	7,469	7,405
Investment linked contracts	13,399	13,399	13,399	13,399	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554	554	554	554	554
Group Life - IBNR	21	21	21	21	21	21	21
Additional reserves	1,670	1,670	1,670	1,670	1,670	1,670	1,670
Reinsurance	222	222	222	222	222	222	222
Net Liability	33,820	31,602	36,550	34,230	33,419	34,223	33,511
% change in Net Liability		-6.6%	8.1%	1.2%	-1.2%	1.2%	-0.9%
Assets	7,620	7,620	7,620	7,620	7,620	7,620	7,620
Surplus	(26,200)	(23,982)	(28,930)	(26,609)	(25,798)	(26,602)	(25,891)

2017	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	9,341	9,420	9,262
PRA Regulated Annuities	7,431	7,457	7,408
Investment linked contracts	13,399	13,399	13,399
General business – UPR incl AURR	1,182	1,182	1,182
Group life – UPR incl AURR	554	554	554
Group Life - IBNR	21	21	21
Additional reserves	1,670	1,670	1,670
Reinsurance	222	222	222
Net Liability	33,819	33,925	33,719
% change in Net Liability		0.3%	-0.3%
Assets	7,620	7,620	7,620
Surplus	(26,200)	(26,305)	(26,098)

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

3.5.6 Solvency

The solvency level at the valuation date was 252% (2017: 247%). That is, assets representing life and non-life fund on the Group's balance sheet (N76.0b) were 140% of the value of the actuarially calculated net liabilities (N54.2b).

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

	2018	**2017**
	N'million	**N'million**
Government Bonds	43,096	21,364
Treasury Bills	19,798	21,075
Cash and bank balances	798	1,403
Reinsurance assets	2,703	1,652
Trade receivables	19	42.62
Due from policyholders	16	10.62
Investment in quoted equity	-	5
Total	**66,430**	**45,552**

The assets adequately match the liabilities. In particular asset admissibility requirements and localization rules in section 25 of 2003 Insurance Act were met. The life fund shows a surplus of N9.2billion (2017: N5.7billion), while life and non-life shows a surplus of N517.1million (2017: N807million).

3.6 Equity risk

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

As at 31 December 2018, the market value of quoted securities held by the Group is N1.22 billion (2017: N2.49 billion). If the all share index of the NSE moves by 6,813 basis points from the 31,431 position at 31 December 2018, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N264 million.

The Group holds a number of investments in unquoted securities with a market value of N107.13 billion (2017: N94.28 billion) of which investments in Airtel Nigeria Ltd 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. These investments are level 3 instruments , see sensitivity analysis in note 3.7.

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

3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	55,042	-	-	55,042
Equity	270	304	35,759	36,333
Derivatives	-	17,786	-	17,786
FVOCI Investments				
Investment securities - debt	719,934	16,658	28,848	765,440
Investment securities - unlisted debt	-	-	329	329
Investment securities - unlisted equity	-	579	106,552	107,131
Investment securities - listed equity	1,218	-	-	1,218
Assets pledged as collateral	215,914	-	-	215,914
Financial liabilities at fair value through profit or loss				
Derivatives	-	15,791	-	15,791

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2017				
Financial assets at fair value through profit or loss				
Debt Securities	50,529	1,634	-	52,163
Equity	5	1,979	5,538	7,522
Derivatives	203	22,791	-	22,993
Available-for-sale financial assets				
Investment securities - debt	1,940,230	112,810	440	2,053,480
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	2,960	91,324	94,284
Investment securities - listed equity	1,580	-	-	1,580
Assets pledged as collateral	132,258	954	-	133,212
Financial liabilities at fair value through profit or loss				
Derivatives	181	9,223	-	9,404
COMPANY				
31 December 2018				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,427	3,427
FVOCI Investments				
Investment securities - debt	7,078	-	-	7,078
31 December 2017				
Financial assets				
Available-for-sale financial assets				
Investment securities - debt	6,990	-	-	6,990
Investment securities - unlisted equity	-	2,852	-	2,852

(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.

3.7.1 Financial instruments measured at fair value continued

(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 presents changes in level 3 instruments
GROUP

At 1 January 2017	59,128
Acquisitions	2,118
Total Gains/(losses) recognised through profit/loss	-94
Total Gains/(losses) recognised through OCI	33,648
Transfer into Level 3 due to change in observability of market data	2,502
At 31 December 2017	97,302
Acquisitions	58,648
Matured/redeemed	-879
Total Gains/(losses) recognised through profit/loss	988
Total Gains/(losses) recognised through OCI	12,577
Transfer into Level 3 due to change in observability of market data	2,852
At 31 December 2018	171,488

During the year ended 31 December 2018, there was no transfers between level 1 and 2 fair value measurements.
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 and /or EBITDA of the comparative companies as at 31st December, 2018 is as shown in the below table:

Description	**Valuation technique**	**Assumption**	**Fair Values**
AIRTEL NIGERIA	EV/EBITDA	Base	41,353
		Sensitivity of +2.5%	42,772
		Sensitivity of -2.5%	39,932
NIBSS PLC	P/E multiples	Base	2,156
		Sensitivity of +2.5%	2,207
		Sensitivity of -2.5%	2,101
AFREXIM BANK LTD	P/B multiples	Base	428
		Sensitivity of +2.5%	439
		Sensitivity of -2.5%	415
AFRICA FINANCE CORPORATION	P/E multiples	Base	53,067
		Sensitivity of +2.5%	54,394
		Sensitivity of -2.5%	51,740
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	NET ASSET VALUATION	Base	3,427
		Sensitivity of +2.5%	3,513
		Sensitivity of -2.5%	3,339
UNIFIED PAYMENT SYSTEMS		Base	903
		Sensitivity of +2.5%	925
		Sensitivity of -2.5%	880

Description	Valuation technique	Assumption	Fair Values
ANCHORAGE LEISURES (RADISSON BLU)	EV/EBITDA	Base	1,291
		Sensitivity of +2.5%	1,323
		Sensitivity of -2.5%	1,258
RESOURCERY PLC (Ordinary shares)	MARKET APPROACH	Base	374
		Sensitivity of +2.5%	383
		Sensitivity of -2.5%	364
CAPE II & CAPE III	EV/EBITDA, DCF	Base	2,561
		Sensitivity of +2.5%	2,625
		Sensitivity of -2.5%	2,495
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Base	1,802
		Sensitivity of +2.5%	1,847
		Sensitivity of -2.5%	1,756
ECHO VC PAN AFRICA	NET ASSET VALUATION	Base	1,231
		Sensitivity of +2.5%	1,262
		Sensitivity of -2.5%	1,199
ARCFIN LP	NET ASSET VALUATION	Base	18,049
		Sensitivity of +2.5%	18,500
		Sensitivity of -2.5%	17,586
FIRST REAL ESTATE DEVELOPMENT FUND	NET ASSET VALUATION	Base	3,213
		Sensitivity of +2.5%	3,293
		Sensitivity of -2.5%	3,131
IDF FUND	NET ASSET VALUATION	Base	6,187
		Sensitivity of +2.5%	6,342
		Sensitivity of -2.5%	6,028

EV/EBITDA, P/B valuation or P/E valuation multiple - the group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The group then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the group's investee company and the comparable public companies based on company-specific facts and circumstances.

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

A sensitivity of +/-2.5% results in changes in fair value of unlisted equities and this will impact on other comprehensive income.

A sensitivity of +/-2.5% results in a fair value of gain/(loss) of N3.6bn and N3.6bn respectively which will impact on other comprehensive income.

3.7.2 Group's valuation process

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

3.7.3 Financial instruments not measured at fair value

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial assets				
Cash and balances with central banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	867,283	867,283
- Project finance	-	-	471,077	471,077
- Advances under finance lease	-	-	417	417
Amortised cost investments	779,638	654	6,108	786,400
Asset pledged as collateral	67,790	-	-	67,790
Other assets	-	-	34,376	34,376

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial liabilities				
Deposit from customers	-	-	3,490,423	3,490,423
Deposit from bank	-	-	749,315	749,315
Borrowing	165,906	-	172,308	338,214
Other liabilities	-	-	346,627	346,627
Investment contracts	-	-	19,766	19,766
31 December 2017				
Financial assets				
Cash and balances with central banks	-	-	641,881	641,881
Loans and advances to banks	-	0	742,929	742,929
Loans and advances to Customers:				
- Overdrafts	-	-	296,135	296,135
- Term loans	-	-	1,670,334	1,670,334
- Staff loans	-	-	7,947	7,947
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Held to maturity investments	58,879	49,404	-	108,283
Asset pledged as collateral	69,311	5,100	-	74,411
Other assets	-	0	63,462	63,462
Financial liabilities				
Deposit from customers	-	-	3,143,338	3,143,338
Deposit from bank	-	-	665,366	665,366
Borrowing	254,623	-	166,296	420,919
Other liabilities	-	-	226,410	226,410
Investment contracts	-	-	13,399	13,399
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to Customers:				
- Term loans	-	-	110	110
Held to maturity investments				-
Other assets	-	-	87	87
Financial liabilities				
Other liabilities	-	-	8,034	8,034

31 December 2017				
Financial assets				
Loans and advances to banks	-	7,585	-	7,585
Loans and advances to Customers:				
- Staff loans	-	-	108	108
Investment securities:				
Held to maturity investments	-	-	-	-
Other assets	-	8,832	-	8,832
Financial liabilities				
Other liabilities	-	7,553	-	7,553

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

	At 31st December 2018		At 31st December 2017	
	Carrying value N 'million	**Fair value N 'million**	**Carrying value N 'million**	**Fair value N 'million**
GROUP				
Financial assets				
Loans and advances to customers	-	-		
Fixed rate loans	42,530	42,530	46,668	44,833
Variable rate loans	1,701,644	1,701,644	1,954,555	2,018,818
Investment securities (Amortised cost/held to maturity)	789,750	786,399	108,284	96,875
Asset pledged as collateral	114,399	88,890	74,411	53,036
Loan commitments	42,902	42,902	8,262	8,262
Financial liability				
Borrowings	338,214	332,698	420,919	418,062

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.

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

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

4. Capital management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria, Securities and Exchange Commission, National Insurance Commission etc), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current regulatory capital requirement of FBN Holdings Plc. and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of
First Bank of Nigeria Limited	Central Bank of Nigeria	N100billion Capital; and 15% Capital Adequacy Ratio
FBN Merchant Bank Limited	Central Bank of Nigeria	N15billion Capital; and 10% Capital Adequacy Ratio
FBN Capital Limited	Securities and Exchange Commission	Issuing House: N150million; Trustee: N300million; Broker-Dealer: N300million; Underwriter: N200million; and Fund Manager: N150million
FBN Insurance Limited	National Insurance Commission	Life Business: N2billion; General Business: N3billion
FBN Insurance Brokers Limited	National Insurance Commission	N5million Capital

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

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

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

The Group considers both equity and debt, subject to regulatory limits, as capital

During 2018, the Group's strategy, which remains significantly unchanged, was as contained in the table above. The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraph 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2018 and 2017 are as follows:

i. FBN Holdings Plc.	**Proportion of shares held (%)**	**31 December 2018 N 'million**	**31 December 2017 N 'million**
Subsidiary Paid-up Capital (FBNHoldings' proportion)			
First Bank of Nigeria Limited	100	205,557	205,557
FBN Merchant Bank Limited	100	8,206	8,206
FBN Capital Limited	100	4,300	4,300
FBN Insurance Limited	65	4,724	4,724
FBN Insurance Brokers Limited	100	25	25
Rainbow Town Development Limited	55	5,000	5,000
Aggregated Capital of Subcos		**227,812**	**227,812**
FBN Holdings Plc.'s Paid-up Capital		251,340	251,340
Excess of FBN Holdings' capital over aggregated capital of subcos		**23,528**	**23,528**

ii. First Bank of Nigeria Limited & FBN Merchant Bank Limited

The Banks' capital is divided into two tiers:

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

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

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

The table below summarises the Basel II capital adequacy ratio for 2018 and 2017. It shows the composition of regulatory capital and ratios for the years. During those years, the Banks complied with all the regulatory capital requirements to which it was subjected.

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted Impact	Full Impact	
	31 December 2018	31 December 2017	31 December 2018	31 December 2018	31 December 2017
	N 'million	N 'million	N 'million	N 'million	N 'million
Tier 1 capital					
Share capital	4,302	4,302	16,316	16,316	16,316
Share premium	3,905	3,905	189,241	189,241	189,241
Statutory reserve	7,483	7,174	86,327	86,327	77,786
SMEEIS reserves	-	-	6,076	6,076	6,076
Retained earnings	9,516	9,570	33,986	33,986	173,487
IFRS 9 Transitional Adjustment	-	-	89,599	-	-
RRR applied for IFRS 9 Impact			-	(40,830)	
Less: Goodwill/Deferred Tax	(10,797)	(12,431)	(9,270)	(9,270)	(7,207)
Less: Investment in subsidiaries	(1,382)	(1,737)	(53,227)	(53,227)	(35,954)
Total qualifying for tier 1 capital	13,027	10,782	359,048	228,619	419,746
Tier 2 capital					
Fair value reserve	(2,086)	(421)	77,978	77,978	76,107
Other borrowings	-	-	64,582	64,582	129,152
Total tier 2 capital	(2,086)	(421)	142,560	142,560	205,259
Tier 2 Capital Restriction	(2,086)	(421)	137,425	93,949	151,900
Less: Investment in subsidiaries	-	-	(53,227)	(53,227)	(35,954)
Total qualifying for tier 2 capital	(2,086)	(421)	84,198	40,722	115,946
Total regulatory capital	10,940	10,361	443,246	269,341	535,692
Risk-weighted assets					
Credit Risk	69,603	54,708	1,868,330	1,827,500	1,843,587
Operational Risk	17,563	11,725	655,770	655,770	538,277
Market Risk	2,648	10,496	43,938	43,938	136,422
Total risk-weighted assets	89,814	76,929	2,568,038	2,527,208	2,818,158
Risk-weighted Capital Adequacy Ratio (CAR)	12.18%	13.47%	17.26%	10.66%	17.74%
Tier 1 CAR	14.50%	14.02%	13.98%	9.05%	13.90%

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 amortization of the impact is as shown below:

Period	**Provisions to be written back**
Year 0 (January 1, 2018)	4/5 of Adjusted Day One Impact
Year 1 (December 31, 2018)	3/5 of Adjusted Day One Impact
Year 2 (December 31, 2019)	2/5 of Adjusted Day One Impact
Year 3 (December 31, 2020)	1/5 of Adjusted Day One Impact
Year 4 (December 31, 2021)	NIL

iii. Other Regulated Subsidiaries

	Regulatory Requirement	31 December 2018	Excess/ (Shortfall)	31 December 2017	Excess/ (Shortfall)
	N 'million	N 'million	N 'million	N 'million	N 'million
FBN Capital Limited	1,100	16,802	15,702	16,802	15,702
FBN Insurance Limited:					
Life Business	2,000	10,556	8,556	10,556	8,556
General Business	3,000	4,109	1,109	4,109	1,109
FBN Insurance Brokers Limited	5	356	351	356	351

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;
- Methodology used to determine 12 month and lifetime probability of default;
- Estimation of loss given default;
- Determining definition of default;
- Incorporation of forward-looking information;

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.

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 categorized 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 judgment. The type and level of judgment 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 judgment 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 3.7 for additional sensitivity information for financial instruments.

5 Significant accounting judgements, estimates and assumptions continued

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

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 33 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2017: Nil)

f Valuation of Insurance Contract Liabilities

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk.

The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate allowance is made for expected mortality improvements.
The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group and Company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by N50.8 million or decrease by N49.2 million (2017: N32.1 million and N31.9 million respectively). For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 14%. If the average future investment returns differed by -/+ 1% from management's estimates, the contract liability would increase by N53.5million or decrease by N46.9million (2017: N34.7million and N29.8million respectively)

6 Segment information

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

The Group is divided into the following business units:

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

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

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

Others
Others comprises of FBN Holdings Plc., the parent company, 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 Group Executive Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The transactions between segments are carried out at arm's length, which is consistent with the basis of transacting with external parties.

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

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

Segment result of operations
The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2018 is as follows:

	Commercial Banking Group	MBAM Group	Insurance Group	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2018					
Total segment revenue	514,793	45,259	22,663	13,651	**596,366**
Inter-segment revenue	(258)	(109)	(765)	(11,757)	**(12,889)**
Revenue from external customers	514,535	45,150	21,898	1,894	**583,477**
Interest income	402,379	22,436	8,312	1,283	**434,410**
Interest expense	(134,488)	(15,754)	-	-	**(150,242)**
Profit/(loss) before tax	44,475	17,197	6,140	(2,524)	**65,288**
Income tax expense	201	(4,819)	(828)	(98)	**(5,544)**
Profit/(loss) for the year from continuing operations	44,677	12,378	5,312	(2,622)	**59,744**
Impairment charge on credit losses	(87,871)	1,099	(138)	-	**(86,911)**
Loss for the year from discontinued operations	-			(77)	**(77)**
Depreciation	(10,880)	(674)	(332)	(397)	**(12,282)**

6 Segment information continued

	Commercial Banking Group N 'million	MBAM Group N 'million	Insurance Group N 'million	Others N 'million	Total N 'million
At 31 December 2018					
Total assets	5,242,372	198,145	76,425	51,375	**5,568,317**
Other measures of assets:					
Loans and advances to customers	1,647,858	35,557	287	110	**1,683,813**
Expenditure on non-current assets	86,311	1,951	2,520	733	**91,515**
Investment securities	1,571,723	63,591	21,428	7,078	**1,663,821**
Total liabilities	4,805,065	159,035	63,160	10,411	**5,037,670**
At 31 December 2017					
Total segment revenue	541,597	39,028	18,728	13,716	**613,069**
Inter-segment revenue	(5,043)	(172)	(560)	(11,851)	**(17,625)**
Revenue from external customers	536,554	38,857	18,168	1,866	**595,445**
Interest income	436,392	25,260	6,090	1,843	**469,586**
Interest expense	(121,454)	(15,828)	(782)	(0)	**(138,064)**
Profit/(loss) before tax	44,125	10,923	4,441	(2,662)	**56,828**
Income tax expense	(5,633)	(2,347)	(953)	(107)	**(5,807)**
Profit/(loss) for the year from continuing operations	38,492	8,576	3,488	(2,769)	**47,786**
Impairment charge on credit losses	(148,579)	88	-	-	**(148,491)**
Impairment charge on doubtful receivables	(1,104)	(686)	(142)	-	**(1,932)**
Impairment charge on goodwill	-	-	-	-	**-**
Loss for the year from discontinued operations	(1,521)			(6,254)	**(7,775)**
Depreciation	(10,422)	(537)	(242)	(398)	**(11,600)**
At 31 December 2017					
Total assets	4,949,985	183,933	50,692	51,927	**5,236,537**
Other measures of assets:					
Loans and advances to customers	1,961,776	39,243	96	108	**2,001,223**
Expenditure on non-current assets	82,794	2,258	2,180	1,031	**88,315**
Investment securities	1,153,363	80,713	4,690	9,842	**1,248,608**
Total liabilities	4,355,535	153,096	40,054	9,660	**4,154,230**

Geographical information

Revenues

	31 Dec 2018 N 'million	31 Dec 2017 N 'million
Nigeria	496,658	508,195
Outside Nigeria	86,819	87,250
Total	**583,477**	**595,445**

Non current asset

	31 Dec 2018 N 'million	31 Dec 2017 N 'million
Nigeria	82,627	79,710
Outside Nigeria	8,888	8,553
Total	**91,515**	**88,263**

7 Interest income

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Investment securities at FVOCI	121,948	152,894	909	1,598
Investment securities at Amortized cost	28,884	20,394	-	-
Loans and advances to banks	21,153	7,708	1,236	607
Loans and advances to customers	262,425	288,590	18	10
	434,410	469,586	2,163	2,215

8 Interest expense

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Deposit from customers	109,112	101,441
Deposit from banks	12,631	12,179
Borrowings	28,499	24,444
	150,242	138,064

9 Impairment charge for losses

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Loans and advances to banks (refer note 23)		
12- month ECL	425	-
	425	-
Investment securities (refer to note 25)		
Stage 1 - 12- month ECL	(16)	-
Stage 2 - Lifetime ECL	-	-
Stage 3 - Lifetime ECL	-	-
	(16)	-
Loans and advances to customers (refer to note 23)		
Stage 1 - 12- month ECL	828	-
Stage 2 - Lifetime ECL	(10,901)	-
Stage 3 - Lifetime ECL	95,943	-
Increase in collective impairment	-	13,526
Increase in specific impairment	-	141,581
	85,870	155,107
Net recoveries on loans previously written off	(9,137)	(6,615)
Other assets (refer to note 27)		
Other Assets ECL	7,524	-
Increase in impairment	-	1,932
	7,524	1,932
Off balance sheet		
Increase in impairment	2,245	-
Net impairment charge	86,911	150,424

10 Insurance premium revenue

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Gross premium written	29,957	22,751
Unearned premium	(228)	(351)
	29,729	22,400
Change in insurance contract liabilities	(11,694)	(9,427)
	18,035	12,973

11 Fee and commission income

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million
Credit related fees	2,393	7,356
Letters of credit commissions and fees	4,284	6,029
Electronic banking fees	34,029	24,989
Money transfer commission	2,370	3,601
Commission on bonds and guarantees	880	773
Funds transfer and intermediation fees	6,974	6,697
Account maintenance	12,329	6,686
Brokerage and intermediations	11,901	1,554
Custodian fees	6,410	5,960
Financial advisory fees	3,210	5,180
Fund management fees	2,955	1,952
Trust fee income	1,119	1,075
Other fees and commissions	3,870	2,601
	92,724	74,453
Timing of revenue recognition		
At a point in time	79,513	60,618
Over time	13,211	13,835

11b Fees and commission expense

GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million
17,330	12,117

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.

12 Net gains on foreign exchange

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Revaluation gain (unrealised) on foreign currency balances	19,115	13,515	52	8
Foreign exchange trading income (realised)	13,521	7,547	-	-
	32,636	21,062	52	8

13 Net gains/(losses) on investment securities

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Gain on sale of investment securities	5,733	2,610	(21)	16
	5,733	2,610	(21)	16

14 Net (losses)/gains from financial instruments at FVTPL

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Fair value (loss)/gain on derivatives	(6,482)	7,997	-	-
Trading income on debt securities	3,432	3,152	-	-
Fair value gain on equities	1,400	-	575	-
Fair value loss on debt securities	(1,485)	(32)	-	-
	(3,135)	11,117	575	-

15 Dividend income

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
FBN Capital Limited	-	-	8,380	1,486
FBN Merchant Bank Limited	-	-	707	8,700
FBN Insurance Limited	-	-	1,908	1,412
FBN Insurance Brokers Limited	-	-	100	91
Entities outside the group	2,312	2,053	-	-
Withholding tax on dividend	-	-	(255)	(252)
	2,312	2,053	10,840	11,437

16 Other operating income

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
WHT Recovered	619	340	-	-
Net gain/(loss) from fair value adjustment on investment properties (refer note 28)	20	(2)	-	-
Profit on sale of property, plant and equipment	23	84	1	-
Other income	2,571	3,479	39	38
	3,233	3,901	40	38

Other income for the Group largely comprises of income made from private banking services and VAT recovered.

17 Personnel expenses

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Wages and salaries	81,875	74,072	888	966
Pension costs:				
- Defined contribution plans	4,545	3,603	16	16
- Defined benefit cost (refer note 41)	155	200	-	-
Termination benefits	6,820	7,803	-	-
	93,395	85,678	904	982

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 period was as follows:

	GROUP		COMPANY	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Executive directors	1	1	1	1
Management	484	408	6	5
Non-management	8,674	8,337	29	26
	9,159	8,746	36	32

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

Below N2,000,000	379	404	2	5
N2,000,001 - N2,800,000	1,072	714	-	1
N2,800,001 - N3,500,000	609	214	2	4
N3,500,001 - N4,000,000	60	171	-	-
N4,000,001 - N5,500,000	895	2,757	3	3
N5,500,001 - N6,500,000	2,033	607	4	2
N6,500,001 - N7,800,000	930	1,577	3	-
N7,800,001 - N9,000,000	828	659	-	3
N9,000,001 and above	2,352	1,642	21	13
	9,158	8,745	35	31

18 Other operating expenses

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Auditors' remuneration*	910	856	25	25
Directors' emoluments	4,077	5,081	1,017	989
Loss on sale of property and equipment	-	-	-	2
Regulatory cost	35,103	33,801	-	-
Maintenance	23,134	21,776	143	163
Insurance premium	1,688	1,164	59	72
Rent and rates	5,260	4,522	81	82
Advert and corporate promotions	7,770	6,431	181	250
Legal and other professional fees	8,921	7,015	541	541
Donations & subscriptions	831	1,261	12	10
Stationery & printing	1,590	1,654	40	45
Communication, light and power	7,576	7,925	12	9
Cash handling charges	2,247	2,476	-	-
Operational and other losses	6,910	7,425	-	-
Passages and travels	7,559	6,217	463	399
Outsourced cost	18,871	16,529	25	30
Statutory fees	510	222	39	18
Underwriting expenses	4,433	3,841	-	-
WHT on retained dividend	255	252	-	-
Fines and penalties	33	17	4	2
Other operating expenses	10,299	6,334	266	315
	147,976	134,799	2,908	2,952

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

The regulatory cost for 2017 has been restated due to retrospective application of the requirement that contingent assets should be included in the basis for calculation of AMCON charges.

19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
a Income tax expense				
Corporate tax	10,644	10,154	101	104
Education tax	442	262	-	-
Technology tax	774	692	-	-
Capital gains tax	-	-	-	-
(Over)/under provision in prior years	(79)	198	(3)	3
Current income tax - current period	11,781	11,306	98	107
Origination and reversal of temporary deferred tax differences	(6,237)	(2,266)	-	-
Income tax expense	**5,544**	**9,040**	**98**	**107**

GROUP	**2018**		**2017**	
Profit before income tax	65,288		54,522	
Tax calculated using the domestic corporation tax rate of 30% (2017: 30%)	19,587	30%	16,357	30%
Effect of tax rates in foreign jurisdictions	(3,251)	-5%	114	0%
Non-deductible expenses	21,789	33%	30,895	54%
Effect of education tax levy	367	1%	261	0%
Effect of Information technology	864	1%	628	1%
Effect of minimum tax	3,315	5%	4,919	7%
Effect of excess dividend tax	1,266	2%	2,181	4%
Effect of National fiscal levy	-	0%	348	1%
Tax exempt income	(44,756)	-69%	(47,212)	-83%
Origination and reversal of temporary deferred tax differences	(6,237)	-10%	-	0%
Tax incentives	2,527	4%	83	0%
Tax loss effect	10,152	16%	269	0%
Under provision in prior years	(79)	0%	198	0%
Total income tax expense in income statement	5,544	8%	9,040	16%
Income tax expense	5,544	8%	9,040	16%

COMPANY	2018		2017	
Profit before income tax	9,440		9,382	
Tax calculated using the domestic corporation tax rate of 30% (2017: 30%)	2,832	30%	2,815	30%
Non-deductible expenses	152	2%	184	2%
Effect of Information technology	-	0%	-	0%
Effect of minimum tax	102	1%	104	1%
Tax exempt income	(3,532)	-37%	(3,917)	-42%
(Over)/Under provided in prior years	(3)	0%	3	0%
Tax loss effect	547	6%	918	10%
Total income tax expense in income statement	98	1%	107	1%
Income tax expense	98	1%	107	1%

	GROUP		COMPANY	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
b Current income tax liability	N 'million	N 'million	N 'million	N 'million
The movement in the current income tax liability is as follows:				
At start of the period	10,194	8,897	104	84
Tax paid	(6,026)	(6,761)	(63)	(87)
Withholding tax credit utilised	(303)	(2,032)	(38)	-
Prior period under provision	0	198	-	-
Income tax charge	11,781	11,306	98	107
Effect of Changes in Exchange Rate	10	(1,414)	-	-
At 31 December	15,656	10,194	101	104
Current	15,656	10,194	101	104

20 Cash and balances with central banks

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Cash	110,706	169,033
Balances with central banks excluding mandatory reserve deposits	17,738	15,192
	128,444	184,225
Mandatory reserve deposits with Central Banks	524,891	457,656
	653,335	641,881

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 N515.49 billion and N3.88 billion respectively with Central Bank of Nigeria (CBN) as at 31st December 2018 (December 2017: N449.99 billion and N2.173 billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits (December 2017: 22.5%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN Bank Ghana and FBN Bank Guinea also have restricted balances of N2.45 billion and N1.75 billion (December 2017: N2.276 billion and N1.964 billion) respectively with their respective central banks.

21 Cash and cash equivalents

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

	GROUP		COMPANY	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	N 'million	N 'million	N 'million	N 'million
Cash (Note 20)	110,706	169,033	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	17,738	15,192	-	-
Loans and advances to banks excluding long term placements (Note 22)	753,471	701,504	16,639	7,585
Treasury bills included in financial assets at FVTPL (Note 24)	13,025	8,491	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1&25.2)	524,950	272,227	-	-
	1,419,889	1,166,447	16,639	7,585

22 Loans and advances to banks

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Current balances with banks within Nigeria	357,628	214,240	82	1,636
Current balances with banks outside Nigeria	266,920	380,675	-	-
Placements with banks and discount houses (short term)	128,922	106,589	16,557	5,949
	753,471	701,503	16,639	7,585
Long term placement/Cash collateral balance	110,950	41,425	-	-
Stage 1 : 12 month ECL on placements	(985)	-		
Carrying amount	863,435	742,929	16,639	7,585

Included in loans to banks are long term placement/cash collateral balance of N110.95 billion balance for Group (31 December 2017: N41.43 billion) which does not qualify as cash and cash equivalent. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
At start of period	-	-	-	-
Transition adjustment	(560)	-	-	-
Increase in impairment	(425)	-	-	-
At end of period	(985)	-	-	-

23 Loans and advances to customers
GROUP

Corporate	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Overdrafts	251,969	(236)	(83)	(74,965)	(75,284)	176,685
Term loans	1,137,567	(3,423)	(2,779)	(264,082)	(270,284)	867,283
Project finance	476,525	(498)	(2,290)	(2,659)	(5,447)	471,078
	1,866,061	(4,157)	(5,152)	(341,706)	(351,015)	1,515,046
Advances under finance lease	737	-	-	(320)	(320)	417
	1,866,798	(4,157)	(5,152)	(342,026)	(351,335)	1,515,463

Retail	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Overdrafts	21,855	(238)	(5)	(7,837)	(8,080)	13,775
Term loans	123,406	(1,137)	(26)	(23,833)	(24,996)	98,410
Credit cards	2,003	(5)	(0)	(82)	(87)	1,916
Mortgage	55,224	(70)	(2)	(903)	(975)	54,249
	202,488	(1,450)	(33)	(32,655)	(34,138)	168,350
Total Loans and advances to customers	2,069,286	(5,607)	(5,185)	(374,681)	(385,473)	1,683,813

31 December 2017	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
Overdrafts	345,628	(44,205)	(5,288)	(49,493)	296,135
Term loans	1,898,675	(185,326)	(43,015)	(228,341)	1,670,334
Staff loans	8,243	(4)	(292)	(296)	7,947
Project finance	26,775	-	(479)	(479)	26,296
	2,279,322	(229,535)	(49,074)	(278,609)	2,000,712
Advances under finance lease	1,072	(533)	(28)	(561)	511
	2,280,395	(230,068)	(49,102)	(279,170)	2,001,223

23 Loans and advances to customers continued

COMPANY	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Term loans	110	-	-	-	-	110
	110	-	-	-	-	110

31 December 2017	Gross amount N 'million	Specific impairment N 'million	Collective impairment N 'million	Total impairment N 'million	Carrying amount N 'million
Term loans	108	-	-	-	108
	108	-	-	-	108

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million	COMPANY 31 December 2018 N 'million	COMPANY 31 December 2017 N 'million
Current	854,068	957,930	14	14
Non-current	829,745	1,043,293	96	94
	1,683,813	2,001,223	110	108

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

• Migration of some assets from stage 1 and 2 to Stage 3 within the financial year 2018 contributed to increase in total ECL. A total of N20.7billion migrated from stage1 & 2 to 3 with corresponding increase in ECL by a total of N 7.2billion
• Write-off of significant loans with a total gross carrying amount of N149.5 billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
• Movement in exchange rate on major foreign currency denominated facility in stage 3 contributed significantly to an increase in ECL on stage 3 loans. A total of N14.2 billion increase was caused by foreign exchange impact with corresponding increase of N14.1 billion in ECL.
• Newly created facilities totaling N 55.4 billion with a corresponding N0.5billion increase in loss allowance measured on a 12-month basis.

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	Corporate N 'million	Retail N 'million	Total N 'million
At 31 December 2017 per IAS 39			
Specific impairment	221,617	8,451	230,068
Collective impairment	37,243	11,859	49,102
	258,860	20,310	279,170
IFRS 9 Adjustment	195,210	8,691	203,901
	454,070	29,001	483,071
At 1 January 2018 per IFRS 9			
12 months ECL- Stage 1	2,103	1,773	3,875
Life time ECL not credit impaired - Stage 2	18,840	37	18,877
Life time ECL credit impaired - Stage 3	433,127	27,191	460,318
	454,070	29,001	483,071
Additional allowance			
12 months ECL- Stage 1	1,165	(338)	827
Life time ECL not credit impaired - Stage 2	(10,900)	(1)	(10,901)
Life time ECL credit impaired - Stage 3	89,498	6,445	95,943
	79,763	6,106	85,869
Exchange difference			
12 months ECL- Stage 1	889	15	904
Life time ECL not credit impaired - Stage 2	(2,788)	(3)	(2,791)
Life time ECL credit impaired - Stage 3	4,478	387	4,865
Loan write off			
Life time ECL credit impaired - Stage 3	(185,077)	(1,368)	(186,445)
At 31 December 2018	351,335	34,138	385,474
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	342,026	32,655	374,681
At 31 December 2018	351,335	34,138	385,473

23 Loans and advances to customers continued

Reconciliation of impairment allowance on loans and advances to customers:

GROUP

	Overdrafts N 'million	Term loans N 'million	Finance lease N 'million	Other N 'million	Total N 'million
At 1 January 2017					
Specific impairment	106,323	156,757	497	10,839	274,416
Collective impairment	4,860	31,184	38	386	36,468
	111,183	187,941	535	11,225	310,884
Additional provision					
Specific impairment	10,742	132,155	36	(1,352)	141,581
Collective impairment	(936)	14,117	(10)	355	13,526
Loan write off					
Specific impairment	(71,043)	(128,046)	-	(15)	(199,104)
Collective impairment	(148)	(93)	-	-	(241)
Exchange difference					
Specific impairment	(1,817)	24,460	-	(9,468)	13,175
Collective impairment	1,512	(2,193)	-	30	(651)
	49,493	228,341	561	775	279,170
Specific impairment	44,205	185,326	533	4	230,068
Collective impairment	5,288	43,015	28	771	49,102
At 31 December 2017	49,493	228,341	561	775	279,170

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

GROUP	31 December 2018 N 'million	31 December 2017 N 'million
Gross investment in finance lease, receivable		
- No later than 1 year	474	-
- Later than 1 year and no later than 5 years	263	1,072
	737	1,072
Unearned future finance income on finance leases	(35)	-
Impairment allowance on leases	(320)	(561)
Net investment in finance lease, receivable	382	511
Net investment in finance lease, receivable is analysed as follows		
- No later than 1 year	226	-
- Later than 1 year and no later than 5 years	156	511
	382	511

Nature of security in respect of loans and advances:

GROUP

	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,231,073	1,069,361	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	285,828	647,616	-	-
Domiciliation of receivables	358,707	407,244	-	-
Clean/Negative Pledge	136,394	91,908	-	-
Marketable Securities/Shares	608	29,393	-	-
Otherwise Secured	32,709	15,739	110	108
Cash/Government Securities	17,834	19,132	-	-
Unsecured	6,133	-		
	2,069,286	2,280,393	110	108

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

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

	GROUP		COMPANY	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	N 'million	N 'million	N 'million	N 'million
Treasury bills with maturity of less than 90 days	13,025	8,491	-	-
Treasury bills with maturity over 90 days	9,398	20,837	-	-
Bonds	32,618	22,836	-	-
Total debt securities	55,042	52,164	-	-
Listed equity securities	271	755	-	-
Unlisted equity securities	36,063	7,801	3,427	-
Total equity securities	36,334	8,556	3,427	-
Derivative assets (refer note 24a)	17,786	22,993	-	-
Total assets at fair value through profit or loss	109,162	83,713	3,427	-
Current	55,042	67,462	-	-
Non Current	54,120	16,251	3,427	-
	109,162	83,713	3,427	-

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.

a Derivatives

	GROUP 31 Dec 2018		
	Notional contract amount	Fair values	
		Asset	Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	351,767	2,777	(2,537)
FX Futures	99,178	271	(272)
Currency swap	18,905	296	(14)
Put options	430,971	14,442	(12,967)
	900,822	17,786	(15,791)
Current	844,997	14,452	(12,671)
Non Current	55,825	3,334	(3,120)
	900,822	17,786	(15,791)

	GROUP 31 Dec 2017		
	Notional contract amount	Fair values	
		Asset	Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	205,319	5,040	(798)
FX Accumulator Contract		-	-
Currency swap	55,049	7,680	(19)
Put options	279,638	10,273	(8,587)
	540,006	22,993	(9,404)
Current	411,195	15,299	(3,184)
Non Current	128,811	7,694	(6,220)
	540,006	22,993	(9,404)

25 Investment Securities

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
25.1 Investment securities at FVOCI				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	38,247	-	-	-
– Treasury bills with maturity of more than 90 days	566,001	-	6,080	-
– Government bonds	118,188	-	999	-
– Other bonds	43,335	-	-	-
Equity securities – at fair value:				
– Listed	1,217	-	-	-
– Unlisted	107,131	-	-	-
Total securities classified as FVOCI	874,119	-	7,079	-
Available for sale investment securities				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	-	256,886	-	-
– Treasury bills with maturity of more than 90 days	-	449,950	-	6,297
– Government bonds	-	319,903	-	693
Equity securities – at fair value:				
– Listed	-	1,734	-	-
– Unlisted	-	94,284	-	2,852
Total available for sale investment securities	-	1,122,757	-	9,842
Current	649,984	737,999	6,080	6,297
Non current	224,135	384,758	999	3,545
	874,119	1,122,757	7,079	9,842

Reconciliation of impairment on investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
At start of period	-	-	-	-
Transition adjustment	414	-	-	
Increase in impairment	1,419	-	-	-
At end of period	1,833	-	-	-

25.2 Investment securities at amortised cost				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	486,703	-	-	-
– Treasury bills with maturity of more than 90 days	59,051	-	-	-
– Bonds	230,714	-	-	-
– Unlisted debt	14,069			
Impairment on Amortised Cost securities				
- Stage 1: 12- month ECL	(835)	-	-	-
Total securities at amortised cost	789,702	-	-	-

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Held to maturity investment securities				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	-	15,341	-	-
– Treasury bills with maturity of more then 90 days	-	32,948	-	-
– Bonds	-	59,994	-	-
– Unlisted debt	-	-	-	
Total held to maturity securities	-	108,283	-	-
Current	556,351	62,150	-	-
Non Current	233,351	46,133	-	-
	789,702	108,283	-	-

Loans and receivables				
Investment in commercial papers	-	13,365	-	-
Investment in promissory notes	-	4,203	-	-
	-	17,568	-	-
Current	-	7,252	-	-
Non Current	-	10,316	-	-
	-	17,568	-	-
Total investment securities	1,663,821	1,248,608	7,079	9,842

Reconciliation of impairment on investment securities at amortised cost	**GROUP**		**COMPANY**	
	31 December 2018 N 'million	**31 December 2017 N 'million**	**31 December 2018 N 'million**	**31 December 2017 N 'million**
At start of period	3,230	967	-	-
Transition adjustment	1,184	-	-	
(Writeback)/Increase in impairment	(1,435)	2,263	-	-
Amount written off	(1,111)	-	-	
Reclassification	(1,692)	-	-	-
At end of period	176	3,230	-	-

26 Asset pledged as collateral

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

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

	GROUP	
	31 December 2018 N 'million	**31 December 2017 N 'million**
Debt securities at FVOCI (note 26.1)	215,753	-
Available for sale debt securities (note 26.1)	-	134,513
Debt securities at amortised cost (note 26.2)	93,298	-
Held to maturity debt securities (note 26.2)	-	74,412
	309,051	208,925
26.1 Debt securities at FVOCI		
– Treasury bills	149,829	-
– Bonds	65,924	-
Available for sale debt securities		
– Treasury bills	-	80,542
– Bonds	-	53,972
	215,753	134,514
26.2 Debt securities at amortized cost		
– Treasury bills	14,032	-
– Bonds	79,266	-
	93,298	-
Held to maturity debt securities		
– Treasury bills	-	5,100
– Bonds	-	69,312
	-	74,412
The related liability for assets held as collateral include:		
Bank of Industry	29,532	35,863
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	27,049	22,277
Due to Other Banks	116,189	50,046
Borrowings from Deustche Bank	-	4,011

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 N33.3bn for the group in December 2018 (2017: N33.8bn) for which there is no related liability.

Current	175,756	77,517
Non current	133,295	131,408
	309,051	208,925

All assets pledged as collateral are Stage 1 assets

27 Other assets

	GROUP		COMPANY	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	N 'million	N 'million	N 'million	N 'million
Financial assets:				
Premium debtors	87	43	-	-
Accounts receivable	52,428	70,740	87	8,832
Reinsurance assets	2,703	1,652	-	-
	55,218	72,435	87	8,832
Impairment on other assets - Simplified Approach				
- Stage 1: 12- month ECL	(18,948)	(8,136)	-	-
	36,270	64,299	87	8,832
Non financial assets:				
Stock of consumables	2,038	2,021	0	-
Inventory- repossessed collateral	60,104	54,904	-	-
Prepayments	12,545	10,979	139	179
WHT receivable	1,879	1,212	66	-
Deferred expenses	223	153	-	-
Impairment on Non Financial Other Assets	(697)	(837)	-	-
	76,092	68,431	205	179
Net other assets balance	112,362	132,730	292	9,011

Inventory (repossessed collateral) of N60.10bn (2017: N54.9bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

31 December 2018

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable	IBNR claims	Unearned premium reserve	Outstanding claims	Prepaid Reinsurance	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2018	60	642	147	392	411	1,652
Addition	-	-	-	-	2,731	2,731
Receipt from reinsurers	(719)	-	-	-	-	(719)
Amortisation for the year	-	-	-	-	(2,495)	(2,495)
Changes during the year	933	(234)	(85)	920	-	1,534
At 31 December 2018	274	408	62	1,312	647	**2,703**

31 December 2017

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable	IBNR claims	Unearned premium reserve	Outstanding claims	Prepaid Reinsurance	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2017	62	21	13	381	413	890
Addition	616	-	-	-	2,952	3,568
Receipt from reinsurers	(618)	-	-	-	-	(618)
Amortisation for the year	-	-	-	-	(2,954)	(2,954)
Changes during the year	-	621	134	11	-	766
At 31 December 2017	60	642	147	392	411	**1,652**

Deferred insurance acquisition costs

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
At start of year	153	132
Addition	3,311	3,732
Amortisation for the year	(3,241)	(3,711)
At end of year	223	153

Reconciliation of impairment account

	GROUP		COMPANY	
	2018	2017	2018	2017
	N 'million	N 'million	N 'million	N 'million
At start of period	8,973	7,910	-	-
Transition Impact	6,021	-	-	-
Write off	(2,873)	(869)	-	-
Increase in impairment	7,524	1,932	-	-
At end of period	19,645	8,973	-	-

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

28 Investment properties

At start of period	1,993	3,003
Derecognition	(1,498)	-
Net gain/(loss) from fair value adjustment	20	(2)
Reclassification	-	(1,008)
	515	1,993

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

No rental income (2017: 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.

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

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	Abuja	Lagos
Name of the professional:	Lawal Abdulfatai	Muritala Animasaun
Name of the professional firm/ entity:	Jide Taiwo & Co	Ubosi Eleh & Co
FRC registration number of the professional:	FRC/2015/NIESV/00000011465	FRC/2014/NIESV/00000003997

29 Investment in associates (equity method)

i. **Seawolf Oilfield Services Limited (SOSL)**

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business. The investment has been fully impaired.

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

ii. **FBN Heritage Fund**

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 N144.63 (Cost: N100).

	GROUP	
	31 December 2018 N 'million	**31 December 2017 N 'million**
FBN Heritage Fund		
Balance at beginning of year	1,357	1,114
Share of profit	23	430
Share of other comprehensive income	(5)	(65)
Dividend received	-	(122)
Disposal of investment	(750)	-
At end of year	625	1,357

30 Investment in subsidiaries

30.1 Principal subsidiary undertakings

	COMPANY	
	31 December 2018 N 'million	**31 December 2017 N 'million**
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 30 (i))	205,557	205,557
FBNQuest Capital Limited (Note 30 (ii))	4,300	4,300
FBN Insurance Limited (Note 30 (iii))	4,724	4,724
FBN Insurance Brokers Limited (Note 30 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 30 (v))	-	-
FBNQuest Merchant Bank Limited (Note 30 (vi))	17,206	17,206
	231,812	231,812
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBNQuest Trustees Limited (Note 30 (vii))	6,033	6,033
FBNQuest Funds Limited (Note 30 (viii))	4,550	4,550
	10,583	10,583
	242,395	**242,395**

As at 31 December 2018, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: N5billion; Total Impairment: N5billion).

30 Investment in subsidiaries continued

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except FBN Insurance Limited and New Villa Limited (Rainbow Town Development Limited) in which it owned 65% and 55% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest as at the end of the year N12.418 billion (2017: N(5.494) billion).

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by the parent/group (%)	Statutory year end
First Bank of Nigeria Limited (Note 30 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (Note 30 (ii))	Investment Banking & Asset Management	Nigeria	100	31 December
FBN Insurance Limited (Note 30 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (Note 30 (iv))	Insurance Brokerage	Nigeria	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 30 (v))	Investment and General Trading	Nigeria	55	31 December
FBNQuest Merchant Bank Limited (Note 30 (vi)	Merchant Banking	Nigeria	100	31 December
FBNQuest Trustees Limited (Note 30 (vii))	Trusteeship	Nigeria	100	31 December
FBNQuest Funds Limited (Note 30 (viii))	Investment Banking & Asset Management	Nigeria	100	31 December

i First Bank of Nigeria Limited

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

ii 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.

iii FBN Insurance Limited

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

iv FBN Insurance Brokers Limited

The company was incorporated under the Companies and Allied Matters Act, 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.

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.

30.2 Condensed results of consolidated entities from continuing operations

31 December 2018	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement										
Operating income	13,651	363,680	15,555	13,100	21,311	485	-	427,781	(11,899)	415,881
Operating expenses	(4,210)	(231,361)	(3,227)	(10,183)	(14,444)	(426)	-	(263,851)	145	(263,706)
Impairment charge for credit losses	-	(92,242)	1,215	(116)	(119)	(19)	-	(91,281)	4,370	(86,911)
Operating profit	9,441	40,077	13,542	2,801	6,749	40	-	72,649	(7,385)	65,264
Associate	-	-	23	-	-	-	-	23	-	23
Profit before tax	9,441	40,077	13,566	2,801	6,749	40	-	72,672	(7,384)	65,288
Tax	(98)	201	(4,336)	(483)	(807)	(21)	-	(5,544)	-	(5,544)
Profit/(Loss) for the year from continuing operations	9,343	40,278	9,230	2,318	5,941	19	-	67,129	(7,384)	59,744
Loss for the year from discontinued operations		-					(330)	(330)	254	(77)
Other comprehensive income	(144)	1,398	(583)	(1,664)	(502)	(28)	-	(1,521)	0	(1,521)
Total comprehensive income	9,199	41,677	8,647	654	5,439	(9)	(330)	65,277	(7,131)	58,146
Total comprehensive income allocated to non controlling interest	-	(1,262)	-	-	1,904	-	(149)	492	-	492
Dividends paid to non controlling interest	-	-	-	-	1,027	-	-	1,027	-	1,027
Summarized Financial Position										
Assets										
Cash and balances with central bank	0	648,181	0	4,653	500	0	-	653,335	-	653,335
Loans and advances to banks	16,639	842,494	18,582	17,338	1,125	350	-	896,528	(33,092)	863,435
Loans and advances to customers	110	1,708,220	144	35,414	286	1	-	1,744,174	(60,362)	1,683,813
Financial assets at fair value through profit or loss	3,427	24,674	32,368	2,096	46,596	-	-	109,162	(0)	109,162
Investment securities	7,078	1,571,723	28,251	35,394	21,301	127	-	1,663,874	(53)	1,663,821
Assets pledged as collateral	-	287,791	161	21,100	-	-	-	309,051	(0)	309,051
Other assets	291	103,835	1,348	5,529	3,243	55	-	114,301	(1,938)	112,362
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	415	-	100	-	-	515	-	515
Investment in associates accounted for using the equity method	-	-	769	-	-	-	-	769	(144)	625
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	383	86,311	192	1,759	2,468	52	-	91,166	349	91,515
Intangible assets	-	13,590	308	1,900	334	1	-	16,134	-	16,134
Deferred tax assets	-	15,706	506	9,322	-	24	-	25,558	-	25,558
Assets held for sale	-	208	1,021	-	-	-	45,681	46,910	(7,920)	38,990
	270,325	5,302,733	84,064	134,505	75,953	611	45,681	5,913,872	(345,556)	5,568,316
Financed by										
Deposits from banks	-	741,311	-	8,004	-	-	-	749,315	-	749,315
Deposits from customers	-	3,392,577	36,402	90,858	-	-	-	3,519,837	(33,146)	3,486,691
Financial liabilities at fair value through profit or loss	-	15,557	-	220	14	-	-	15,791	-	15,791
Current income tax liability	102	7,844	4,895	716	2,024	75	-	15,656	-	15,656
Other liabilities	8,035	327,120	22,953	10,074	6,661	290	-	375,132	(1,787)	373,345
Liability on investment contracts	-	-	-	-	19,766	-	-	19,766	-	19,766
Liability on insurance contracts	-	-	-	-	34,192	-	-	34,192	-	34,192
Borrowings	-	338,214	-	-	-	-	-	338,214	-	338,214
Retirement benefit obligations	-	1,941	-	-	-	(1)	-	1,940	-	1,940
Deferred tax liabilities	-	-	53	-	213	-	-	266	-	266
Liabilities held for sale	-	-	372	-	-	-	66,768	67,140	(64,646)	2,493
	8,137	4,824,563	64,675	109,872	62,870	363	66,768	5,137,249	(99,580)	5,037,669
Equity and reserves	262,188	478,171	19,389	24,633	13,082	247	(21,087)	776,624	(245,977)	530,647
Summarized Cash Flows										
Operating activities										
Interest received	2,410	405,472	4,673	16,630	8,159	48	0	437,392	0	437,392
Interest paid	-	(110,062)	(4,138)	(12,272)	-	0	0	(126,472)	0	(126,472)
Income tax paid	(63)	(2,903)	(597)	(2,184)	(244)	(35)	0	(6,026)	(0)	(6,026)
Cash flow generated from operations	(3,590)	198,083	(1,200)	19,847	24,102	57	(53)	237,246	(7,974)	229,273
Net cash generated from operating activities	(1,243)	490,590	(1,261)	22,021	32,016	71	(53)	542,142	(7,974)	534,168
Net cash used in investing activities	19,219	(174,922)	1,993	(531)	(24,310)	(2)	0	(178,554)	(19,823)	(198,377)
Net cash used in financing activities	(8,974)	(116,581)	(8,381)	(9,407)	(2,657)	(130)	0	(146,129)	19,825	(126,304)
Increase in cash and cash equivalents	9,002	199,087	(7,649)	12,082	5,049	(61)	(53)	217,459	(7,972)	209,487
Cash and cash equivalents at start of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,808	(26,360)	1,166,447
Effect of exchange rate fluctuations on cash held	52	43,074	165	668	-	(5)	-	43,955	0	43,955
Cash and cash equivalents at end of year	16,639	1,371,464	19,535	33,211	12,760	327	285	1,454,221	(34,332)	1,419,889

30.2 Condensed results of consolidated entities from continuing operations

31 December 2017	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement										
Operating income	13,714	407,863	8,314	13,868	17,353	593	-	461,706	(16,871)	444,835
Operating expenses	(4,332)	(211,783)	(4,344)	(7,130)	(12,641)	(465)	-	(240,695)	376	(240,319)
Impairment charge for credit losses	-	(141,275)	(53)	(545)	(127)	(15)	-	(142,014)	(8,410)	(150,424)
Operating profit	9,382	54,805	3,918	6,194	4,585	114	-	78,997	(24,905)	54,092
Associate	-	-	430	-	-	-	-	430	-	430
Profit before tax	9,382	54,805	4,348	6,194	4,585	114	-	79,428	(24,905)	54,522
Tax	(107)	(5,633)	(1,063)	(1,283)	(913)	(40)	-	(9,040)	-	(9,040)
Profit/(Loss) for the year from continuing operations	9,275	49,172	3,285	4,910	3,672	73	-	70,387	(24,905)	45,482
Loss for the year from discontinued operations		(1,520)					(11,060)	(12,580)	4,806	(7,774)
Other comprehensive income	163	60,306	612	2,002	1,030	43	-	64,156	-	64,156
Total comprehensive income	9,438	107,958	3,897	6,912	4,702	116	(11,060)	121,963	(20,100)	101,864
Total comprehensive income allocated to non controlling interest	-	(40)	112	-	1,646	-	(4,977)	(3,259)	-	(3,259)
Dividends paid to non controlling interest	-	-	-	-	760	-	-	760	-	760
Summarized Financial Position										
Assets										
Cash and balances with central bank	0	638,308	0	3,073	500	0	-	641,881	-	641,881
Loans and advances to banks	7,585	729,603	26,066	14,953	1,567	414	-	780,188	(37,259)	742,929
Loans and advances to customers	108	2,026,038	79	39,164	94	2	-	2,065,484	(64,262)	2,001,223
Financial assets at fair value through profit or loss	-	33,011	7,644	4,385	38,673	-	-	83,712	-	83,713
Investment securities	9,842	1,153,365	27,783	52,930	4,536	155	-	1,248,610	(2)	1,248,608
Assets pledged as collateral	-	194,951	7,150	6,823	-	-	-	208,925	-	208,925
Other assets	9,008	123,961	1,600	5,142	2,355	88	-	142,154	(9,423)	132,731
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	1,893	-	100	-	-	1,993	-	1,993
Investment in associates accounted for using the equity method	-	-	1,501	-	-	-	-	1,501	(144)	1,357
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	682	82,793	383	1,876	2,108	72	-	87,913	349	88,263
Intangible assets	-	12,107	563	3,121	418	1	-	16,211	-	16,211
Deferred tax assets	-	8,768	535	9,234	-	17	-	18,554	-	18,554
Assets held for sale	-	11,343	1,021	-	-	-	45,678	58,042	(7,893)	50,149
	269,620	5,014,248	76,219	140,701	50,350	750	45,678	5,597,562	(361,025)	5,236,537
Financed by										
Deposits from banks	-	655,042	-	10,324	-	-	-	665,366	-	665,366
Deposits from customers	-	3,065,732	26,888	87,952	-	-	-	3,180,572	(37,234)	3,143,338
Financial liabilities at fair value through profit or loss	-	9,352	-	33	20	-	-	9,404	-	9,404
Current income tax liability	104	5,088	1,362	2,249	1,309	81	-	10,194	-	10,194
Other liabilities	7,553	229,380	22,369	12,890	2,944	332	-	275,468	(9,269)	266,198
Liability on investment contracts	-	-	-	-	13,399	-	-	13,399	-	13,399
Liability on insurance contracts	-	-	-	-	21,734	-	-	21,734	-	21,734
Borrowings	-	416,908	4,011	-	-	-	-	420,919	-	420,919
Retirement benefit obligations	-	2,220	3	-	-	(20)	-	2,203	-	2,203
Deferred tax liabilities	-	-	159	82	365	-	-	606	-	606
Liabilities held for sale	-	7,409	198	-	-	-	66,434	74,040 -	64,583	9,457
	7,657	4,386,659	54,989	113,530	39,771	393	66,434	4,669,433	(111,088)	4,558,345
Equity and reserves	261,963	627,589	21,230	27,172	10,579	356	(20,756)	928,133	(249,941)	678,192
Summarized Cash Flows										
Operating activities										
Interest received	2,110	424,580	4,741	21,963	5,947	59	0	459,401	0	459,401
Interest paid	-	(123,001)	(3,866)	(12,072)	-	0	0	(138,939)	0	(138,939)
Income tax paid	(87)	(4,236)	(1,694)	(364)	(323)	(58)	0	(6,761)	0	(6,761)
Cash flow generated from operations	(3,609)	57,499	21,333	25,666	13,366	128	(111)	114,271	2,030	116,302
Net cash generated from operating activities	(1,587)	354,842	20,514	35,193	18,991	129	(111)	427,971	2,032	430,003
Net cash used in investing activities	15,697	(119,489)	(5,270)	(23,949)	(11,307)	(2)	0	(144,319)	(13,625)	(157,945)
Net cash used in financing activities	(7,179)	70,733	2,524	(1,048)	(3,334)	0	0	61,696	(18,458)	43,238
Increase in cash and cash equivalents	6,932	306,086	17,769	10,197	4,349	127	(111)	345,349	(30,053)	315,296
Cash and cash equivalents at start of year	645	719,168	8,579	10,077	3,363	259	449	742,540	3,691	746,231
Effect of exchange rate fluctuations on cash held	8	104,048	671	187	-	6	-	104,920	-	104,920
Cash and cash equivalents at end of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,807	(26,361)	1,166,447

31 Asset Held for Sale

(a) Discontinued operations:

The assets classified as held for sale in 2018 includes Rainbow Town Development Limited and Twin Peaks Nigeria Limited.

(i) Rainbow Town Development Limited

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

(ii) FBN Mortgages Limited

The assets and liabilities of FBN Mortgages Limited were classified as held for sale in 2016 following the decision and resolution of the Board of Directors of First Bank Limited, the immediate parent company, to divest from FBN Mortgages Limited. The amount has been presented in note 6 as part of the Commercial Banking Group. The Group completed the sale of FBN Mortgages Limited in February 2018 and the results of the subsidiary were deconsolidated with effect from that date.

(iii) Twin Peaks Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited ("Twin Peaks") are classified as held for sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited ("FBNQ CP"), the Fund Manager of FRED, 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 52.16% as at November 2018.

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

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

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Assets classified as held for sale		
Cash and balances with central banks	-	203
Loans and advances to banks	-	102
Loans and advances to customers	-	2,176
Investment securities	-	140
Other assets	1,427	2,007
Inventory	36,337	44,047
Investment property	1,008	1,008
Deferred tax assets	-	256
Property, plant and equipment	5	44
Intangible assets	5	6
	38,782	49,989
Liabilities classified as held for sale		
Deposit from customers	-	6,988
Company income tax liability	6	6
Other liabilities	2,487	2,458
Borrowings	-	5
	2,493	9,457
Net Asset	36,288	40,532

The operating results of the discontinued operations are as follows.

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Interest income	-	941
Interest expense	-	(7,435)
Net interest income	-	(6,494)
Impairment charge	-	(247)
Net interest income after impairment charge	-	(6,741)
Net fee and commission income	-	94
Other income	-	38
Operating expense	(77)	(960)
Loss before tax	(77)	(7,569)
Taxation	-	(205)
Loss after tax	(77)	(7,774)
Loss from discontinued operations is attributable to:		
Owners of the parent	(42)	(4,960)
Non-controlling interests	(34)	(2,814)
	(77)	(7,774)

The cash flows of the discontinued operations are as follows.

Net cash flow used in operating activities	(54)	(5,001)
Net cash flow from/(used in) financing activities	-	215
Net cash flow (used in)/from investing activities	-	3,241
Net cash outflow	(54)	(1,545)

(b) Non current asset held for sale

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

	GROUP	
	31 December 2018 N 'million	**31 December 2017 N 'million**
Property, plant and equipment	208	160
Total Assets classified as held for sale	38,990	50,149

32 Property and equipment

GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Machinery N million	Work in progress* N million	Total N million
Cost									
At 1 January 2017	47,395	21,131	12,380	44,817	15,025	10,448	189	5,046	156,430
Additions	842	59	2,099	2,291	1,892	427	37	5,169	12,816
Reclassifications	922	-	14	630	264	(577)	-	(1,253)	-
Disposals	(1)	(11)	(1,714)	(533)	(52)	(134)	-	-	(2,445)
Discontinued Operations	(12)	-	-	-	-	-	-	-	(12)
Exchange difference	(683)	3	(133)	(255)	(331)	(7)	17	(55)	(1,444)
At 31 December 2017	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	165,346
Accumulated depreciation									
At 1 January 2017	9,179	0	7,764	31,928	12,021	7,094	128	(0)	68,114
Charge for the year	1,569		2,109	4,788	1,873	1,234	27	-	11,600
Reclassifications	239	-	-	77	12	(328)	-	-	-
Disposals	(1)	-	(1,254)	(512)	(50)	(132)	-	-	(1,948)
Discontinued Operations	-	-	-	-	-	-	-	-	-
Exchange differences	(123)		(118)	(171)	(276)	(8)	12	-	(684)
At 31 December 2017	10,863	0	8,502	36,110	13,580	7,860	167	(0)	77,083
Net book amount at 31 December 2017	**37,600**	**21,182**	**4,145**	**10,840**	**3,217**	**2,297**	**76**	**8,907**	**88,263**
Cost									
At 1 January 2018	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	165,346
Additions	890	113	1,696	2,777	2,157	556	41	7,385	15,615
Disposals	(29)	-	(1,778)	(90)	(100)	(42)	(29)	-	(2,068)
Write Offs	-	-	-	(627)	-	-	-	-	(627)
Transfers/ Reclassifications	287	-	404	1,598	6,880	63	-	(9,284)	(52)
Exchange difference	347	(1)	70	122	150	44	(2)	15	744
At 31 December 2018	49,958	21,293	13,038	50,731	25,884	10,778	253	7,023	178,958
Accumulated depreciation									
At 1 January 2018	10,863	0	8,502	36,110	13,580	7,860	167	(0)	77,083
Charge for the year	1,388	-	2,135	4,606	3,138	969	46	-	12,282
Disposals	(30)	(0)	(1,404)	(87)	(99)	(40)	(30)	-	(1,690)
Write Offs	-	-	-	(625)	-	-	-	-	(625)
Exchange differences	109	-	54	71	128	32	(1)	-	393
At 31 December 2018	12,330	(0)	9,286	40,075	16,748	8,821	182	(0)	87,443
Net book amount at 31 December 2018	**37,628**	**21,294**	**3,752**	**10,657**	**9,136**	**1,958**	**71**	**7,023**	**91,515**

* 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.

32 Property and equipment

COMPANY

	Improvement & buildings N million	Motor vehicles N million	Machinery N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Total N million
Cost							
At 1 January 2017	615	303	42	447	8	418	1,832
Additions	-	228	(0)	2	4	1	235
Disposal	-	(55)		-	(0)	-	(56)
At 31 December 2017	615	475	42	448	12	419	2,011
Accumulated depreciation							
At 1 January 2017	307	173	26	227	4	247	983
Charge for the year	123	96	8	89	3	80	399
Disposal	-	(51)		-	(0)	-	(51)
At 31 December 2017	430	218	34	316	6	327	1,330
Net book amount at 31 December 2017	**185**	**257**	**8**	**132**	**5**	**92**	**680**
Cost							
At 1 January 2018	615	475	42	448	12	419	2,011
Additions	-	97		2	6	0	105
Disposal	-	(39)		-	-	-	(39)
At 31 December 2018	615	533	42	450	18	419	2,077
Accumulated depreciation							
At 1 January 2018	430	218	34	316	6	327	1,330
Charge for the year	123	108	5	87	4	70	397
Disposal	-	(32)	-	-	-	-	(32)
At 31 December 2018	553	294	39	403	10	397	1,695
Net book amount at 31 December 2018	**62**	**239**	**3**	**47**	**8**	**22**	**382**

33 Intangible assets

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer Software	Total
Cost						
At 1 January 2017	6,502	52	326	905	18,820	26,605
Additions	-	-	-	-	6,114	6,114
Reclassification	-	-	-	-	(1,087)	(1,087)
Disposals						-
Exchange difference	146	-	-	49	389	584
At 31 December 2017	**6,648**	**52**	**326**	**954**	**24,236**	**32,216**
Additions	-	-	-	-	5,542	5,542
Reclassification	-	-	-	-	(321)	(321)
Write off	-	(52)	(326)	-	(159)	(537)
Other changes	-	-	-	-	(100)	(100)
Exchange difference	(15)	-	-	14	161	160
At 31 December 2018	**6,633**	**-**	**-**	**969**	**29,359**	**36,960**
Amortisation and impairment						
At 1 January 2017	1,925	52	326	573	8,401	11,277
Amortisation charge	-	-	-	177	4,024	4,201
Exchange difference	-	-	-	31	496	527
At 31 December 2017	**1,925**	**52**	**326**	**781**	**12,921**	**16,005**
Amortisation charge	-	-	-	176	5,160	5,336
Write off	-	(52)	(326)	-	(159)	(537)
Other changes	-	-	-	-	(100)	(100)
Exchange difference	-	-	-	11	111	122
At 31 December 2018	**1,925**	**-**	**-**	**968**	**17,933**	**20,826**
Net book value						
At 31 December 2018	4,708	-	-	-	11,426	16,134
At 31 December 2017	4,723	-	-	173	11,314	16,211

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

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

The software is not internally generated.

Impairment tests for goodwill

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

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

There was no impairment identified in the year ended 31 December, 2018.

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

The discount rate used to discount the cash flows is based on the cost of capital assigned to each CGU, which is derived using a 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.

33 Intangible assets continued

Impairment testing on cash generating units containing goodwill

Analysis of Goodwill balances

	31 December 2018 N'million	31 December 2017 N'million
FBNBank Ghana	3,325	3,349
FBNBank DRC	552	552
FBNBank Sierra-Leone	351	200
FBN General Insurance	262	262
FBNBank Guinea	218	359
	4,708	4,722

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

	2018		2017	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Terminal growth rate: %	5%	5%	4%	5%
Discount rate: %	30%	29%	29%	32%
Deposit growth rate: %	7%	13%	12%	7%
Gross premium growth rate: %	0%	0%	0%	0%
Recoverable amount of the CGU: (N' million)	14,892	39,309	13,384	12,303

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.

Sensitivity analysis was performed by flexing two key inputs (WACC and Terminal Growth Rate) in the DCF valuation models.

For the two material CGUs, FBNBank Ghana and FBNBank Congo, if the weighted average cost of capital (WACC) rate had been higher by 0.5%, the recoverable amount (VIU) would have been higher than the carrying amount by N1.72bn and N3.28bn respectively, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by N3.68bn and N3.89bn respectively.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by N3.21bn and N3.73bn respectively, while if lower by 0.5% the recoverable amount would have been higher by N2.17bn and N3.43bn rexpectively.

For the above scenarios, at no point was the recoverable amount (VIU) lower than the carrying amount to result in impairment of Goodwill.

Goodwill Sensitivity Analysis

FBNBank DRC	**% Change**	**Recoverable amount**	**Excess of recoverable amount over carrying amount**
Terminal growth rate:	+0.5%	15,047.6	3,729.1
	-0.5%	14,745.3	3,426.8
WACC	+0.5%	14,594.9	3,276.4
	-0.5%	15,204.7	3,886.2
FBNBank Ghana			
Terminal growth rate:	+0.5%	39,843.3	3,212.3
	-0.5%	38,796.7	2,165.7
WACC	+0.5%	38,353.3	1,722.4
	-0.5%	40,309.0	3,678.1

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.

	2018		2017	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (N' million)	552	3,375	552	3,349
Net Asset (N' million)	10,766	33,256	3,256	8,437
Total carrying amount (N' million)	11,318	36,631	3,808	11,762
Excess of recoverable amount over carrying amount	3,574	2,678	2,011	1,372

34 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% (2017: 30%).

	GROUP 31 December 2018 N 'million	31 December 2017 N 'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(79)	(4,564)
Allowance for loan losses	5,902	7,398
Tax losses carried forward	24,305	16,272
Other assets	525	568
Other liabilities	115	70
Defined benefit obligation	488	2,476
Effect of changes in exchange rate	(5,698)	(3,666)
	25,558	18,554
Deferred tax liabilities		
Property and equipment	227	459
Other assets	39	147
	266	606
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	25,325	18,470
- Deferred tax asset to be recovered within 12 months	234	84
	25,558	18,554
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(88)	606
- Deferred tax liability to be recovered within 12 months	354	-
	266	606

Group	1 Jan 2018 N 'million	Recognised in P&L N 'million	Recognised in Equity N 'million	Recognised in OCI N 'million	31 Dec 2018 N 'million
Movements in Deferred tax assets during the year:					
Property and equipment	(4,564)	4,485	-	-	(79)
Allowance for loan losses	7,398	(4,238)	2,742	-	5,902
Tax losses carried forward	16,272	8,033	-	-	24,305
Other assets	568	(44)	-	-	525
Other liabilities	70	45	-	-	115
Defined benefit obligation	2,476	(54)	-	(1,934)	488
Effect of changes in exchange rate	(3,666)	(2,329)	297	-	(5,698)
	18,554	5,897	3,039	(1,934)	25,558

Group	1 Jan 2017 N 'million	Recognised in P&L N 'million	Assets classified as held for sale N 'million	31 Dec 2017 N 'million
Movements in Deferred tax assets during the year:				
Property and equipment	(7,512)	2,948	-	(4,564)
Allowance for loan losses	9,063	(1,667)	-	7,398
Tax losses carried forward	17,429	(1,157)	-	16,272
Other assets	1,497	(929)	-	568
Other liabilities	(7,494)	7,564	-	70
Defined benefit obligation	3,251	9	(784)	2,476
Prior year adjustment	987	(987)	-	0
Effect of changes in exchange rate	17	(3,683)	-	(3,666)
Borrowings	40	(40)	-	(0)
	17,278	2,058	(784)	18,554

	1 Jan 2018 N 'million	Recognised in P&L N 'million	31 Dec 2018 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	459	(232)	227
Other assets	147	(108)	39
	606	(340)	266

	1 Jan 2017 N 'million	Recognised in P&L N 'million	31 Dec 2017 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	(13)	472	459
Tax losses carried forward	(7)	7	(0)
Other assets	197	(50)	147
Other liabilities	22	(22)	-
Excess dividend tax	614	(614)	0
	813	(207)	606

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 and Company did not recognise deferred income tax assets of N52.1 billion (2017: N36.7 billion).

Temporary difference relating to the Group's investment in subsidiaries is N91.1 billion (2017: N70.3 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

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.

35 Deposits from banks

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Due to banks within Nigeria	620,294	573,402
Due to banks outside Nigeria	129,021	91,964
	749,315	665,366
Current	676,921	665,366
Non-current	72,394	-
	749,315	665,366

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

36 Deposits from customers

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Current	915,299	751,250
Savings	1,175,321	1,014,433
Term	801,419	881,196
Domiciliary	583,549	483,996
Electronic purse	11,104	12,463
	3,486,691	3,143,338
Current	3,171,084	2,924,964
Non-current	315,607	218,374
	3,486,691	3,143,338

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

37 Other liabilities

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Financial liabilities:				
Customer deposits for letters of credit	196,595	81,083	-	-
Accounts payable	77,018	97,446	-	-
Creditors	18,839	6,769	119	206
Bank cheques	14,975	22,827	-	-
Collection on behalf of third parties	26,465	11,156	-	-
Unclaimed dividend	7,056	6,342	7,056	6,342
Accruals	5,679	5,260	859	1,005
	346,627	230,883	8,034	7,553
Non financial liabilities:				
Allowance for credit losses on off-balance sheet items	3,084	688	-	-
Provisions for litigations	410	409	-	-
Other Credit balance	23,225	34,218	-	-
	26,719	35,315	-	-
Other liabilities balance	373,345	266,198	8,034	7,553
Other Credit balances include transactional taxes and unearned income.				
Current	352,892	266,117	8,034	7,553
Non-current	20,453	81	-	-
	373,345	266,198	8,034	7,553

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 2018. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

Provisions	GROUP	
	31 December 2018	31 December 2017
Opening balance at 1 January	409	409
Additional provisions	1	-
Closing balance at 31 December	410	409
Analysis of total provisions:		
Current	410	409
Non Current	-	-
	410	409

38 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 2018 N 'million	31 December 2017 N 'million
Balance at beginning of period	13,399	9,440
Additions during the period	13,781	9,709
Withdrawals during the period	(8,280)	(6,533)
Guaranteed interest	867	782
Balance at end of period	19,766	13,399
Current		-
Non-current	19,766	13,399
	19,766	13,399

39 Liability on insurance contracts

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million
Outstanding claims	2,063	1,288
Unearned premium	1,470	1,242
Short term insurance contract - Claims incurred but not reported (IBNR)	1,729	1,970
Liability on annuity fund	13,486	7,432
Liability on long term insurance contract - Life fund	15,443	9,802
	34,192	21,735
Current	5,263	4,499
Non-current	28,929	17,235
	34,192	21,734

Reconciliation of changes in liability on insurance contracts

2018	Outstanding claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2018	1,288	1,242	1,970	7,432	9,802	21,735
Claims incurred	6,576	-	-	-	-	6,576
Claims paid	(5,801)	-	-	-	-	(5,801)
Change in the year	-	228	(241)	6,054	5,641	11,682
As at 31 December 2018	2,063	1,470	1,729	13,486	15,443	34,192

2017	Outstanding claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2017	975	891	614	1,519	6,288	10,287
Claims incurred	4,112	-	-	-	-	4,112
Claims paid	(3,799)	-	-	-	-	(3,799)
Change in the year	-	351	1,356	5,913	3,514	11,134
As at 31 December 2017	1,288	1,242	1,970	7,432	9,802	21,734

40 Borrowings

	GROUP 31 December 2018 N 'million	GROUP 31 December 2017 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	165,907	254,623
Deutsche Bank	-	4,011
Proparco (ii)	19,875	21,681
Due to Africa Development Bank (iii)	72,948	67,368
On-lending facilities from financial institutions (iv)	61,993	58,324
Borrowing from correspondence banks (v)	17,491	14,912
	338,214	420,919
Current	41,116	52,448
Non-current	297,098	368,471
	338,214	420,919
At start of the year	420,919	316,792
Liabilities held for sale	-	-
Proceeds of new borrowings	41,706	92,800
Finance cost	28,499	24,444
Foreign exchange losses	27,765	27,895
Repayment of borrowings	(148,749)	(17,596)
Interest paid	(31,926)	(23,416)
At end of year	338,214	420,919

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2017: Nil).

(i) FBN Eurobond:

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

Note I was redeemded on 7 August 2018.

(ii) Due to Proparco:

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

(iii) Due to Africa Development Bank:

Facility represents the outstanding balance of the credit facility of US200 million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum and will mature December 2020. This borrowing facility is for US $300 million however, US $100 million was undrawn as at end of December 2018.

(iv) On-lending Facilities:

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

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was no additional disbursement (2017: Nil) to First Bank of Nigeria Limited.The fund disbursed is for a period of fifteen years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, additional disbursement to First Bank Nigeria Limited was N19.6 billion (2017: N12.9 billion). Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

(v) Borrowings from correspondence banks:

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

41 Retirement benefit obligations

	GROUP	
	31 December 2018 N 'million	**31 December 2017 N 'million**
Defined Contribution Plan	-	3
Defined Benefits Plan		
Gratuity Scheme (i)	(1)	(20)
Defined Benefits - Pension (ii)	997	1,457
Gratuity Scheme (iii)	944	763
	1,940	2,203

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 2018 and 31 December 2017.

Gratuity scheme (i)

This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. The balance on this scheme is deemed immaterial.

Defined benefit - Pension (ii)

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

In addition, First Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2018, the plan assets exceeded the defined benefit obligation by N18 million resulting in a net defined benefit asset.

41 Retirement benefit obligations continued

The movement in the defined benefit pension (ii) over the year is as follows:

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2017	9,011	(7,077)	1,934
Transfer from gratuity scheme (1)			
Interest expense/(income)	1,303	(1,153)	150
Service cost	19	-	19
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(882)	(882)
Net actuarial gain or loss	236	-	236
Contributions:			-
- Employer	-	-	-
Payments:			-
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	**9,065**	**(7,608)**	**1,457**
Interest expense/(income)	1,168	(1,068)	100
Service cost	(5)	-	(5)
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(264)	(264)
Net actuarial gain or loss	(292)	-	(292)
Contributions:			
- Employer	-	-	-
Payments:			
- Benefit payment	(1,365)	1,365	-
Defined benefit pension obligations at 31 December 2018	**8,571**	**(7,575)**	**997**

The actual return on plan assets was N1.33 billion (2017: N2.04 billion)

GROUP

Composition of Plan assets		**2018**			**2017**	
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Equity Instruments			844			1,014
Banking	668	-		779		
Oil Service		-				
Real Estate	7	-		9		
Manufacturing	169	-		226		
Debt Instruments			6,543			6,538
Government	5,134	-		4,936		
Corporate Bond	790	22		979		
Money market investments	-	597			623	
Money on call	-	187	187		56	56
Others	-	-	-		-	0
Total	**6,768**	**806**	**7,574**	**6,929**	**679**	**7,608**

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

FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

41 Retirement benefit obligations continued

The movement in the defined benefit Gratuity Scheme (iii) over the year is as follows:

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2017	775	(21)	754
Transfer from gratuity scheme (1)			
Interest expense/(income)	78		78
Service cost	114		114
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme		(3)	(3)
Net actuarial gain or loss	(180)	2	(178)
Contributions:			-
- Employer	-	(1)	- 1.00
Payments:			-
- Benefit payment	(3)	3	-
Defined benefit pension obligations at 31 December 2017	**784**	**(20)**	**764**
Foreign exchange difference	60		60
Interest expense/(income)	88		88
Service cost	113		113
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme		(4)	(4)
Net actuarial gain or loss	(5)	(10)	(15)
Contributions:			
- Employer	0	(61)	(61)
Payments:			
- Benefit payment	(67)	67	-
Defined benefit pension obligations at 31 December 2018	**973**	**(28)**	**944**

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

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

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

Life Expectancy : The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6 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 Dec 2018 N 'million	**31 Dec 2017 N 'million**
The principal actuarial assumptions were as follows:		
Discount rate on gratuity scheme	16%	14%
Discount rate on pension plan	16%	14%
Inflation rate	12%	12%
Life expectancy	19yrs	19yrs
Future pension increases	0%	0%

41 Retirement benefit obligations continued

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

	Assumption	Defined Benefit Obligation N'm	Impact on Liability
	16%	8,374	0.0%
Discount rate	17%	8,001	-4.5%
	15%	8,784	4.9%
	12%	8,374	
Inflation rate	13%	8,374	
	11%	8,374	
	Base	8,374	0.0%
Mortality experience	Improved by 1 year	8,257	-1.4%
	Decreased by 1 year	8,487	1.3%

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

The below table shows the maturity profile of the defined obligation.

Maturity Profile on Defined Benefit Obligation

Years	Amount (N'000
2018	1,453,929
2019	1,415,649
2020	1,380,984
2021	1,346,990
2022	1,312,383
2023 - 2027	6,000,319

Defined benefit cost, charged to income statement (refer note 17)	GROUP 31 Dec 2018 N 'million	GROUP 31 Dec 2017 N 'million
Gratuity Scheme (i)	61	31
Defined Benefits - Pension (ii)	94	169
	155	200
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	-	(10)
Defined Benefits - Pension (ii)	(556)	(646)
Gratuity Scheme (iii)	(41)	(88)
	(597)	(744)

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
FRC registration number of the professional firm/ entity:	

42 Share capital

Authorised	**31 December 2018**	**31 December 2017**
50 billion ordinary shares of 50k each (2017: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	**Number of shares In millions**	**Ordinary shares N 'million**
At 31 December 2017	35,895	17,948
At 31 December 2018	35,895	17,948

43 Share premium and reserves

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

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

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

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

Capital reserve: Reserve arising from business restructuring

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.

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

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

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

44 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Profit before tax from continuing operations	65,265	56,395	9,440	9,382
Profit before tax from discontinued operations	(77)	(7,569)	-	-
Profit before tax including discontinued operations	65,188	48,826	9,440	9,382
Adjustments for:				
– Depreciation and amortisation	17,618	15,801	397	398
– (Profit)/Loss from disposal of property and equipment	(23)	(84)	(2)	2
– Foreign exchange gains	(19,114)	(13,256)	(52)	-
– (Profit)/ loss from investment securities	(5,505)	(2,610)	21	(16)
– Net losses/(gains) from financial assets at fair value through profit or loss	5,713	(11,117)	(575)	-
– Fair value gain/(loss) on investment properties	(20)	2	-	-
– Impairment on loans and advances	85,870	148,492	-	-
– Change in provision in other assets	11,681	1,932	-	-
– Change in provision for impairment of investments	(1,096)	-	-	-
– Change in retirement benefit obligations	157	483	-	-
– Share of profit from associates	23	430	-	-
– Dividend income	(2,312)	(2,054)	(10,840)	(11,437)
– Interest income	(434,410)	(469,585)	(2,163)	(2,215)
– Interest expense	150,242	138,065	-	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(67,236)	84,856	-	-
– Loans and advances to banks	(56,919)	30,117	-	-
– Loans and advances to customers	126,159	77,592	8	(42)
– Financial assets at fair value through profit or loss	(14,074)	(34,243)	-	-
– Other assets	10,007	(22,827)	(306)	43
– Pledged assets	(78,600)	(4,025)	-	-
– Assets held for sale	(24)	183	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	64,585	171,743	-	-
– Deposits from customers	278,973	(50,634)	-	-
– Financial liabilities	-	(10,040)	-	-
– Liability on investment contracts	6,368	3,958	-	-
– Liability on insurance contracts	12,457	11,447	-	-
– Liability held for sale	(96)	(3,058)	-	-
– Other liabilities	77,952	5,910	482	276
Cash flow (used in)/generated from operations	233,563	116,302	(3,590)	(3,609)

45 Commitments and Contingencies

45.1 Capital commitments

At the balance sheet date, the company had nil capital commitments (2017: Nil) in respect of authorized and contracted capital projects.

	GROUP	
	31 December 2018 N 'million	31 December 2017 N 'million
Authorised and contracted		
Property and Equipment	621	1,122
Intangible Assets	6,068	
	6,689	1,122

45.2 Operating lease rentals

At 31 December 2018, the Group was committed to making the following future payments in respect of operating leases for land and buildings.

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Within one year	695	667
Between two and five years	2,724	3,063
More than five years	4,725	6,102
	8,144	9,832

45.3 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

45.4 Other contingent commitments

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

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Performance bonds and guarantees	355,435	312,722
Letters of credit	486,755	218,247
	842,189	530,969

45.5 Loan Commitments

	GROUP	
	31 December 2018	31 December 2017
	N 'million	N 'million
Undrawn irrevocable loan commitments	42,902	8,263

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

45.6 Compliance with covenants

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

First Bank of Nigeria Limited, a subsidiary of FBN Holdings Plc., is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Bank complied with this loan covenant. See Note 4 for the calculation of the composition of the Bank’s capital in accordance with the Basel Accord. Management believes that First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2018.

46 Offsetting Financial Assets and Financial Liabilities

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

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

	GROUP					
	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	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
31 December 2018	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
ASSETS						
Financial assets at fair value through profit or loss	24,261	-	24,261	-	11,492	12,769
Reinsurance receivables	2,703	-	2,703	167	-	2,536
Total Assets subject to offsetting, master netting and similar arrangements	26,964	-	26,964	167	11,492	15,305
LIABILITIES						
Financial derivatives	(15,275)	-	(15,275)	-	(1,873)	(13,402)
Trade payables	(167)	-	(167)	(167)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(15,442)	-	(15,442)	(167)	(1,873)	(13,402)

	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	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
31 December 2017	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
ASSETS						
Financial assets at fair value through profit or loss	24,852	-	18,768	-	2,452	22,400
Reinsurance receivables	1,652	-	1,652	399	-	1,253
Total Assets subject to offsetting, master netting and similar arrangements	26,504	-	20,420	399	2,452	23,653
LIABILITIES						
Financial derivatives	(9,342)	-	(9,342)	-	(8,067)	(1,275)
Trade payables	(399)	-	(399)	(399)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(9,741)	-	(9,741)	(399)	(8,067)	(1,275)

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.

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

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

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 30 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 2018 N 'million	31 December 2017 N 'million
First Bank of Nigeria Limited	Subsidiary	Placement	11,489	328
First Bank of Nigeria Limited	Subsidiary	Current account balance	74	1,636
First Bank of Nigeria Limited	Subsidiary	Bank charges	4	6
First Bank of Nigeria Limited	Subsidiary	Interest Income	145	47
FBNQuest Merchant bank Limited	Subsidiary	Placement	3,041	2,677
FBNQuest Merchant bank Limited	Subsidiary	Interest Income	735	324
FBN Insurance Limited	Subsidiary	Premium	59	45

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 2.5% to 12.75%. Current account balances are balances in transactional operating accounts with related parties as at December 31, 2018.

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 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Salaries and other short-term employee benefits	1,613	1,541	376	376
Post-employment benefits	8	317	8	7
	1,621	1,858	384	383

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 2018 N 'million	31 December 2017 N 'million
Fees	464	468
Sitting allowances	18	18
Executive compensation	121	118
Other directors' costs and expenses	415	385
	1,017	989
Included in the fees above are amounts paid to:		
Chairman	64	64
Highest paid director	121	118

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

	Number	
	31 December 2018	31 December 2017
N3,000,001 and above	10	10
	10	10

49 Compliance with regulations

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

(a) FBN Holdings Plc

- N1.65million to the Securities and Exchange Commission for late submission of 2017 Annual Accounts.
- N2million to the Nigeria Stock Exchange for late submission of 2017 Annual Accounts.

(b) First Bank of Nigeria Limited

- N8 million to CBN for failure to implement full reversal of Excess charges on customer accounts.
- N2 million to CBN for exceeding regulatory single obligor limit as contained in the June 2017 RBS report
- N2 million to CBN was paid for delay in payment of fine IRO excess over single obligor limit exception as contained in the June 2017 RBS report
- N4 million to CBN was paid by the Bank for the non-restructuring of credits to Bank customer in line with CBN's mandate
- N2 million to CBN for failure to provide KYC documents of customers involved in Fraud Case (TradeFair Branch and Awka Branch)
- N2 million was imposed on the bank by CBN for failure to implement external auditor's recommendation as per Dec 2016 Management Letter.

49 Compliance with regulations continued

(c) FBNQuest Merchant Bank Limited

- N2,000,000 to CBN for late submission of FINA returns
- N2,000,000 to CBN for late submission of PEP returns to CBN and NFIU

(d) FBN Insurance Limited

- N5,000,000 to Financial Reporting Council (FRC) for contraventions of certain sections of FRC Act

50 Events after statement of financial position date

The Group 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 N7.18 billion at N0.20 per share (2016: N7.18 billion) that relates to the period to 31 December 2017 was paid in May 2018.

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 2018 N 'million	31 December 2017 N 'million	31 December 2018 N 'million	31 December 2017 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	59,076	49,102	9,342	9,275
Loss from discontinued operations attributable to owners of the parent (N'million)	(77)	(7,774)	0	0
Weighted average number of ordinary shares in issue (in million)	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	1.65	1.37	0.26	0.26
- from discontinued operations	(0.00)	(0.22)	-	-
	1.65	1.15	0.26	0.26

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.

53 Impact of adoption of IFRS 9

The adoption of IFRS 9 resulted in changes in our accounting policies for recognition, classifications and measurement of financials assets and financial liabilties. Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the group.

(a) The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared

Group				
	IAS 39		**IFRS 9**	
	Measurement catergory	**Carrying amount**	**Measurement catergory**	**Carrying amount**
Financial Assets				
Cash and balances with central banks	Amortised cost (Loans and receivables)	641,881	Amortised cost	641,881
Loans and advances to banks	Amortised cost (Loans and receivables)	742,929	Amortised cost	742,369
Loans and advances to customers	Amortised cost (Loans and receivables)	2,001,223	Amortised cost	1,797,322
Financial assets at Fair Value through Profit or Loss	FVPL (Held for trading)	83,713	FVPL	86,565
Investment securities:				
	FVOCI (Available for sale)	1,122,757	FVOCI	691,922
	Amortised cost (Held to Maturity)	108,283	Amortised cost	552,818
	Amortised cost (Loans and receivables)	17,568		
Asset pledged as collateral:				
	FVOCI (Available for sale)	134,513	FVOCI	134,513
	Amortised cost (Held to Maturity)	74,412	Amortised cost	74,412
Other assets	Amortised cost (Loans and receivables)	64,299	Amortised cost	58,278
Company				
Financial Assets				
Loans and advances to banks	Amortised cost (Loans and receivables)	7,585	Amortised cost	7,585
Loans and advances to customers	Amortised cost (Loans and receivables)	108	Amortised cost	108
Financial assets at Fair Value through Profit or Loss	FVPL (Held for trading)	-	FVPL	2,852
Investment securities:				
	FVOCI (Available for sale)	9,842	FVOCI	6,990
Other assets	Amortised cost (Loans and receivables)	8,832	Amortised cost	8,832

There were no changes to the classification and measurement of financial liabilities

53 Impact of adoption of IFRS 9 *contd*

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of the their cash flow characteristics.

Please refer to note 2.8 for more detailed information regarding the new classification requirements of IFRS 9

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Group

		IAS 39 Carrying amount 31 Dec 2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1 Jan 2018
Amortised cost					
Cash and balances with central banks					
Opening balance under IAS 39		641,881			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					641,881
Loans and advances to Banks					
Opening balance under IAS 39		742,929			
Remeasurement: ECL allowance				(560)	
Closing balance under IFRS 9					742,369
Loans and advances to Customers					
Opening balance under IAS 39		2,001,223			
Remeasurement: ECL allowance				(203,901)	
Closing balance under IFRS 9					1,797,322
Investment securities	(ii)				
Opening balance under IAS 39		125,851			
Reclassification			428,565		
Remeasurement: ECL allowance				(1,598)	
Closing balance under IFRS 9					552,818
Asset pledged as collateral	(ii)				
Opening balance under IAS 39		74,412			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					74,412
Other assets					
Opening balance under IAS 39		64,299			
Remeasurement: ECL allowance				(6,021)	
Closing balance under IFRS 9					58,278
Fair value through profit or loss	(ii)				
Financial assets at FVPL					
Opening balance under IAS 39		83,713			
Reclassification			2,852		
Closing balance under IFRS 9					86,565
Fair value through other comprehensive income					
Investment securities- Debt	(ii)				
Opening balance under IAS 39		1,026,739			
Reclassification			-427,984		
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					598,755
Investment securities- Equity instruments	(i)				
Opening balance under IAS 39		96,019			
Reclassification			-2,852		
Closing balance under IFRS 9				-	93,167
Asset pledged as collateral	(ii)				
Opening balance under IAS 39		134,513			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					134,513

Company

		IAS 39 Carrying amount 31 Dec 2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 01 Jan 2018
Amortised cost					
Loans and advances to Banks					
Opening balance under IAS 39		7,585			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					7,585
Loans and advances to Customers					
Opening balance under IAS 39		108			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					108
Other assets					
Opening balance under IAS 39		8,832			
Remeasurement: ECL allowance				-	
Closing balance under IFRS 9					8,832
Fair value through profit or loss	(i)				
Financial assets at FVPL					
Opening balance under IAS 39		-			
Reclassification			2,852	-	
Closing balance under IFRS 9					2,852
Fair value through other comprehensive income					
Investment securities- Debt	(i)				
Opening balance under IAS 39		6,990			
Remeasurement: ECL allowance			-	-	
Closing balance under IFRS 9					6,990
Investment securities- Equity instruments	(i)				
Opening balance under IAS 39		2,852			
Reclassification			- 2,852		
Closing balance under IFRS 9					-

(i) **Reclassification from retired categories with no change in measurement**
In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:
(i) Those previously classified as available for sale are now classified as measured at FVOCI; and
(ii) Those previously classified as 'held to maturity' and "Loans and receivables" are now classified as measured at amortised cost.

(c) **IFRS 9 Impact on Changes in Equity & Allowances for Financial Instruments on Initial Application of IFRS 9 on January 1, 2018**
The following table provides information on IFRS 9 impact on changes in Equity, i.e. retained earnings, and reconciles the closing impairment allowance as at December 31 2017 for both the financial assets in 'accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 to the opening ECL allowance determined in accordance with IFRS 9 as at January 1, 2018.

Group

	Loan loss allowance under IAS 39 /IAS 37	Reclassification from AFS reserve	Reclassification into retained earnings	Remeasurement	Loan loss allowance under IFRS 9
Loans and Receivables (IAS 39)/Financial Assets at Amortised Cost (IFRS 9)					
Cash and Balances with Central banks					
Loans and advances to banks	-			560	560
Other assets	8,973			6,021	14,994
Loans and advances to customers	279,170			203,901	483,071
Total	284,177	-		210,482	491,279
Held to maturity (IAS 39)/Financial assets measured at amortized cost (IFRS 9)					
Investment securities	3,230	-581		1,598	4,247
Total	3,230	(581)		1,598	4,247
Available for sale (IAS 39)/Financial assets measured at FVOCI (IFRS 9)					
Investment securities	-	377	-377		-
Total	-	377	- 377	-	-
Loan commintments and financial guarantee contracts					
Provisions (Loan commitments)				76	76
Provisions (Financial guarantees)				759	697
Total	-	-		835	773
	287,407	(204)	(377)	212,915	496,299

54 Restatement

During the year, the Central Bank of Nigeria (CBN) advised First Bank of Nigeria Limited ("Bank") of shortfall in the Bank's contribution to the Banking sector resoluation cost sinking fund for the years 2016 and 2017. The shortfall arose as a result of the erroneous application of the Resolution Cost Trust Deed's definition of "Total Assets". The definition of "Total Assets" was amended in 2015 to include off balance sheet items. However, the contributions made by the bank for these trwo years (2016 and 2017) were based on the Bank's total assets excluding off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN. The full shortfall of N4.47 billion (2017:N2.30 billion, 2016:N2.17 billion) which is material to the Group has been adjusted for in these financial statements.

(i) Impact of restatement on statement of financial position.

(a)	**As at 31 December 2017 Previously reported N 'millions**	**Restatement adjustment N 'millions**	**As at 31 December 2017 Restated N 'millions**
LIABILITIES			
Other Liabilities	261,725	4,472	266,198
EQUITY			
Retained earnings	170,775	(4,472)	166,303

(b)	**As at 31 December 2016 Previously reported**	**Restatement adjustment**	**As at 31 December 2016 Restated**
LIABILITIES			
Other Liabilities	235,388	2,169	237,557
EQUITY			
Retained earnings	161,631	(2,169)	159,462

(ii) Impact of restatement on income statement	**As at 31 December 2017 Previously reported N 'millions**	**Restatement adjustment N 'millions**	**As at 31 December 2017 Restated N 'millions**
Other Operating Expenses	145,673	2,303	147,976

(iii) Impact of restatement on statement of changes in equity	**Previously reported N 'millions**	**N 'millions**	**Restated N 'millions**
Retained Earnings as at 1 Jan 2017	161,631	2,169	159,462
Profit for the year	47,785	2,303	45,482

OTHER NATIONAL DISCLOSURES
At 31 December 2018
Statement of Value Added - Group

	31 December 2018 N'million	**%**	31 December 2017 N'million	%
Gross income	**583,477**		595,445	
Interest and fee expense	**(167,572)**		(150,182)	
	415,905		**445,263**	
Administrative overheads	**(152,693)**		(136,533)	
Value added	**263,213**	**100**	**308,730**	100
Distribution				
Employees				
- Salaries and benefits	**93,395**	**35**	85,678	28
Government				
- Taxation	**5,544**	**2**	9,040	3
The future				
- Asset replacement (depreciation)	**12,282**	**5**	11,600	4
- Asset replacement (amortisation)	**5,336**	**2**	4,201	1
- Asset replacement (provision for losses)	**86,911**	**33**	150,424	49
- Expansion (transfers to reserves)	**59,744**	**23**	47,787	15
	263,212	**100**	**308,730**	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2018
Statement of Value Added - Company

	31 December 2018 N'million	**%**	31 December 2017 N'million	%
Gross income	**13,649**		13,715	
Interest and fee expense	**-**		-	
	13,649		**13,715**	
Administrative overheads	**(2,908)**		(2,952)	
Value added	**10,741**	**100**	**10,763**	100
Distribution				
Employees				
- Salaries and benefits	**904**	**8**	982	9
Government				
- Company income tax	**98**	**1**	107	1
The future				
- Asset replacement (depreciation)	**397**	**4**	398	4
- Asset replacement (amortisation)	**-**	**-**	-	-
- Asset replacement (provision for losses)	**-**	**-**	-	-
- Expansion (transfers to reserves)	**9,342**	**87**	9,276	86
	10,741	**100**	**10,763**	100

FBN Holdings Plc.

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

	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million
Assets:					
Cash and balances with central bank	653,335	641,881	690,165	715,871	698,104
Loans and advances to banks	863,435	742,929	444,871	385,769	460,911
Loans and advances to customers	1,683,813	2,001,223	2,083,894	1,817,271	2,178,986
Financial assets at fair value through profit or loss	109,162	83,713	46,711	26,426	27,601
Investment securities	1,663,821	1,248,608	1,050,588	913,779	711,639
Assets pledged as collateral	309,051	208,925	197,420	105,646	68,483
Other assets	112,362	132,731	47,786	35,483	40,640
Inventory	-	-	-	49,649	37,805
Investment in associates	625	1,357	1,114	-	-
Investment properties	515	1,993	3,003	3,025	2,826
Property, plant and equipment	91,515	88,263	88,315	88,398	88,557
Intangible assets	16,134	16,211	15,328	9,687	8,569
Deferred tax	25,558	18,554	17,278	14,615	11,285
Assets held for sale	38,990	50,149	50,332	570	8,331
	5,568,316	5,236,537	4,736,805	4,166,189	4,343,737
Financed by:					
Share capital	17,948	17,948	17,948	17,948	16,316
Share premium	233,392	233,392	233,392	252,892	254,524
Reserves	266,889	427,874	331,783	304,284	249,190
Non controlling interest	12,418	(5,494)	(548)	3,675	4,033
Deposits from banks	749,315	665,366	416,078	144,652	171,151
Deposits from customers	3,486,691	3,143,338	3,104,221	2,970,922	3,050,853
Financial liabilities at fair value through profit or los	15,791	9,404	37,137	12,488	10,917
Liabilities on investment contracts	19,766	13,399	9,440	10,157	60,617
Liabilities on insurance contracts	34,192	21,734	10,287	11,837	8,260
Borrowings	338,214	420,919	316,792	256,116	369,707
Retirement benefit obligations	1,940	2,203	2,662	3,764	2,029
Current income tax	15,656	10,194	8,897	8,773	11,829
Other liabilities	373,345	266,198	235,388	168,441	132,633
Deferred income tax liabilities	266	606	813	239	87
Liabilities held for sale	2,493	9,457	12,515	-	1,592
	5,568,316	5,236,537	4,736,805	4,166,189	4,343,737

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 Dec 2018 N'million	12 months ended 31 Dec 2017 N'million	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million	12 months ended 31 Dec 2014 N'million
Gross Earnings	583,477	595,445	581,831	502,691	481,774
Net operating income	415,881	444,835	469,926	361,537	356,243
(Loss)/Gain from disposal of subsidiary	-	-	(8)	1,572	-
Insurance claims	(4,717)	(4,041)	(2,190)	(3,306)	(1,043)
Operating expenses	(258,989)	(236,278)	(218,744)	(219,429)	(235,801)
Group's share of associate's results	23	430	-	-	599
Impairment charge for credit losses	(86,911)	(150,424)	(226,037)	(118,794)	(25,942)
Profit before taxation	65,288	54,522	22,948	21,581	94,056
Taxation	(5,544)	(9,040)	(5,807)	(6,042)	(10,045)
Profit from continuing operations	59,744	45,482	17,141	15,539	84,011
Loss from discontinuing operations	(77)	(7,774)	(4,898)	(391)	-
Profit for the year	59,667	37,708	12,243	15,148	84,011
Profit attributable to:					
Owners of the parent	58,999	41,328	14,122	15,406	84,231
Non controlling interest	668	(3,620)	(1,879)	(258)	(220)
	59,667	37,708	12,243	15,148	84,011
Earnings per share in kobo (basic/diluted)	165	115	39	43	235

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million
Assets:					
Loans and advances to banks	**16,639**	7,585	4792	3,261	1,477
Loans and advances to customers	**110**	108	63	80	72
Financial assets at fair value through profi	**3,427**	-	-	-	-
Investment securities	**7,079**	9,842	7019	4,272	9,847
Investment in associates	**-**	-	1500	1,500	9,281
Investment in subsidiaries	**242,395**	242,395	263,595	260,777	246,777
Other assets	**292**	9,011	4,670	14,361	43,285
Property, plant and equipment	**382**	680	1,192	1,519	1,072
Assets held for sale	**-**	-	-	2,000	-
	270,324	269,621	282,831	287,770	311,811
Financed by:					
Share capital	**17,948**	17,948	17,948	16,316	16,316
Share premium	**233,392**	233,392	252,892	254,524	254,524
Reserves	**10,847**	10,624	6,242	7,340	37,261
Current income tax	**102**	104	-	-	-
Other liabilities	**8,034**	7,553	5,751	9,590	3,710
	270,324	269,621	282,831	287,770	311,811

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2018	12 month ended 31 Dec 2017	12 month ended 31 Dec 2016	12 month ended 31 Dec 2015	12 month ended 31 Dec 2014
Gross Earnings	**13,649**	**13,715**	**12,715**	**6,794**	**16,969**
Net operating income	**13,649**	13,715	12,571	5,195	7,800
Gain from disposal of subsidiary/associate	**-**	-	144	1,600	-
Operating expenses	**(4,209)**	(4,333)	(5,104)	(4,615)	(2,117)
Profit before taxation	**9,440**	9,382	7,611	2,180	5,683
Taxation	**(98)**	(107)	(104)	-	-
Profit after taxation	**9,342**	9,275	7,507	2,180	5,683
Earnings per share in kobo (basic)	**26**	**26**	**21**	**6**	16