First Bank of Nigeria Limited
Consolidated Financial Statements
for the year ended 31 December 2017

First Bank of Nigeria Limited
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for the year ended 31 December 2017

DIRECTORS AND ADVISORS

DIRECTORS	DATE OF APPOINTMENT/ RESIGNATION
Ibukun Awosika (Mrs) (Chairman)	Appointed Chairman, January 1, 2016
Adesola Adeduntan (Managing Director/CEO)	Appointed MD/CEO, January 1, 2016
Francis Shobo (Deputy Managing Director)	Appointed DMD, January 1, 2016
Ambrose Feese	Retired December 31, 2017
Dauda Lawal	Retired September 30, 2017
Ibrahim Dahiru Waziri	Appointed December 29, 2010
Ijeoma Jidenma (Mrs)	Appointed March 24, 2014
Lawal K. Ibrahim	Appointed December 1, 2010
Obafemi A. Otudeko	Appointed December 29, 2010
Tunde Hassan-Odukale	Appointed December 29, 2010
Mrs. Olusola A. Oworu	Appointed January 21, 2016
Dr. Remi O. Oni	Appointed April 15, 2016
Lateef Bakare	Appointed July 21, 2016
Urum K Eke	Appointed January 21, 2016
Abdullahi M. Ibrahim	Appointed April 27, 2017

COMPANY SECRETARY: Irene E. Netimah

REGISTERED OFFICE:
Samuel Asabia House
35, Marina
Lagos

AUDITORS:
PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers, Plot 5B Water Corporation Road,
Victoria Island
Lagos

VALUERS
Ernst & Young
10th Floor, UBA House
57, Marina
P O Box 2442 Marina
Lagos.
FRC/2012/NAS/00000000738

First Bank of Nigeria Limited

INCOME STATEMENT

For the year ended 31 December

		GROUP		BANK	
		31 December		**31 December**	
	Note	**2017**	**2016**	**2017**	**2016**
		N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Continuing operations					
Interest income	7	441,198	384,177	388,325	339,300
Interest expense	8	(121,527)	(89,893)	(109,261)	(79,733)
Net interest income		**319,671**	**294,284**	**279,064**	**259,567**
Impairment charge for credit losses	9	(141,275)	(224,948)	(126,190)	(159,841)
Net interest income after impairment charge for credit losses		**178,396**	**69,336**	**152,874**	**99,726**
Fee and commission income	10 (a)	65,001	61,980	51,641	50,934
Fee and commission expense	10 (b)	(12,084)	(10,984)	(12,512)	(11,465)
Net gains on foreign exchange income	11	16,587	77,850	17,029	76,102
Net gains on investment securities	12	4,904	5,051	4,235	5,341
Net gains from financial assets held for trading	13	9,130	3,102	9,130	3,102
Dividend income		1,918	730	4,166	3,108
Other operating income	14	2,736	2,649	340	345
Personnel expenses	15 (b)	(76,940)	(76,081)	(61,111)	(63,391)
Amortisation of intangible assets	27	(3,304)	(3,146)	(2,444)	(2,331)
Depreciation of property, plant & equipment	26	(10,422)	(10,594)	(8,890)	(9,210)
Other operating expenses	15 (a)	(118,814)	(109,218)	(102,195)	(97,528)
Profit before tax		**57,108**	**10,675**	**52,263**	**54,733**
Income tax expense	16	(5,633)	1,093	(3,256)	(3,473)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**51,475**	**11,768**	**49,007**	**51,260**
Discontinued operations					
Loss for the year from discontinued operations	25	(1,520)	(1,317)	(2,089)	(1,188)
PROFIT FOR THE YEAR		**49,955**	**10,451**	**46,918**	**50,072**
Profit attributable to:					
Owners of the parent		49,995	11,240	46,918	50,072
Non-controlling interests		(40)	(789)	-	-
		49,955	**10,451**	**46,918**	**50,072**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share:	45				
From continuing operations		1.58	0.36	1.50	1.53
From discontinued operations		(0.05)	(0.04)	(0.06)	-
		1.53	0.32	1.44	1.53

The above consolidated income statement should be read in conjunction with accompanying notes.

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December

	Note	GROUP		BANK	
		31 December		**31 December**	
		2017	**2016**	**2017**	**2016**
		N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
PROFIT FOR THE YEAR		**49,955**	**10,451**	**46,918**	**50,072**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains /(loss) on available-for-sale financial assets					
-Unrealised net gains/(losses) arising during the year		46,315	(10,333)	46,346	(10,327)
-Net reclassification adjustments for realised net (gains) /losses		659	(14,681)	659	(14,661)
Exchange difference on translation of foreign operations		13,362	26,725	-	-
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefits scheme	33	754	1,426	617	1,256
Income tax relating to components of other comprehensive income		(784)	-	(784)	-
Other comprehensive income for the year, net of tax		**60,306**	**3,137**	**46,838**	**(23,732)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**110,261**	**13,588**	**93,756**	**26,340**
Total comprehensive income attributable to:					
Owners of the parent		110,301	14,377	93,756	26,340
Non-controlling interests		(40)	(789)	-	-
		110,261	**13,588**	**93,756**	**26,340**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		111,821	15,694	95,845	27,528
Discontinued operations	25	(1,520)	(1,317)	(2,089)	(1,188)
		110,301	**14,377**	**93,756**	**26,340**

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

First Bank of Nigeria Limited

STATEMENT OF FINANCIAL POSITION
As at 31 December

		GROUP		BANK	
	Note	**31 December 2017 N 'millions**	**31 December 2016 N 'millions**	**31 December 2017 N 'millions**	**31 December 2016 N 'millions**
ASSETS					
Cash and balances with central banks	17	638,308	689,597	517,474	637,061
Loans and advances to banks	19	729,603	437,935	436,764	204,469
Loans and advances to customers	20	2,026,038	2,086,741	1,658,796	1,692,712
Financial assets held for trading	21	33,011	23,494	28,852	23,482
Investment securities					
-Available-for-sale investments	22	1,052,034	853,076	622,991	587,153
-Held to maturity investments	22	101,331	108,159	49,496	81,590
Asset pledged as collateral	23	194,951	161,133	189,852	151,090
Other assets	29	123,961	38,609	120,954	26,954
Investment in subsidiaries	24	-	-	71,907	71,297
Property, plant and equipment	26	82,793	83,357	72,246	72,495
Intangible assets	27	12,107	11,913	5,864	5,547
Deferred tax	28	8,768	8,296	1,343	1,343
		5,002,905	4,502,310	3,776,539	3,555,193
Asset held for sale	25	11,343	12,479	500	2,589
Total assets		**5,014,248**	**4,514,789**	**3,777,039**	**3,557,782**
LIABILITIES					
Deposits from banks	30	655,042	377,214	59,102	40,493
Deposits from customers	31	3,065,732	3,030,090	2,531,660	2,490,578
Financial liabilities held for trading	21	9,352	37,137	9,342	12,751
Current income tax liability	16	5,088	4,805	4,109	3,564
Other liabilities	34	224,908	217,553	159,817	152,924
Borrowings	32	416,908	316,792	431,671	369,428
Retirement benefit obligations	33	2,220	2,648	1,495	1,957
Deferred tax	28	-	2	-	-
		4,379,250	3,986,241	3,197,196	3,071,695
Liabilities held for sale	25	7,409	10,610	-	-
Total liabilities		**4,386,659**	**3,996,851**	**3,197,196**	**3,071,695**
EQUITY					
Share capital	35	16,316	16,316	16,316	16,316
Share premium	36	189,241	189,241	189,241	189,241
Retained earnings	36	170,823	147,767	173,487	153,924
Other reserves	36	251,209	163,648	200,799	126,606
		627,589	516,972	579,843	486,087
Non-controlling interest		-	966	-	-
Total equity		**627,589**	**517,938**	**579,843**	**486,087**
Total equity and liabilities		**5,014,248**	**4,514,789**	**3,777,039**	**3,557,782**

The accompanying notes are an integral part of these consolidated and separate financial statements. The financial statements were approved and authorized for issue by the Board of Directors on 19 March 2018 and signed on its behalf by:

Ibukun Awosika (Mrs)
Chairman
FRC/2013/IODN/00000003479

Adesola Adeduntan
Managing Director /CEO
FRC/2014/ICAN/00000010466

Patrick Iyamabo
Chief Financial Officer
FRC/2013/ICAN/00000003316

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **Attributable to equity holders of the parent**

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	AFS Fair value reserve	Statutory credit reserve	FCTR	Total	Non-controlling interest	Total equity
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 1 January 2016	16,316	189,241	163,650	65,253	6,076	53,420	611	8,028	502,595	1,929	504,524
Profit for the year	-	-	11,240	-	-	-	-	-	11,240	(789)	10,451
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	26,725	26,725	-	26,725
Fair value movements on financial assets						(25,014)			(25,014)	-	(25,014)
Remeasurements on defined benefits scheme	-	-	1,426	-	-	-	-	-	1,426	-	1,426
Total comprehensive income	-	-	12,666	-	-	(25,014)	-	26,725	14,377	(789)	13,588
Transactions with equity holders, recorded directly in equity											
Dividends	-	-	-		-	-	-		-	(174)	(174)
Transfer between reserves	-	-	(28,549)	7,859	-	-	20,690	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(28,549)	7,859	-	-	20,690	-	-	(174)	(174)
At 31 December 2016	16,316	189,241	147,767	73,112	6,076	28,406	21,301	34,753	516,972	966	517,938
At 1 January 2017	16,316	189,241	147,767	73,112	6,076	28,406	21,301	34,753	516,972	966	517,938
Profit for the year	-	-	49,995	-	-	-	-	-	49,995	(40)	49,955
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	13,362	13,362	-	13,362
Tax effects on revaluation of financial assets	-	-		-	-		-	-	-	-	-
Fair value movements on financial assets						46,974			46,974	-	46,974
Disposal of non-controlling interest			-						-	(610)	(610)
Remeasurements on defined benefits scheme	-	-	754	-	-	-	-	-	754	-	754
Income tax relating to components of other comprehensive income			(784)			-			(784)		(784)
Total comprehensive income	-	-	49,965	-	-	46,974	-	13,362	110,301	(650)	109,651
Transactions with equity holders, recorded directly in equity											
Transfer to retained earnings			316		-		-	-	316	(316)	-
Transfer between reserves	-	-	(27,225)	7,265	-	-	19,960	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(26,909)	7,265	-	-	19,960	-	316	(316)	-
At 31 December 2017	16,316	189,241	170,823	80,377	6,076	75,380	41,261	48,115	627,589	-	627,589

First Bank of Nigeria Limited

BANK STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	AFS Fair value reserve	Statutory credit reserve	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 1 January 2016	16,316	189,241	130,787	63,237	6,076	54,090	-	459,747
Profit for the year	-	-	50,072	-	-	-	-	50,072
Other comprehensive income								
Fair value movements on financial assets						(24,988)		(24,988)
Remeasurements on defined benefits scheme	-	-	1,256	-	-	-	-	1,256
Total comprehensive income	-	-	51,328	-	-	(24,988)	-	26,340
Transactions with equity holders, recorded directly in equity								
Transfer between reserves			(28,191)	7,511	-	-	20,680	-
Total contributions by or distributions to equity holders	-	-	(28,191)	7,511	-	-	20,680	-
At 31 December 2016	16,316	189,241	153,924	70,748	6,076	29,102	20,680	486,087
At 1 January 2017	16,316	189,241	153,924	70,748	6,076	29,102	20,680	486,087
Profit for the year	-	-	46,918	-	-	-	-	46,918
Other comprehensive income								
Fair value movements on financial assets						47,005		47,005
Remeasurements on defined benefits scheme			617					617
Income tax relating to components of other comprehensive income			(784)					(784)
Total comprehensive income	-	-	46,751	-	-	47,005	-	93,756
Transactions with equity holders, recorded directly in equity								
Transfer between reserves	-	-	(27,188)	7,038	-	-	20,150	-
Total contributions by or distributions to equity holders	-	-	(27,188)	7,038	-	-	20,150	-
At 31 December 2017	16,316	189,241	173,487	77,786	6,076	76,107	40,830	579,843

STATEMENT OF CASH FLOWS

	Note	GROUP		BANK	
		31 December		**31 December**	
		2017	**2016**	**2017**	**2016**
		N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Cash flows from operating activities					
Cash flow generated from/ (used in) operations	37	58,937	(106,624)	(142,189)	(412,948)
Income taxes paid		(5,674)	(5,062)	(3,495)	(2,806)
Interest received		424,580	367,992	363,105	318,526
Interest paid		(123,001)	(89,410)	(104,209)	(74,002)
Net cash flow generated from/ (used in) operating activities		354,842	166,896	113,212	(171,230)
Cash flows from investing activities					
Purchase of investment securities		(934,699)	(1,412,062)	(751,753)	(1,184,184)
Proceeds from the sale of investment securities		827,235	1,250,744	809,574	1,219,051
Additional investment in subsidiaries		-	-	(611)	(658)
Dividends received		1,918	730	4,166	3,108
Purchase of property, plant and equipment		(10,887)	(11,278)	(8,880)	(9,707)
Purchase of intangible assets		(3,438)	(4,409)	(2,761)	(3,837)
Proceeds on disposal of property, plant and equipment		382	700	363	693
Net cash (used in)/generated from investing activities		(119,489)	(175,575)	50,098	24,466
Cash flows from financing activities					
Acquisition of NCI		(611)	-	-	-
Dividend paid to non-controlling interest		-	(174)	-	-
Proceeds from new borrowings		88,789	34,516	103,609	80,124
Repayment of borrowings		(17,445)	(53,082)	(69,492)	(95,885)
Net cash (used in)/generated from financing activities		70,733	(18,740)	34,117	(15,761)
Increase/ (decrease) in cash and cash equivalents		306,086	(27,419)	197,427	(162,525)
Cash and cash equivalents at start of year	18	719,168	644,975	239,974	386,468
Effect of exchange rate fluctuations on cash held		104,048	101,612	16,991	16,031
Cash and cash equivalents at end of year	18	1,129,302	719,168	454,392	239,974

1 General information

These financial statements are the consolidated financial statements of First Bank of Nigeria Limited (the Bank), and its subsidiaries (hereafter referred to as 'the Group').

The Registered office address of the Bank is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.

The principal activities of the Bank is mainly retail and corporate banking. Retail banking provides banking services and products to individuals and small/medium scale enterprises, such as savings account, investment savings products, loans and money transfers. Corporate banking provides banking services and products to multinational and local corporations, as well as financial and governmental institutions, such as credit facilities and project finance.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the Board of Directors on 19 March 2018.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The financial statements are presented in Naira and all values are rounded to the nearest million (N'million), except when otherwise stated.

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

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

2.2 **Changes in accounting policy and disclosures**

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period.

However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the standards

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

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective for these consolidated financial statements. The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2017.

(i) **IFRS 15 - Revenue from contracts with customers (effective annual periods beginning on or after 1 January 2018)**

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group is yet to assess the full effect of IFRS 15 although the new standard is not expected to have a significant impact on the Group.

The Group has adopted IFRS 15 not later than the accounting period beginning on or after January 2018.

(ii) **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.

(iii) **IFRS 9 - Financial Instruments (effective annual periods beginning on or after 1 January 2018)**

Introduction

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments (IFRS 9, or the standard), bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 and all previous versions of IFRS 9.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Bank will apply the new rules from 1 January 2018.

Classification and Measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model assessment (BMA) and a contractual cash flow characteristics test to determine if payments are solely payment of principal and interest (SPPI). The result of the two assessments will determine the classification of financial assets into one of three categories:

· amortised cost,
· fair value through other comprehensive income (FVOCI), and
· fair value through profit or loss (FVTPL)

IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank made the following decisions:

(iii) ***IFRS 9 - Financial Instruments (effective annual periods beginning on or after 1 January 2018) Contd***

FBN's Financial Asset Portfolios	Current Classification & Measurement Under IAS 39	IFRS 9 Business Model and description	Classification and Measurement Under IFRS 9
Debt instrument	Available for sale (FVOCI)	BM 2 - Collect contractual cash flows and sell	FVOCI
Equity instrument	Available for sale (FVOCI)	Business model not applicable	FVOCI
Debt instrument	Loans and receivables (Amortised Cost)	BM 1 - Collect contractual cash flows	Amortised cost
Debt instrument	Held for trading (FVTPL)	BM 3 - Held for trading	FVTPL
Debt instrument	Held to maturity (Amortised Cost)	BM 1 - Collect contractual cash flows	Amortised cost
Derivative instrument	Held for trading (FVTPL)	Business model not applicable	FVTPL

Impairment

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the probability of default over the life of the asset.

The Bank group its loans and debt securities into 3 stages, based on the applied impairment methodology, as described below:

• Stage 1 - No significant changes in credit quality of exposure since initial recognition. The Bank recognises an allowance based on 12-month expected credit losses.

• Stage 2 - The credit risk of the exposure has increased significantly since initial recognition. The Bank records an allowance for the lifetime expected credit loss.

• Stage 3 - The credit risk of the exposure has increased significantly since initial recognition and there is objective evidence of impairment. The Bank recognises the lifetime expected credit losses for these loans.

The Bank has made considerable progress in the implementation of IFRS 9.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances of about N49.8 billion.

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

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

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

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.
Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

(i) Changes in ownership interests in subsidiaries without change of control

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

(ii) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is 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.

b. *Disposal of subsidiaries*

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Consolidation (Contd)

c. *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in associates is measured at cost in the separate financial statements of the investor.

Investment in associates 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 the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within the income statement.

2.4 Segment reporting

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

2.5 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Bank, in accordance with IAS 8, uses its 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 Bank's policy is that the assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS.

The Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

2.6 Foreign currency translation

a. Functional and presentation currency

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

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

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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.

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

2.7 Income taxation

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).

Deferred income tax

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

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

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

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

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

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

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

2.8 Inventories

Inventories include repossessed assets held for resale.

They are valued at the lower of cost and net realisable value.

Cost is the carrying amount of the related loan at the date of exchange. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution

2.9 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.9.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Directors determine the classification of its financial instruments at initial recognition.

a. *Financial assets held for trading*

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

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

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

b. *Loans and receivables*

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

(i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

c. *Held-to-maturity financial assets*

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

(i) those that the Group upon initial recognition designates as held for trading;

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of loans and receivables.

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

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

d. *Available-for-sale financial assets*

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

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

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

e. *Recognition*

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

2.9.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities held for trading and financial liabilities at amortised cost . Financial liabilities are derecognised when extinguished.

a. Financial Liabilities held for trading

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

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

b. Other liabilities measured at amortised cost

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

2.9.3 **Derivative financial instruments**

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

2.9.4 **Embedded derivatives**

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

2.9.5 **Determination of fair value**

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, 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 net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.6

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

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

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

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group. This transfer is done on the date in which the market information becomes available.

2.9.6 **De-recognition of financial instruments**

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

2. 10 Offsetting financial instruments

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

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

2. 11 Revenue recognition

a. Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

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

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

b. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.
The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2. 12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate,the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

To the extent that a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are
written off after all the necessary procedures have been completed and the amount of the loss has been determined.
Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or
loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the impairment account in the consolidated income statement.

(b) Assets classified as available for sale

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

2. 13 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2. 14 Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer in the event that the customer defaults.

The Group may also use other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce their credit risk.
Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income

2. 15 Discontinued operations

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

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

Investment property classified as non-current 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.

2.16 Leases

Leases are divided into finance leases and operating leases.

a. *The group is the lessee*

(i) *Operating lease*

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

(ii) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers

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

b *The group is the lessor*

(i) *Operating lease*

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

(ii) *Finance lease*

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

2. 17 Property, Plant and Equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the parent or its subsidiaries are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. 17 Property, Plant and Equipment (continued)

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset Class	Depreciation rate
Improvement & buildings	2%
Motor Vehicles	25%
Office Equipment	20%
Computer Equipment	33⅓%
Plant and Machinery	20%
Furniture, fittings & equipment	20%

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

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

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

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

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

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognitoin of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2. 18 Intangible assets

a. Goodwill

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

2. 18 Intangible assets (Contd)

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

2. 19 Cash and cash equivalents

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

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

2.20 Employee 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.

b. Defined benefit plan

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

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

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

2. 21 Provisions

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

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

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

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

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

2. 22 Fiduciary activities

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

2. 23 Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Bank. The components of issued financial instruments that contain both liability and\ 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. 24 Share capital

a. *Share issue costs*

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

2.24 Share capital continued

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

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

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

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

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

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

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

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

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

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

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

2.25 Financial guarantees

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

3. Financial risk management

3.1 Introduction and overview

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

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

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

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

3.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Chief Risk Officer (CRO).

3.2.1 Credit risk measurement

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

• The character and capacity to pay of the client or counterparty 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. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers with regard to default events.

3.2.1 Credit risk measurement

(a) Obligor Risk Rating (ORR system)

The obligor risk rating grids have a minimum of ten risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. The obligor risk rating is mapped to the probability of default of the customer and the rating adopted depends on the type of customer and the nature of business to reflect the inherent risks associated with each customer. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that have been incurred. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating Bucket		Range of Scores	Probability of Default			Grade
				Large Corporate	Mid-Corporate	SME	
Extremely low risk	AAA	1	100%-94.44%	0.01			Investment
Very low risk	AA	2	100%-83.33%	0.01	0.01		
Low risk	A	3	100%-72.22%	0.02	0.02	0.02	
Low risk	BBB	4	72.21%-66.67%	0.02	0.02	0.02	
Acceptable – Moderately High risk	BB	5	66.66%-55.56%	0.04	0.04	0.04	Non-Investment
High risk	B	6	55.55%-44.44%	0.06	0.06	0.06	
Very high risk	CCC	7	44.43%-33.33%	0.09	0.09	0.09	
Extremely high risk	CC	8	33.32%-16.67%	0.13	0.13	0.13	
Highly Likelihood of default	C	9	16.65%-5.56%	0.15	0.15	0.15	
Default risk	D	10	5.55%-0.00%	1.00	1.00	1.00	Default

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

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

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

• The Collateral Risk Rating Grid indicates the acceptable collateral types and rated 1-8 from best to worst in order of liquidity, controllability and realizable value.

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

3.2.2 Risk limit control and mitigation policies

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

Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and counterparty are set by the Board of Directors on the recommendation of the Chief Risk Officer.

(a) **Portfolio limits**

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

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

• The Group adopts Industry/economic sector limits on its loan portfolio, in line with the following policies:
– The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
– No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
-No more than 10% of the Group's portfolio in any single industry rated 'B' or worse

3.2.2 Risk limit control and mitigation policies continued

(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 and these are shown in the table below.

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

STANDARD CREDIT APPROVAL GRID FOR WHOLESALE AND RETAIL LENDING			
	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	BOD	>25,000, 000 but not more than 15% of SHF or 75% of SOL/legal lending limit	>10,000,000 but not more than 5% of SHF
2	BCC	25,000,000	10,000,000
3	MCC	10,000,000	5,000,000
4	MD+ CRO+ Risk SCO1+Business SCO1 or Business SCO2	5,000,000	2,000,000
5	CRO + Risk SCO1+Risk SCO2 + Business SCO1 or Business SCO2	1,000,000	500,000
6	Risk SCO1+Risk SCO2+Business SCO1 or Business SCO2	250,000	100,000
7	Risk SCO2+Risk SCO3+Business SCO1 or Business SCO2	100,000	50,000
8	Risk SCO3+Risk SCO4+GH+BDM	50,000	25,000

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

Lending decisions are usually based on an obligor's ability to repay from normal business operations rather than on proceeds from the sale of any security provided. Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The types of collateral acceptable and the frequency with which they are required at origination is dependent on the size and structure of the borrower. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the company's undertaking on one or more of its assets and keyman insurance. The decision as to whether or not collateral is required is based upon the nature of the transaction, the credit worthiness of the customer and obligor risk rating. Other than for project finance, object finance and income producing real estate where charges over the subject assets are a basic requirement, the provision of collateral will not determine the outcome of a credit application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay the debt.

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cashflows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness re-assessed if there is observable evidence of distress of the borrower, this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

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

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

3.2.4 Exposure Management

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

3.2.5 Delinquency Management/Loan Workout

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

3.2.6 Credit Recovery

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

3.2.7 **Management of concentration risk**

The Group manages limits and controls concentrations of credit risk to individual counterparties, groups, industries, products, geographies and countries.
The Group defines levels of concentration risk it is wiling to take by placing limits on credit exposure to a single borrower, groups of borrowers and geographic and industry segments. Such concentration risk limits approved by the Board of Directors on the recommendation of the Chief Risk Officer and monitored on a regular basis. The concentration risk limits may be reviewed from time to time to reflect changing macroeconomic and regulatory conditions as well as the Group's business thrust.

3.2.8 **Impairment and provisioning policies**

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

3.2.9 **Measurement basis of financial assets and liabilities.**

GROUP

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2017				
Financial assets				
Cash and balances with Central Banks	-	-	638,308	638,308
Loans and advances to banks	-	-	729,603	729,603
Loans and advances to customers				
- Overdrafts	-	-	296,135	296,135
- Term loans	-	-	1,695,780	1,695,780
- Staff loans	-	-	7,316	7,316
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Investment securities:				
Available-for-sale investments	-	1,052,034	-	1,052,034
Held to maturity investments	-	-	101,331	101,331
Asset pledged as collateral	-	120,540	74,411	194,951
Financial assets held for trading	33,011	-	-	33,011
Other assets	-	-	57,257	57,257
Total Financial Assets	33,011	1,172,574	3,626,948	4,832,533
Financial liabilities				
Customer deposits	-	-	3,065,732	3,065,732
Deposits from banks	-	-	655,042	655,042
Financial liabilities held for trading	9,352	-		9,352
Borrowings	-	-	416,908	416,908
Other liabilities	-	-	189,593	189,593
Total Financial Liabilities	9,352	-	4,327,275	4,336,627
31 December 2016				
Financial assets				
Cash and balances with Central Banks	-	-	689,597	689,597
Loans and advances to banks	-	-	437,935	437,935
Loans and advances to customers				
- Overdrafts	-	-	282,687	282,687
- Term loans	-	-	1,691,198	1,691,198
- Staff loans	-	-	6,769	6,769
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Investment securities:				
Available-for-sale investments	-	853,076	-	853,076
Held to maturity investments	-	-	108,159	108,159
Asset pledged as collateral	-	77,454	83,679	161,133
Financial assets held for trading	23,494	-	-	23,494
Other assets	-	-	26,544	26,544
Total Financial Assets	23,494	930,530	3,432,655	4,386,679
Financial liabilities				
Customer deposits	-	-	3,030,090	3,030,090
Deposits from banks	-	-	377,214	377,214
Financial liabilities held for trading	37,137	-		37,137
Borrowings	-	-	316,792	316,792
Other liabilities	-	-	179,241	179,241
Total Financial Liabilities	37,137	-	3,903,337	3,940,474

3.2.9 **Measurement basis of financial assets and liabilities** *(continued)* **.**

	Fair Value through P/L Held for trading *N'million*	Fair Value through OCI Available for sale *N'million*	Amortised Cost *N'million*	Total *N'million*
BANK				
31 December 2017				
Financial assets				
Cash and balances with Central Banks	-	-	517,474	517,474
Loans and advances to banks	-	-	436,764	436,764
Loans and advances to customers				
- Overdrafts	-	-	198,502	198,502
- Term loans	-	-	1,428,088	1,428,088
- Staff loans	-	-	5,399	5,399
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Financial assets held for trading	28,852	-	-	28,852
Investment securities:				
Available-for-sale investments	-	622,991	-	622,991
Held to maturity investments	-	-	49,496	49,496
Asset pledged as collateral	-	120,540	69,311	189,851
Other assets	-	-	56,923	56,923
Total Financial Assets	28,852	743,531	2,788,764	3,561,147
Financial liabilities				
Customer deposits	-	-	2,531,660	2,531,660
Deposits from banks	-	-	59,102	59,102
Financial liabilities held for trading	9,342	-	-	9,342
Borrowings	-	-	431,671	431,671
Other liabilities	-	-	134,637	134,637
Total Financial Liabilities	9,342	-	3,157,070	3,166,412
31 December 2016				
Financial assets				
Cash and balances with Central Banks	-	-	637,061	637,061
Loans and advances to banks	-	-	204,469	204,469
Loans and advances to customers				
- Overdrafts	-	-	238,471	238,471
- Term loans	-	-	1,421,789	1,421,789
- Staff loans	-	-	4,676	4,676
- Project finance	-	-	26,472	26,472
- Advances under finance lease	-	-	1,304	1,304
Financial assets held for trading	23,482	-	-	23,482
Investment securities:				-
Available-for-sale investments	-	587,153	-	587,153
Held to maturity investments	-	-	81,590	81,590
Asset pledged as collateral	-	77,454	73,636	151,090
Other assets	-	-	17,362	17,362
Total Financial Assets	23,482	664,607	2,706,830	3,394,919
Financial liabilities				
Customer deposits	-	-	2,490,578	2,490,578
Deposits from banks	-	-	40,493	40,493
Financial liabilities held for trading	12,751	-	-	12,751
Borrowings	-	-	369,428	369,428
Other liabilities	-	-	120,930	120,930
Total Financial Liabilities	12,751	-	3,021,429	3,034,180

3.2.10 **Maximum exposure to credit risk before collateral held or credit enhancements**

Credit risk exposures relating to on balance sheet assets are as follows:

	31 Dec 2017 N'millions	**31 Dec 2016 N'millions**
GROUP		
Balances with central banks	469,277	588,346
Loans and advances to banks	729,603	437,935
Loans and advances to customers		
- Overdrafts	296,135	282,687
- Term loans	1,695,780	1,691,198
- Staff loans	7,316	6,769
- Project finance	26,296	104,783
- Advances under finance lease	511	1,304
Financial assets held for trading	33,011	23,494
Investment securities - Debt		
-Available-for-sale investments	963,819	801,284
-Held to maturity investments	101,331	108,159
Asset pledged as collateral	194,951	161,133
Other assets	57,257	26,544
	4,575,287	4,233,636

Credit risk exposures relating to off balance sheet assets are as follows:		
Loan commitments	8,263	14,203
Letter of credit and other credit related obligations	530,969	470,624
	539,232	484,827
TOTAL MAXIMUM EXPOSURE	5,114,519	4,718,463

BANK

Balances with central banks	454,703	572,508
Loans and advances to banks	436,764	204,469
Loans and advances to customers		
- Overdrafts	198,502	238,471
- Term loans	1,428,088	1,421,789
- Staff loans	5,399	4,676
- Project finance	26,296	26,472
- Advances under finance lease	511	1,304
Financial assets held for trading	28,852	23,482
Investment securities		
-Available-for-sale investments	534,789	535,435
-Held to maturity investments	49,496	81,590
Asset pledged as collateral	189,852	151,090
Other assets	56,923	17,362
	3,410,175	3,278,648
Loan commitments	6,035	11,061
Letter of credit and other credit related obligations	521,407	453,258
	527,442	464,319
TOTAL MAXIMUM EXPOSURE	**3,937,617**	**3,742,967**

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

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2017 and 31 December 2016. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets held for trading analysed below excludes investments in equity instruments.

GROUP

	Lagos **N 'millions**	Southern Nigeria **N 'millions**	Northern Nigeria **N 'millions**	Africa **N 'millions**	Europe **N 'millions**	America **N 'millions**	**Total N 'millions**
Balances with central bank	454,702	-	-	14,377	198	-	469,277
Loans and advances to banks	231,875	-	-	48,582	299,672	149,474	729,603
Loans and advances to customers							-
- Overdrafts	159,842	44,437	12,936	43,495	28,154	7,271	296,135
- Term loans	1,245,694	201,162	54,942	83,451	47,813	62,718	1,695,780
- Staff loans	5,438	-	-	1,837	41	-	7,316
- Project finance	6,093	5,503	14,700	-	-	-	26,296
- Advances under finance lease	233	275	3	-	-	-	511
Financial assets held for trading	26,607	-	-	2,238	4,166	-	33,011
Investment securities							
Available-for-sale investments	530,670	3,233	1,933	17,131	56,263	354,589	963,819
Held to maturity investments	58,709	2,016	-	40,606	-	-	101,331
Asset pledged as collateral	189,851	-	-	5,100	-	-	194,951
Other assets	43,553	6,693	318	5,961	732	-	57,257
31 December 2017	2,953,267	263,319	84,832	262,778	437,039	574,052	4,575,287
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	303,809	45,271	32,858	2,354	143,416	3,261	530,969
31 December 2017	308,771	46,344	32,858	4,582	143,416	3,261	539,232
Balances with central bank	572,508	-	-	15,526	312	-	588,346
Loans and advances to banks	171,678	-	-	40,494	168,381	57,382	437,935
Loans and advances to customers							
- Overdrafts	153,682	67,650	19,408	40,462	620	865	282,687
- Term loans	1,215,813	190,685	57,318	102,969	13,180	111,233	1,691,198
- Staff loans	4,696	-	-	2,030	43	-	6,769
- Project finance	57,572	-	15,859	25,108	6,244	-	104,783
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets held for trading	21,459	-	-	449	1,586	-	23,494
Investment securities							
Available-for-sale investments	531,598	3,953	1,950	16,170	18,486	229,127	801,284
Held to maturity investments	87,159	3,184	-	17,816	-	-	108,159
Asset pledged as collateral	151,090	-	-	10,043	-	-	161,133
Other assets	13,245	3,746	919	5,100	3,534		26,544
31 December 2016	2,981,178	269,825	95,473	276,167	212,386	398,607	4,233,636

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

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Loan commitments	8,116	2,939	6	3,142	-	-	14,203
Letters of credit and other credit related obligations	300,441	122,341	15,410	6,931	11,735	13,766	470,624
31 December 2016	308,557	125,280	15,416	10,073	11,735	13,766	484,827

BANK

	Lagos N 'millions	Southern Nigeria N 'millions	Northern Nigeria N 'millions	Africa N 'millions	Europe N 'millions	America N 'millions	Total N 'millions
Balances with central bank	454,703	-	-	-	-	-	454,703
Loans and advances to banks	208,187	-	-	941	134,492	93,144	436,764
Loans and advances to customers							
- Overdrafts	141,129	44,437	12,936	-	-	-	198,502
- Term loans	1,171,984	201,162	54,942	-	-	-	1,428,088
- Staff loans	5,399	-	-	-	-	-	5,399
- Project finance	6,093	5,503	14,700	-	-	-	26,296
- Advances under finance lease	233	275	3	-	-	-	511
Financial assets held for trading	26,607	-	-	2,238	7	-	28,852
Investment securities							
Available-for-sale investments	529,623	3,233	1,933	-	-	-	534,789
Held to maturity investments	47,480	2,016	-	-	-	-	49,496
Asset pledged as collateral	189,852	-	-	-	-	-	189,852
Other assets	49,912	6,693	318	-	-	-	56,923
31 December 2017	2,831,202	263,319	84,832	3,179	134,499	93,144	3,410,175

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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
Loan commitments	4,962	1,073	-	-	-	-	6,035
Letters of credit and other credit related obligations	299,862	45,271	32,858	-	143,416	-	521,407
31 December 2017	304,824	46,344	32,858	-	143,416	-	527,442

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
Balances with central bank	572,508	-	-	-	-	-	572,508
Loans and advances to banks	68,925	-	-	1,664	114,993	18,887	204,469
Loans and advances to customers							
- Overdrafts	151,413	67,650	19,408	-	-	-	238,471
- Term loans	1,173,786	190,685	57,318	-	-	-	1,421,789
- Staff loans	4,676	-	-	-	-	-	4,676
- Project finance	10,613	-	15,859	-	-	-	26,472
- Advances under finance lease	678	607	19	-	-	-	1,304
Financial assets held for trading	21,459	-	-	449	1,574	-	23,482
Investment securities							
Available-for-sale investments	529,532	3,953	1,950	-	-	-	535,435
Held to maturity investments	78,406	3,184	-	-	-	-	81,590
Asset pledged as collateral	151,090	-	-	-	-	-	151,090
Other assets	12,697	3,746	919	-	-	-	17,362
31 December 2016	2,775,783	269,825	95,473	2,113	116,567	18,887	3,278,648

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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	Total
Loan commitment	8,116	2,939	6	-	-	-	11,061
Letters of credit and other credit related obligations	314,350	123,074	15,834	-	-	-	453,258
31 December 2016	322,466	126,013	15,840	-	-	-	464,319

3.2.11 **Concentration of risks of financial assets with credit risk exposure continued**
b) Industry sectors

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

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	10,266	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	981	-	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	469,277	729,603	11,680	428,669	2,588	5,100	51,430
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	5
Utilities	-	-	-	-	-	-	5,512
Retail services	-	-	-	-	-	-	-
Public sector	-	-	10,084	535,150	98,743	189,851	310
Total at 31 December 2017	469,277	729,603	33,011	963,819	101,331	194,951	57,257

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	5,264	49,932	-	-	-	55,196
Oil and gas	58,959	672,194	-	8,369	-	739,522
Consumer credit	6,361	92,875	5,468	-	2	104,706
Manufacturing	78,163	250,611	-	-	-	328,774
Real estate	59,576	120,288	1,769	-	-	181,633
Construction	13,012	49,807	-	14,700	8	77,527
Finance and insurance	340	4,880	39	-	-	5,259
Transportation	358	12,442	-	-	-	12,800
Communication	16,457	39,202	-	3,227	-	58,886
General commerce	29,947	35,958	-	-	-	65,905
Utilities	3,617	123,696	-	-	-	127,313
Retail services	23,910	51,649	40	-	501	76,100
Public sector	171	192,246	-	-	-	192,417
Total at 31 December 2017	296,135	1,695,780	7,316	26,296	511	2,026,038

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	-	-	-	-	-	2,285
Oil and gas	-	-	-	-	-		
Consumer credit	-	-	-	-	-		
Manufacturing	-	-	-	-	-	-	
Real estate	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	
Finance and insurance	588,346	437,935	7,096	264,807	5,170	10,043	20,512
Transportation	-	-	-	-	-	-	
Communication	-	-	-	-	-	-	
General commerce	-	-		-	-	-	
Utilities	-	-	-	-	-	-	2,790
Retail services	-	-	-	-	-	-	457
Public sector	-	-	16,398	536,477	102,989	151,090	500
Total at 31 December 2016	588,346	437,935	23,494	801,284	108,159	161,133	26,544

b) Industry sectors

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	7,627	108,397	-	-	-	116,024
Oil and gas	78,915	559,974	-	50,415	0	689,304
Consumer credit	5,964	112,932	5,098	-	-	123,994
Manufacturing	45,797	293,775	-	18,304	180	358,056
Real estate	29,630	155,762	1,671	-	-	187,063
Construction	40,246	18,376	-	15,859	9	74,490
Finance and insurance	638	5,499	-	4,121	0	10,258
Transportation	1,818	11,541	-	9,080	13	22,452
Communication	12,790	59,068	-	6,185	-	78,043
General commerce	25,506	26,148	-	-	3	51,657
Utilities	4,392	99,573	-	-	-	103,965
Retail services	29,173	44,031	-	-	1,099	74,303
Public sector	191	196,122	-	819	0	197,132
Total at 31 December 2016	282,687	1,691,198	6,769	104,783	1,304	2,086,741

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets N 'millions
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
BANK							
Agriculture	1	-	-	-	-	-	-
Oil and gas	-	-	10,266	-	-	-	-
Manufacturing	-	-	981	-	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	454,702	436,764	7,521	684	2,588	-	51,407
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	5,304
Retail services	-	-	-	-	-	-	-
Public sector	-	-	10,084	534,105	46,908	189,852	212
Total at 31 December 2017	454,703	436,764	28,852	534,789	49,496	189,852	56,923

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	5,183	14,377	-	-	-	19,560
Oil and gas	58,106	591,612	-	8,369	-	658,087
Consumer credit	4,946	84,661	3,630	-	2	93,239
Manufacturing	47,428	176,394	-	-	-	223,822
Real estate	24,402	94,917	1,769	-	-	121,088
Construction	12,153	49,144	-	14,700	8	76,005
Finance and insurance	3,714	1,380	-	-	-	5,094
Transportation	191	4,183	-	-	-	4,374
Communication	16,012	38,704	-	3,227	-	57,943
General commerce	15,821	22,772	-	-	-	38,593
Utilities	1,983	123,290	-	-	-	125,273
Retail services	8,502	47,681	-	-	501	56,684
Public sector	61	178,973	-	-	-	179,034
Total at 31 December 2017	198,502	1,428,088	5,399	26,296	511	1,658,796

b) Industry sectors

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to	Asset pledged as collateral	Other assets
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	-	-	-	-	-	-	2,284
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-		-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	572,508	204,469	7,085	1,023	5,170	-	11,788
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	2,790
Retail services	-	-	-	-	-	-	-
Public sector	-	-	16,397	534,412	76,420	151,090	500
Total at 31 December 2016	572,508	204,469	23,482	535,435	81,590	151,090	17,362

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Agriculture	7,486	43,272	-	-	-	50,758
Oil and gas	77,024	569,983	-	4,428	-	651,435
Consumer credit	5,055	103,443	3,005	-	-	111,503
Manufacturing	42,932	182,907	-	-	180	226,019
Real estate	22,070	98,355	1,671	-	-	122,096
Construction	39,159	17,362	-	15,859	9	72,389
Finance and insurance	452	4,211	-	-	-	4,663
Transportation	1,501	8,877	-	-	13	10,391
Communication	10,936	58,078	-	6,185	-	75,199
General commerce	14,224	10,341	-	-	3	24,568
Utilities	2,754	98,670	-	-	-	101,424
Retail services	14,858	37,054	-	-	1,099	53,011
Public sector	20	189,236	-	-	-	189,256
Total at 31 December 2016	238,471	1,421,789	4,676	26,472	1,304	1,692,712

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

	Loan commitments 31 Dec 2017 N 'millions	Letter of credit and other related obligations 31 Dec 2017 N 'millions	Loan commitments 31 Dec 2016 N 'millions	Letter of credit and other related obligations 31 Dec 2016 N 'millions
			GROUP	
Agriculture	-	5,169	-	11,331
Oil and gas	1,080	57,869	8,539	44,141
Consumer credit	79	-	-	118
Manufacturing	18	131,730	3,437	116,774
Real estate	-	167	157	878
Construction	12	54,140	-	76,244
Finance and insurance	35	168,407	30	113,326
Transportation	-	2,752	522	444
Communication	76	2,006	618	1,880
General commerce	1,949	48,570	879	55,379
Utilities	4,897	21,582	-	24,295
Retail services	113	11,581	21	25,814
Public sector	4	26,996	-	-
TOTAL	8,263	530,969	14,203	470,624

3.2.11

Concentration of risks of financial assets with credit risk exposure
Bank

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

	Loan commitments 31 Dec 2017 N 'millions	Letter of credit and other related obligations 31 Dec 2017 N 'millions	Loan commitments 31 Dec 2016 N 'millions	Letter of credit and other related obligations 31 Dec 2016 N 'millions
			BANK	
Agriculture	-	5,166	-	11,473
Oil and gas	1,049	57,840	7,462	43,425
Consumer credit	65	-	-	118
Manufacturing	-	131,729	3,429	128,230
Real estate	-	167	157	803
Construction	-	53,104	-	75,425
Finance and insurance	-	165,146	-	77,999
Transportation	-	2,712	-	123
Communication	-	2,006	13	1,880
General commerce	-	43,525	-	60,894
Utilities	4,897	21,582	-	24,219
Retail services	24	11,489	-	25,737
Public sector	-	26,941	-	2,932
TOTAL	6,035	521,407	11,061	453,258

3.2.12 **Loans and advances to customers**

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

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project Finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
GROUP						
December 2017						
Neither past due nor impaired	241,404	1,367,035	7,592	26,775	375	1,643,181
Past due but not impaired	34,281	108,174	14	-	110	142,579
Individually impaired	67,565	422,277	6	-	533	490,381
Collectively impaired	2,378	26,794	-	-	54	29,226
Gross	345,628	1,924,280	7,612	26,775	1,072	2,305,367
Less: allowance for impairment (note 20)	(49,493)	(228,500)	(296)	(479)	(561)	(279,329)
Net	296,135	1,695,780	7,316	26,296	511	2,026,038
Specific impairment (see note 20)	44,205	184,906	4	-	533	229,648
Portfolio allowance (see note 20)	5,288	43,594	292	479	28	49,681
Total	49,493	228,500	296	479	561	279,329
December 2016						
Neither past due nor impaired	201,193	1,292,073	6,788	83,040	1,059	1,584,153
Past due but not impaired	38,489	191,446	6	8,998	256	239,195
Individually impaired	152,773	392,128	15	23,885	497	569,298
Collectively impaired	1,415	11,972	45	-	27	13,459
Gross	393,870	1,887,619	6,854	115,923	1,839	2,406,105
Less: allowance for impairment (note 20)	(111,183)	(196,421)	(85)	(11,140)	(535)	(319,364)
Net	282,687	1,691,198	6,769	104,783	1,304	2,086,741
Specific impairment (see note 20)	106,323	164,818	3	10,837	497	282,478
Portfolio allowance (see note 20)	4,860	31,603	82	303	38	36,886
Total	111,183	196,421	85	11,140	535	319,364

3.2.12 **Loans and advances to customers**

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

	Loans to customers					
BANK	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
December 2017	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Neither past due nor impaired	156,897	1,127,774	5,472	26,775	375	1,317,293
Past due but not impaired	31,692	89,832	5	-	110	121,639
Individually impaired	54,799	316,629	-	-	533	371,961
Collectively impaired	1,342	25,226	-	-	54	26,622
Gross	244,730	1,559,461	5,477	26,775	1,072	1,837,515
Less: allowance for impairment (note 20)	(46,228)	(131,373)	(78)	(479)	(561)	(178,719)
Net	198,502	1,428,088	5,399	26,296	511	1,658,796
Specific impairment (see note 20)	42,027	90,924	-	-	533	133,484
Portfolio allowance (see note 20)	4,201	40,449	78	479	28	45,235
Total	46,228	131,373	78	479	561	178,719
December 2016						
Neither past due nor impaired	165,510	1,037,037	4,743	20,444	1,059	1,228,793
Past due but not impaired	33,140	186,010	-	6,331	256	225,737
Individually impaired	144,666	320,463	-	1,365	497	466,991
Collectively impaired	990	10,869	-	-	27	11,886
Gross	344,306	1,554,379	4,743	28,140	1,839	1,933,407
Less: allowance for impairment (note 20)	(105,835)	(132,590)	(67)	(1,668)	(535)	(240,695)
Net	238,471	1,421,789	4,676	26,472	1,304	1,692,712
Specific impairment (see note 20)	102,207	106,036	-	1,365	497	210,105
Portfolio allowance (see note 20)	3,628	26,554	67	303	38	30,590
Total	105,835	132,590	67	1,668	535	240,695

GROUP

December 2017

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

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Grades:						
AAA	257	10,889	39	1	-	11,186
AA	994	51,303	-	-	-	52,297
A	16,174	19,617	3	-	-	35,794
BBB	39,264	249,526	1,615	-	-	290,405
BB	68,379	394,159	1,865	18,109	203	482,715
B	55,972	426,890	3,952	8,665	172	495,651
CCC	29	387	-	-	-	416
CC	56	1,424	59	-	-	1,539
C	60,279	212,840	59	-	-	273,178
	241,404	1,367,035	7,592	26,775	375	1,643,181

(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	25,723	-	-	-	26,810
Gross amount	34,281	108,174	14	-	110	142,579

(c) **Collectively impaired loans**

These represent insignificant impaired loans which are	2,378	26,794	-	-	54	29,226

(d) **Loans and advances individually impaired**

Gross amount	67,565	422,277	6	-	533	490,381
Specific impairment	(44,205)	(184,906)	(4)	-	(533)	(229,648)
Net amount	23,360	237,371	2	-	-	260,733

3.2.12 **Loans and advances to customers continued**

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
GROUP						
December 2016						
(a) **Loans and advances to customers - neither past due nor impaired**						
Grades:						
AAA	860	5,164	4	-	-	6,028
AA	2,227	59,787	80	-	-	62,094
A	3	35,233	41	-	-	35,277
BBB	8,919	102,409	131	-	-	111,459
BB	71,884	546,884	2,145	16,840	679	638,432
B	83,832	299,598	2,790	4,429	380	391,029
CCC	11,982	25,902	1,554	-	-	39,438
CC	-	1,700	-	-	-	1,700
C	21,486	215,396	43	61,771	-	298,696
	201,193	1,292,073	6,788	83,040	1,059	1,584,153
(b) **Loans and advances past due but not impaired**						
Past due up to 30 days	16,112	143,171	4	8,581	186	168,054
Past due by 30 - 60 days	18,175	25,850	2	-	70.00	44,097
Past due 60-90 days	4,202	22,425	-	417	-	27,044
Gross amount	38,489	191,446	6	8,998	256	239,195
(c) **Collectively impaired loans**						
These represent insignificant impaired loans which are	1,415	11,972	45	-	27	13,459
(d) **Loans and advances individually impaired**						

BANK

December 2017

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

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

	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Grades:						
AAA	257	10,890	-	-	-	11,147
AA	994	51,303	-	-	-	52,297
A	3,631	19,541	-	-	-	23,172
BBB	29,716	233,958	-	-	-	263,674
BB	67,460	393,221	1,865	18,110	203	480,859
B	54,810	418,474	3,607	8,665	172	485,728
CCC	29	387	-	-	-	416
CC	-	-	-	-	-	-
	156,897	1,127,774	5,472	26,775	375	1,317,293
(b) **Loans and advances past due but not impaired**						
Past due up to 30 days	20,788	47,110	-	-	110	68,008
Past due by 30 - 60 days	10,834	19,854	5	-	-	30,693
Past due 60-90 days	70	22,868	-	-	-	22,938
Gross amount	31,692	89,832	5	-	110	121,639
(c) **Collectively impaired loans**						
These represent insignificant impaired loans which are	1,342	25,226	-	-	54	26,622
(d) **Loans and advances individually impaired**						
Gross amount	54,799	316,629	-	-	533	371,961
Specific impairment	(42,027)	(90,924)	-	-	(533)	(133,484)
Net amount	12,772	225,705	-	-	-	238,477

December 2016

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

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

Grades:						
AAA	860	-	-	-	-	860
AA	2,227	58,967	-	-	-	61,194
A	-	29,950	-	-	-	29,950
BBB	8,183	99,570	-	-	-	107,753
BB	71,113	545,157	2,145	16,015	678	635,108
B	82,750	298,141	2,598	4,429	381	388,299
CCC	377	3,552	-	-	-	3,929
CC		1,700				1,700
C						-
	165,510	1,037,038	4,743	20,444	1,059	1,228,793

(b) **Loans and advances past due but not impaired**

Past due up to 30 days	14,850	139,357	-	6,331	186	160,724
Past due by 30 - 60 days	16,671	25,578	-	-	70	42,319
Past due 60-90 days	1,619	21,075	-	-	-	22,694
Gross amount	33,140	186,010	-	6,331	256	225,737

(c) **Collectively impaired loans**

These represent insignificant impaired loans which are	990	10,869	-	-	27	11,886

(d) **Loans and advances individually impaired**

Gross amount	144,666	320,463	-	1,365	497	466,991
Specific impairment	(102,207)	(106,036)	-	(1,365)	(497)	(210,104)
Net amount	42,459	214,427	-	-	-	256,887

(e) **Assets obtained by taking possession of collateral**

Details of assets obtained by the group by taking possession of collateral held as security against loans and advances to customers, and held at the year-end includes; Land (N35bn), Buildings (N2.91bn), Tank farm (N10bn), Rigs (6.12bn) and Vessel (N0.877bn)

These assets are classified in the statement of financial position within other assets. The Group's policy is to pursue timely realization of the collateral in an orderly manner. The Group does not use the collateral for its own operations.

(f) **Sensitivity analysis on impairment**

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

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

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

Approach to sensitivity analysis

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

Scenario 1

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

Scenario 2

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

3.2.12 **Loans and advances to customers continued**

(e) **Sensitivity analysis on impairment continued**

Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss

	Impairment charge in profit or loss		
	Current year	**Scenario 1**	**Scenario 2**
	N'millions	**N'millions**	**N'millions**
31 December 2017			
- Overdrafts	10,258	11,033	11,105
- Term loans	121,411	128,290	129,658
- Staff loans	11	11	11
- Project finance	(1,189)	(1,078)	(1,078)
- Advances under finance lease	26	28	31
Total	130,517	138,284	139,727
31 December 2016			
- Overdrafts	80,694	81,375	81,424
- Term loans	76,945	82,956	83,502
- Staff loans	-	12	12
- Project finance	1,531	1,591	1,591
- Advances under finance lease	181	188	189
Total	159,351	166,122	166,718

3.2.13 **Loans and advances to banks**

(a) **Credit quality of loans to banks is summarised as follows:**

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Co's rating (credit rating agency) and the bank's internal rating system at 31 December 2017 and 31 December 2016.

	Group	**Bank**
	Loans to banks	**Loans to banks**
	N'millions	**N'millions**
31 December 2017		
A+ to A-	149,354	149,355
B+ to B-	197,023	287,069
Unrated	383,226	340
	729,603	436,764
31 December 2016		
A+ to A-	110,526	110,526
B+ to B-	62,198	62,198
Unrated	233,602	135
	406,327	172,859

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

All investments in debt instruments are neither past due nor impaired.

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Co's rating (credit rating agency) at 31 December 2017 and 31 December 2016.

Group

	Treasury bills as reported in the AFS portfolio	**Bonds as reported in the AFS portfolio**	**Treasury bills as reported in the HTM portfolio**	**Bonds as reported in the HTM portfolio**	**Other assets**
	N'millions	**N'millions**	**N'millions**	**N'millions**	**N'millions**
31 December 2017					
A+ to A-	231,571	186,961	-	3,125	34,675
Nigeria (B) S&P	504,203	134,072	11,240	114,203	-
B+ to B-	-	27,552	-	-	2,888
Unrated	-	-	39,365	7,809	19,694
	735,774	348,585	50,605	125,137	57,257
31 December 2016					
A+ to A-	195,606	51,933	-	16,674	10,289
Nigeria (B) S&P	514,993	89,178	-	138,545	-
B+ to B-	-	27,028	31,386	5,233	-
Unrated	-	-	-	-	16,255
	710,599	168,139	31,386	160,452	26,544

Bank

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
	N'millions	N'millions	N'millions	N'millions	N'millions
31 December 2017					
A+ to A-	-	14,457	-	3,125	34,675
Nigeria (B) S&P	503,158	134,072	-	114,203	-
B+ to B-	-	3,642	-	-	2,887
Unrated	-	-	-	1,479	19,361
	503,158	152,171	-	118,807	56,923
31 December 2016					
A+ to A-	-	6,278	-	16,681	10,289
Nigeria (B) S&P	512,927	89,105	-	138,545	-
B+ to B-	-	4,580	-	-	-
Unrated	-	-	-	-	7,073
	512,927	99,963	-	155,226	17,362

Of the Bank's Investment Securities of N774bn (Dec. 2016: N768bn) the sum of N751bn (Dec. 2016: N740bn) relate to investment in Treasury bills and Bonds issued by the Federal Government of Nigeria and bears no default risk.

3.2.15 **Collaterized Assets**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2017 and 31 December 2016 are shown below

(i) **GROUP**

31 December 2017	**Over-collaterised assets** Carrying value of the assets	Fair value of collateral held	**Under-collaterised assets** Carrying value of the assets	Fair value of collateral held
Financial assets				
Cash and balances with Central Banks	-	-	-	-
Loans and advances to banks	-	-	729,603	5,426
Financial assets held for trading	-	-	33,011	2,452
Total Financial Assets	-	-	762,614	7,878

GROUP

31 December 2016	**Over-collaterised assets** Carrying value of the assets	Fair value collateral held	**Under-collaterised assets** Carrying value of the assets	Fair value collateral held
Financial assets				
Loans and advances to banks	-	-	437,935	24,552
Financial assets held for trading	-	-	23,494	1,596
Total Financial Assets	-	-	461,429	26,148

(ii) **BANK**

31 December 2017	**Over-collaterised assets** Carrying value of the assets	Fair value collateral held	**Under-collaterised assets** Carrying value of the assets	Fair value collateral held
Financial assets				
Loans and advances to banks	-	-	436,764	5,426
Financial assets held for trading	-	-	28,852	2,452
Total Financial Assets	-	-	465,616	7,878

BANK

31 December 2016	**Over-collaterised assets** Carrying value of the assets	Fair value collateral held	**Under-collaterised assets** Carrying value of the assets	Fair value collateral held
Loans and advances to banks	-	-	204,469	24,552
Financial assets held for trading	-	-	23,482	1,585
Total Financial Assets	-	-	227,951	26,137

Loans and advances to customers have been excluded from the tables above, as no aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel. See further details on collateral management for the loan book in note 3.2.3

The underlisted financial assets are not collaterised:

Cash and balances with Central Banks
Investment securities:
Available-for-sale investments
Held to maturity investments
Asset pledged as collateral
Other assets

The Group's investment in risk-free Government securities (constituting 90% of debt instruments portfolio) and its Cash and balances with Central Banks are not considered to require collaterals given their sovereign nature.

3.2.16 **Statement of Prudential Adjustment**

In compliance with regulatory requirements, the impairment provision under IFRS and the provisions under the Nigerian Prudential Guidelines as determined by the Central Bank of Nigeria (CBN) were compared and shown below:

	31 Dec 2017	31 Dec 2016
	N'millions	N'millions
Total IFRS impairment losses	(183,510)	(244,404)
Prudential provisions	224,340	265,084
Balance in Statutory credit reserve	**40,830**	**20,680**
Analysis of the IFRS impairment losses		
Loans : Specific impairment (note 20)	133,484	210,105
Loans: Collective impairment (note 20)	45,235	30,590
Other assets (note 29)	4,791	3,709
Investments in subsidiaries (note 24)		-
Total IFRS impairment losses	**183,510**	**244,404**

3.3 **Liquidity risk**

3.3.1 **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.

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.

Funding approach

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

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

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

GROUP

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

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	1,474	2,414	45,471	-	-	657,856
Deposits from customers	2,345,805	260,782	122,095	156,664	173,416	15,709	3,074,471
Borrowings	18,050	16,420	10,262	21,466	418,819	13,515	498,532
Other liabilities	106,689	20,218	62,529	76	81	-	189,593
Total financial liabilities	3,079,041	298,894	197,300	223,677	592,316	29,224	4,420,452
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,537	31,147	98,625	307,773	65,886	-	530,968
Total Commitments	28,452	31,277	99,300	308,304	67,000	4,897	539,230
Assets held for managing liquidity risk	1,104,639	263,647	209,474	344,461	170,036	80,630	2,172,887

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2016							
Financial liabilities							
Deposits from banks	321,275	39,973	638	15,417	-	-	377,303
Deposits from customers	2,296,644	263,531	134,431	120,199	198,247	24,038	3,037,090
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	70,267	104,886	1,571	2,517			179,241
Total financial liabilities	2,695,520	421,338	138,838	153,006	543,048	48,477	4,000,227
Loan commitments	145	60	2,371	1,039	10,580	9	14,204
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,017	200,236	470,620
Total Commitments	20,560	42,575	80,551	72,295	68,597	200,246	484,824
Assets held for managing liquidity risk	755,417	253,067	126,516	385,210	316,438	115,532	1,952,181

BANK

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2017							
Financial liabilities							
Deposits from banks	12,521	4,467	-	44,893	-	-	61,881
Deposits from customers	2,248,557	170,915	68,592	52,069	-	-	2,540,133
Borrowings	15,388	33,847	10,262	21,466	418,819	13,515	513,297
Other liabilities	53,252	19,814	61,571	-	-	-	134,637
Total financial liabilities	2,329,718	229,043	140,425	118,428	418,819	13,515	3,249,948
Loan commitments	-	-	-	24	1,114	4,897	6,035
Letters of credit and other credit related obligations	23,535	27,510	98,483	307,011	64,868	-	521,407
Total Commitments	23,535	27,510	98,483	307,035	65,982	4,897	527,442
Assets held for managing liquidity risk	525,273	81,155	184,309	240,970	116,272	80,630	1,228,609
31 December 2016							
Financial liabilities							
Deposits from banks	25,075	-		15,417	-	-	40,492
Deposits from customers	2,223,414	157,927	58,132	57,869	84	-	2,497,426
Financial liabilities held for trading							-
Borrowings	32,426	31,632	11,054	14,873	344,800	24,439	459,224
Other liabilities	15,999	103,244	257	1,429		-	120,929
Total financial liabilities	2,296,914	292,803	69,443	89,588	344,884	24,439	3,118,071
Loan commitments	-	-	1,185	130	9,736	9	11,061
Letters of credit and other credit related obligations	25,379	36,105	79,974	61,307	56,865	193,629	453,258
Total Commitments	25,379	36,105	81,159	61,437	66,601	193,638	464,319
Assets held for managing liquidity risk	320,496	38,737	96,595	342,820	89,212	42,061	929,921

3.3.1 **Liquidity risk**

(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 behavioural run-off model in estimating core and volatile components of its non-maturing liabilities, complemented by qualitative factors. The objective is to determine the proportion of the non-contractual balances to be spread across the Bank's maturity bands.

TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS
GROUP

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2017							
Financial liabilities							
Deposits from banks	608,497	1,474	2,414	45,471	-	-	657,856
Deposits from customers	359,473	316,640	249,513	323,176	500,877	1,324,790	3,074,469
Borrowings	18,050	16,420	10,262	21,466	418,819	13,515	498,532
Other liabilities	106,689	20,218	62,529	76	81	-	189,593
Total financial liabilities	1,092,709	354,752	324,718	390,189	919,777	1,338,305	4,420,450
Loan commitments	915	130	675	531	1,114	4,897	8,262
Letters of credit and other credit related obligations	27,535	31,147	98,625	307,773	65,888	-	530,968
Total Commitments	28,450	31,277	99,300	308,304	67,002	4,897	539,230
Assets held for managing liquidity risk	1,104,639	263,647	209,474	344,461	170,036	80,630	2,172,887
31 December 2016							
Financial liabilities							
Deposits from banks	256,830	39,978	65,078	15,417	-	-	377,303
Deposits from customers	304,971	326,098	261,159	289,409	578,608	1,276,844	3,037,089
Borrowings	7,334	12,948	2,198	14,873	344,801	24,439	406,593
Other liabilities	70,267	104,886	1,571	2,517	-	-	179,241
Total financial liabilities	639,402	483,910	330,006	322,216	923,409	1,301,283	4,000,226
Loan commitments	145	60	2,371	1,039	10,580	9	14,204
Letters of credit and other credit related obligations	20,415	42,515	78,180	71,256	58,017	200,236	470,619
Total Commitments	20,560	42,575	80,551	72,295	68,597	200,245	484,823
Assets held for managing liquidity risk	755,417	253,067	126,516	385,210	316,438	115,532	1,952,181

BANK

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2017							
Financial liabilities							
Deposits from banks	12,521	4,467	-	44,893	-	-	61,881
Deposits from customers	306,275	226,769	151,836	218,383	327,509	1,309,361	2,540,133
Borrowings	15,388	33,847	10,262	21,466	418,819	13,515	513,297
Other liabilities	53,252	19,814	61,571	-	-	-	134,637
Total financial liabilities	387,436	284,897	223,669	284,742	746,328	1,322,876	3,249,948
Loan commitments	-	-	-	24	1,114	4,897	6,035
Letters of credit and other credit related obligations	23,535	27,510	98,483	307,011	64,868	-	521,407
Total Commitments	23,535	27,510	98,483	307,035	65,982	4,897	527,442
Assets held for managing liquidity risk	525,273	81,155	184,309	240,970	116,272	80,630	1,228,609
31 December 2016							
Financial liabilities							
Deposits from banks	25,075	-	-	15,417	-	-	40,492
Deposits from customers	330,618	216,074	144,601	221,178	327,507	1,257,448	2,497,427
Borrowings	32,426	31,632	11,054	14,873	344,800	24,439	459,225
Other liabilities	15,999	103,244	257	1,429		-	120,930
Total financial liabilities	404,119	350,950	155,913	252,898	672,307	1,281,887	3,118,074
Loan commitments	-	-	1,185	130	9,736	9	11,061
Letters of credit and other credit related obligations	25,379	36,105	79,974	61,307	56,865	193,629	453,258
Total Commitments	25,379	36,105	81,159	61,437	66,601	193,638	464,319
Assets held for managing liquidity risk	320,496	38,737	96,595	342,820	89,212	42,061	929,921

Assets held for managing liquidity risk

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

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

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

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

3.3.2 **Derivative liabilities**

Derivatives settled on a net basis

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

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

GROUP	Up to 1 month N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
At 31 December 2017							
Derivative liabilities							
FX Futures	-	139	4	19	-	-	162
Put Option	(346)	2,275	3,244	5,680	6,932	-	17,785
	(346)	2414	3,248	5,699	6932	-	17946
Derivative assets							
FX Futures	-	146	4	19	-	-	169
Put Option	371	2,320	3,939	7,087	7,848	-	21,565
	370	2,466	3,943	7,106	7,848	-	21,733
	24	4,880	7,190	12,805	14,780	-	39,680
At 31 December 2016							
Derivative liabilities							
Cross-Currency Swap	-	-	-	-	-	-	-
Accumulator-Forward FX contract	-	-	-	-	-	-	-
Put Option	295	364	468	917	1458	-	3,502
	295	364	468	917	1,458	-	3,502
Derivative assets							
Put Options	286	350	436	865	1,457	-	3,394
Forward Contract	-	-	-	-	-	-	-
	286	350	436	865	1,457	-	3,394
	581	714	904	1,782	2,915	-	6,896

Derivatives settled on a net basis

BANK	Up to 1 month N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
At 31 December 2017							
Derivative liabilities							
FX Futures	-	139	4	19	-	-	162
Put Option	(346)	2,275	3,244	5,680	6,932	-	17,785
	(346)	2,414	3,248	5,699	6,932	-	17,947
Derivative assets							
FX Futures	-	146	4	19	-	-	169
Put Option	371	2,320	3,939	7,087	7,848	-	21,565
	371	2,466	3,943	7,106	7,848	-	21,734
	25	4,880	7,191	12,805	14,780	-	39,681
At 31 December 2016							
Derivative liabilities							
Accumulator-Forward FX contract							-
Put Option	295	364	468	917	1,458	-	3,502
	295	364	468	917	1,458	-	3,502
Derivative assets							
Put Options	286	350	436	865	1,457	-	3,394
	286	350	436	865	1,457	-	3,394
	581	714	904	1,782	2,915	-	6,896

3.3.2 **Liquidity risk**

Derivatives settled on a gross basis.

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

GROUP	Up to 1 month N' million	1-3 months N' million	3-6 months N' million	6 - 12 months N' million	1-5 years N' million	Total N' million
At 31 December 2017						
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
	154,036	73,773	66,057	8,062	-	301,928
Liabilities held for trading						
FX Swap - Payable	-	-	-	-	-	-
FX Swap - Receivable	-	-	-	-	-	-
Forward Contract - Payment	20,565	15,278	-	-	-	35,843
Forward Contract - Receipt	-	-	-	-	-	-
	20,565	15,278	-	-	-	35,843
At 31 December 2016						
Assets held for trading						
FX Swap - Payable	11,177	11,595	-	-	-	22,772
FX Swap - Receivable	11,025	11,100	-	-	-	22,125
Forward Contract - Payment	-	1,350	2,338	-	-	3,688
Forward Contract - Receipt	164,026	105,661	101,707	120,978	-	492,373
	186,228	129,706	104,045	120,978	-	540,958
Liabilities held for trading						
FX Swap - Payable	-	-	16,581	-	-	16,581
FX Swap - Receivable	-	-	15,750	-	-	15,750
Forward Contract - Payment	8,835	18,974	-	-	-	27,809
Forward Contract - Receipt	-	1,350	2,338	-	-	3,688
	8,835	20,324	34,670	-	-	63,828
BANK						
At 31 December 2017						
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	-	-	-	-	-	-
Forward Contract - Receipt	20,564	15,278	-	-	-	35,842
	82,019	46,451	25,745	-	-	154,215
Liabilities held for trading						
FX Swap - Payable	-	-	-	-	-	-
FX Swap - Receivable	-	-	-	-	-	-
Forward Contract - Payable	20,564	15,278	-	-	-	35,842
Forward Contract - Receivable	-	-	-	-	-	-
	20,564	15,278	-	-	-	35,842
At 31 December 2016						
Assets held for trading						
FX Swap - Payable	11,177	11,595	-	-	-	22,772
FX Swap - Receivable	11,025	11,100	-	-	-	22,125
Forward Contract - Payment	-	1,350	2,338	-	-	3,688
Forward Contract - Receipt	8,835	18,974	-	-	-	27,809
	31,037	43,019	2,338	-	-	76,394
Liabilities held for trading						
FX Swap - Payable	-	-	16,581	-	-	16,581
FX Swap - Receivable	-	-	15,750	-	-	15,750
Forward Contract - Payment	8,835	18,974	-	-	-	27,809
Forward Contract - Receipt	-	1,350	2,338	-	-	3,688
	8,835	20,324	34,669	-	-	63,828

3.4 Market risk

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

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

3.4.1 Management of market risk

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

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

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

(a) Value at risk (VAR)

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

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

The 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 on the next page 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 year.

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

The Treasury Bills trading VaR is NGN787 million as at 31st December 2017 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.
The foreign exchange trading VaR was N27 million as at 31st December 2017, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

3.4.2 Market risk measurement techniques

(a) **VAR summary**

	BANK 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**

VAR summary

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

VAR summary **BANK**

(b) Stress tests

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

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

The ALCO is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Non-trading portfolio

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

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

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:
• interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
• forecasting and simulating interest rate margins;
• market value sensitivity;
• calculating earnings at risk (EaR) using various interest rate forecasts; and
• re-pricing risk in various portfolios and yield curve analysis.
See note 3.4.4 for interest rate sensitivity disclosures.

Hedged non-trading market risk exposures

The Bank's books have some key market risk exposures, which have been identified and are being managed using swaps and options.

3.4.3 **Foreign exchange risk**

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2017 and 31 December 2016. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira	USD	GBP	Euro	Others	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
31 December 2017						
Financial assets						
Cash and balances with Central Banks	511,419	99,284	1,759	7,565	18,281	638,308
Loans and advances to banks	208,654	224,742	268,327	19,397	8,483	729,603
Loans and advances to customers						
- Overdrafts	154,324	96,780	12,932	27,799	4,300	296,135
- Term loans	607,874	1,011,943	48,950	16,258	10,755	1,695,780
- Staff loans	5,438	1,416	41	1	420	7,316
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities						
Available-for-sale investments	575,879	476,155	-	-	-	1,052,034
Held to maturity investments	60,736	-	-	-	40,595	101,331
Asset pledged as collateral	189,851	-	-	-	5,100	194,951
Financial assets held for trading	10,084	22,927	-	-	-	33,011
Other assets	48,938	4,843	356	336	2,784	57,257
	2,391,274	1,946,820	332,365	71,356	90,718	4,832,533
Financial liabilities						
Customer deposits	2,123,297	466,447	384,477	26,486	65,025	3,065,732
Deposits from banks	-	620,081	18,808	9,694	6,459	655,042
Financial liabilities held for trading	-	9,342	-	10	-	9,352
Borrowings	58,324	355,530	6	386	2,662	416,908
Other liabilities	82,435	90,792	946	14,079	1,341	189,593
	2,264,056	1,542,192	404,237	50,655	75,487	4,336,627
31 December 2016						
Financial assets						
Cash and balances with Central Banks	631,348	5,476	610	16,115	36,048	689,597
Loans and advances to banks	90,219	32,398	16,021	281,800	17,497	437,935
Loans and advances						
- Overdrafts	163,818	105,351	1,102	7,128	5,288	282,687
- Term loans	590,050	1,002,693	56,769	30,563	11,123	1,691,198
- Staff loans	4,696	1,489	43	8	532	6,769
- Project finance	20,288	80,347	-	4,148	-	104,783
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities						
Available-for-sale investments	560,842	292,234	-	-	-	853,076
Held to maturity investments	90,343	-	-	-	17,816	108,159
Asset pledged as collateral	151,090	-	-	-	10,043	161,133
Financial assets held for trading	8,317	15,177	-	-	-	23,494
Other assets	13,631	4,625	1,567	1,618	5,102	26,543
	2,325,946	1,539,790	76,112	341,380	103,450	4,386,678

Financial liabilities						
Customer deposits	2,012,881	549,643	381,545	35,679	50,342	3,030,090
Deposits from banks	282	347,640	17,387	8,142	3,763	377,214
Financial liabilities held for trading	-	37,090	-	47	-	37,137
Borrowings	53,727	259,443	-	160	3,462	316,792
Other liabilities	46,749	116,079	1,727	9,186	5,501	179,242
	2,113,638	1,309,895	400,659	53,214	63,067	3,940,475

BANK

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2017						
Financial assets						
Cash and balances with Central Banks	511,398	4,199	1,149	719	9	517,474
Loans and advances to banks	208,187	185,610	16,716	24,049	2,202	436,764
Loans and advances to customers						
- Overdrafts	157,930	40,572	-	-	-	198,502
- Term loans	607,875	820,213	-	-	-	1,428,088
- Staff loans	5,399	-	-	-	-	5,399
- Project finance	17,566	8,730	-	-	-	26,296
- Advances under finance lease	511	-	-	-	-	511
Investment securities						
Available-for-sale investments	574,820	48,171	-	-	-	622,991
Held to maturity investments	49,496	-	-	-	-	49,496
Asset pledged as collateral	189,852	-	-	-	-	189,852
Financial assets held for trading	10,084	18,768	-	-	-	28,852
Other assets	48,174	8,560	70	86	33	56,923
	2,381,292	1,134,823	17,935	24,854	2,244	3,561,148
Financial liabilities						
Customer deposits	2,126,157	373,323	12,447	19,715	18	2,531,660
Deposits from banks	-	59,102	-	-	-	59,102
Financial liabilities held for trading	-	9,342	-	-	-	9,342
Borrowings	58,323	372,956	6	386	-	431,671
Other liabilities	83,308	48,269	170	2,820	70	134,637
	2,267,788	862,992	12,623	22,921	88	3,166,413
31 December 2016						
Financial assets						
Cash and balances with CBN	631,348	4,424	356	923	10	637,061
Loans and advances to banks	90,746	84,170	15,085	12,717	1,751	204,469
Loans and advances						
- Overdrafts	163,818	74,653	-	-	-	238,471
- Term loans	590,051	831,738	-	-	-	1,421,789
- Staff loans	4,676	-	-	-	-	4,676
- Project finance	20,287	6,185	-	-	-	26,472
- Advances under finance lease	1,304	-	-	-	-	1,304
Investment securities						
Available-for-sale investments	558,703	28,450	-	-	-	587,153
Held to maturity investments	81,590	-	-	-	-	81,590
Asset pledged as collateral	151,090	-	-	-	-	151,090
Financial assets held for trading	8,317	15,165	-	-	-	23,482
Other assets	13,083	4,220	22	37	1	17,363
	2,315,013	1,049,005	15,464	13,676	1,762	3,394,920
Financial liabilities						
Customer deposits	2,014,407	455,899	9,752	10,517	3	2,490,578
Deposits from banks	281	40,212	-	-	-	40,493
Financial liabilities held for trading	-	12,751	-	-	-	12,751
Borrowings	53,731	315,375	-	-	322	369,428
Other liabilities	46,617	71,703	373	2,147	91	120,931
	2,115,036	895,940	10,125	12,664	416	3,034,181

3.4.3 **Foreign exchange risk** *(continued)*

The group is primarily exposed to the US dollar and GBP. The Group's exposure to other foreign exchange movements is not material.

The following table details the Group's sensitivity to a 9% (2016: 5%) increase and decrease in Naira against the US dollar and GBP Management believe that a 9% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and GBP denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 9% against the US dollar and GBP For a 9% strengthening of Naira against the US dollar and GBP there would be an equal and opposite impact on profit.

	GROUP		BANK	
	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions
Naira strengthens by 9% against the US dollar Profit/(loss)	(36,417)	(11,495)	(24,465)	(7,653)
Naira weakens by 9% against the US dollar Profit/(loss)	36,417	11,495	24,465	7,653
Naira strengthens by 9% against the GBP Profit/(loss)	6,468	16,227	(478)	(267)
Naira weakens by 9% against the GBP Profit/(loss)	(6,468)	(16,227)	478	267

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.
Value at risk exposure is disclosed in Note 3.4.2.

(a) Interest rate gap position

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
GROUP				
31 December 2017				
Financial assets				
Cash and balances with Central Banks	638,308	79,084	-	559,224
Loans and advances to banks	729,603	353,818	249,202	126,583
Loans and advances				
- Overdrafts	296,135	296,135	-	-
- Term loans	1,695,780	1,695,780	-	-
- Staff loans	7,317	-	7,317	-
- Project finance	26,296	26,296	-	-
- Advances under finance lease	511	511	-	-
Investment securities:				
Available-for-sale investments	1,052,034	-	963,818	88,216
Held to maturity investments	101,331	-	101,331	-
Assets pledged as collateral	194,951	-	194,951	-
Financial assets held for trading	33,011	-	10,084	22,927
Other assets	57,257	-	-	57,257
	4,832,533	**2,451,624**	**1,526,703**	**854,207**
Financial liabilities				
Customer deposits	3,065,732	1,456,398	1,031,552	577,782
Deposits from banks	655,042	547,665	107,377	-
Financial liabilities held for trading	9,352	-	-	9,352
Borrowings	416,908	77,707	339,201	-
Other liabilities	189,593	-	-	189,593
	4,336,627	**2,081,770**	**1,478,130**	**776,727**
Interest rate mismatch		**369,854**	**48,573**	**77,480**

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2016				
Financial assets				
Cash and balances with Central Banks	689,597	14,323	7,500	667,774
Loans and advances to banks	437,934	200,624	53,343	183,967
Loans and advances				
- Overdrafts	282,687	282,687	-	-
- Term loans	1,691,198	1,691,198		-
- Staff loans	6,770	-	6,770	-
- Project finance	104,783	104,783	-	-
- Advances under finance lease	1,304	1,304	-	-
Investment securities				
Available-for-sale investments	853,076	-	801,284	51,792
Held to maturity investments	108,159	-	108,159	-
Assets pledged as collateral	161,133	-	161,133	-
Financial assets held for trading	23,494	-	8,317	15,177
Other assets	26,544	-	-	26,544
	4,386,679	**2,294,919**	**1,146,506**	**945,254**

3.4.4 **Interest rate risk continued**

Financial liabilities				
Customer deposits	3,030,090	1,528,322	1,025,492	476,276
Deposits from banks	377,214	289,717	87,216	281
Financial liabilities held for trading	37,137	0	-	37,137
Borrowings	316,792	5,824	310,968	-
Other liabilities	179,241	-	-	179,241
	3,940,474	**1,823,863**	**1,423,676**	**692,935**
Interest rate mismatch		**471,056**	**(277,170)**	**252,319**

BANK

31 December 2017				
Financial assets				
Cash and balances with Central Bank of Nigeria	517,474	-	-	517,474
Loans and advances to banks	436,764	21,324	208,140	207,300
Loans and advances				
- Overdrafts	198,502	198,502	-	-
- Term loans	1,428,088	1,428,088		-
- Staff loans	5,399	-	5,399	-
- Project finance	26,296	26,296	-	-
- Advances under finance lease	511	511	-	-
Investment securities				
Available-for-sale investments	622,991	-	534,789	88,202
Held to maturity investments	49,496	-	49,496	-
Assets pledged as collateral	189,851	-	189,851	-
Financial assets held for trading	28,852	-	10,084	18,768
Other assets	56,923	-	-	56,923
	3,561,147	1,674,721	997,759	888,667
Financial liabilities				
Customer deposits	2,531,660	1,394,624	559,386	577,650
Deposits from banks	59,102	-	59,102	-
Financial liabilities held for trading	9,342	-	-	9,342
Borrowings	431,671	97,044	334,627	-
Other liabilities	134,637	-	-	134,637
	3,166,413	1,491,668	953,115	721,629
Interest rate mismatch		**183,053**	**44,644**	**167,038**

BANK

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2016				
Financial assets				
Cash and balances with Central Bank of Nigeria	637,061	-	7,500	629,561
Loans and advances to banks	204,469	-	23,961	180,508
Loans and advances				
- Overdrafts	238,471	238,471	-	-
- Term loans	1,421,789	1,421,789		-
- Staff loans	4,676	-	4,676	-
- Project finance	26,472	26,472	-	-
- Advances under finance lease	1,304	1,304	-	-
Investment securities				
Available-for-sale investments	587,153	-	535,435	51,718
Held to maturity investments	81,590		81,590	-
Assets pledged as collateral	151,090		151,090	-
Financial assets held for trading	23,482	-	8,317	15,166
Other assets	17,362	-	-	17,362
	3,394,919	1,688,036	812,569	894,315
Financial liabilities				
Customer deposits	2,490,578	1,459,489	566,486	464,603
Deposits from banks	40,493	-	40,212	281
Financial liabilities held for trading	12,751	-	-	12,751
Borrowings	369,428	61,754	307,674	-
Other liabilities	120,930	-	-	120,930
	3,034,180	1,521,243	914,372	598,565
Interest rate mismatch		**166,793**	**(101,802)**	**295,750**

3.4.4 **Interest rate risk continued**

(b) Interest rate sensitivity gap analysis

The tables below summarise the repricing profile of FirstBank Nigeria Ltd.'s non-trading book as at 31st December 2017 and 31st December 2016. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries' is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

Figures in N'bn December 2017	**<=30 DAYS**	**31 - 90 DAYS**	**91 - 180 DAYS**	**181 - 365 DAYS**	**1 - 2 YEARS**	**2 YEARS & ABOVE**	**Rate Sensitive**
Treasury Bills	38	53	136	203	-	-	**430**
Government Bonds	-	-	9	-	15	80	**104**
Corporate Bonds	-	-	-	-	-	1	**1**
Loans and advances to banks	-	21	-	-	-	-	**21**
Project Finance	-	-	15	-	-	12	**27**
Term Loans	57	5	6	54	100	1,206	**1,428**
Overdraft	1	-	182	16	-	-	**199**
Equipment on Lease	-	-	-	-	-	-	**-**
Staff Loans	-	-	-	-	-	5	**5**
TOTAL ASSETS	**96**	**79**	**348**	**273**	**115**	**1,304**	**2,215**
Deposits from customers	306	227	152	218	328	537	**1,767**
Deposits from banks	13	4	-	42	-	-	**59**
Medium term loan	9	21	-	-	-	-	**30**
TOTAL LIABILITIES	**328**	**252**	**152**	**260**	**327**	**537**	**1,856**
	(231)	**(173)**	**196**	**13**	**(212)**	**767**	**359**

Figures in N'bn December 2016	**<=30 DAYS**	**31 - 90 DAYS**	**91 - 180 DAYS**	**181 - 365 DAYS**	**1 - 2 YEARS**	**2 YEARS & ABOVE**	**Rate Sensitive**
Treasury Bills	14	37	63	321	-	-	**435**
Government Bonds	-	-	24	5	8	62	**98**
Corporate Bonds	-	-	-	-	-	1	**1**
Loans and advances to banks	24	-	-	-	-	-	**24**
Project Finance	16	-	-	-	-	11	**26**
Term Loans	234	27	11	74	210	865	**1,422**
Overdraft	105	57	14	58	1	3	**238**
Equipment on Lease	0	0	0	0	1	0	**1**
Staff Loans	0	0	0	0	1	3	**5**
TOTAL ASSETS	**395**	**121**	**112**	**458**	**221**	**945**	**2,250**
Deposits from customers	330	215	143	218	328	456	**1,690**
Deposits from banks	25	-	-	15	-	-	**40**
Medium term loan	27	26	9	-	-	-	**62**
TOTAL LIABILITIES	**382**	**241**	**152**	**233**	**328**	**456**	**1,792**
	13	**(120)**	- **40**	**225**	**(107)**	**489**	**458**

The sensitivity analyses below for FirstBank Nigeria Limited has been determined based on the exposure to interest rates for both derivatives and non-derivative

Management believe that the following movements in either direction (per currency) are reasonably possible at the balance sheet date

Reasonable possible movement	**BANK**	
	31 Dec 2017	**31 Dec 2016**
Nibor Increase by 7%		
Profit/(loss)	38,753	52,357
Nibor decrease by 7%		
Profit/(loss)	(24,331)	(37,566)
USD Libor increases by 3%		
Profit/(loss)	(11,722)	11,649
USD Libor decreases by 3%		
Profit/(loss)	8,802	(13,825)
EURIBOR increases by 3%		
Profit/(loss)	621	(47)
EURIBOR decreases by 3%		
Profit/(loss)	680	(16)

(c) Interest rate sensitivity showing fair value and cash flow interest rate risk

	GROUP		BANK	
	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions	31 Dec 2017 N 'millions	31 Dec 2016 N 'millions
Decrease				
Asset	23,044	16,705	14,464	11,388
Liability	-	-	-	-
Increase				
Asset	(22,099)	(16,328)	(13,519)	(11,011)
Liability	-	-	-	-

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

	GROUP 31 Dec 2017	GROUP 31 Dec 2016	BANK 31 Dec 2017	BANK 31 Dec 2016
Financial assets held for trading				
Treasury bills	7,352	7,623	7,352	2,954
Government bonds	2,732	694	2,732	694
Total	10,084	8,317	10,084	3,648
Impact on income statement:				
Favourable change @ 2% reduction in interest rates	311	78	311	78
Unfavourable change @ 2% increase in interest rates	(281)	(72)	(281)	(72)
Available-for-sale investment securities:				
Treasury bills	663,357	633,145	503,159	512,927
Government bonds	300,462	168,139	152,171	98,622
Total	963,819	801,284	655,330	611,549
Impact on other comprehensive income statement:				
Favourable change @ 2% reduction in interest rates	22,733	16,627	14,153	11,310
Unfavourable change @ 2% increase in interest rates	(21,818)	(16,256)	(13,238)	(10,939)

3.5 Equity risk

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE 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 2017, the market value of quoted securities held by the Group is N842million (2016: N642 million). If the all share index of the NSE moves by 11,369 basis points from the 26,875 position at 31 December 2017, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N244 million.
The Group holds a number of investments in unquoted securities with a market value of N84.86 billion (2016: N51.73 billion) of which investments in African Finance Corporation (55%) and Airtel Nigeria Ltd (39%) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank 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 3.6.

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

3.6 Fair value of financial assets and liabilities

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. There was no transfer between levels during the year.

Recurring Fair value measurement
GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2017				
Financial assets				
Financial assets held for trading				
Debt Securities	9,928	156	-	10,084
Derivatives	169	22,758	-	22,927
Available-for-sale financial assets				
Investment securities - debt	853,422	110,397	-	963,819
Investment securities - unlisted equity			87,360	87,360
Investment securities - listed equity	855	-	-	855
Assets pledged as collateral	120,540	-	-	120,540
Financial liabilities held for trading				
Derivatives	162	9,190	-	9,352

31 December 2016				
Financial assets held for trading				
Debt Securities	6,833	1,484	-	8,317
Derivatives	7,046	8,131	-	15,177
Available-for-sale financial assets				
Investment securities - debt	753,089	48,195	-	801,284
Investment securities - unlisted equity	-	-	51,142	51,142
Investment securities - listed equity	650	-	-	650
Assets pledged as collateral	77,454	-	-	77,454
Financial liabilities held for trading				
Derivatives	-	12,121	-	12,121

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2017				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	9,928	156	-	10,084
Derivatives	169	18,599	-	18,768
Available-for-sale financial assets				
Investment securities - debt	424,392	110,397	-	534,789
Investment securities - unlisted equity			87,360	87,360
Investment securities - listed equity	842	-	-	842
Assets pledged as collateral	120,540	-	-	120,540
Financial liabilities held for trading				
Derivatives	162	9,180	-	9,342

3.6 **Fair value of financial assets and liabilities continued**

31 December 2016				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	6,833	1,484	-	8,317
Derivatives	7,046	8,119	-	15,165
Available-for-sale financial assets				
Investment securities - debt	487,240	48,195	-	535,435
Investment securities - unlisted equity	-	-	51,142	51,142
Investment securities - listed equity	576	-	-	576
Assets pledged as collateral	77,454	-	-	77,454
Financial liabilities held for trading				
Derivatives	6,876	5,875	-	12,751

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

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

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

(iii) Financial instruments in level 3

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

The following table presents changes in level 3 instruments
GROUP

At 1 January 2016	48,400
Transfer into Level 3 due to change in observability of market data	33
Total Gains recognised through OCI	2,709
At 31 December 2016	51,142
Purchased during the year	2,504
Total Gains/(losses) recognised through OCI	33,714
At 31 December 2017	**87,360**

During the year ended 31 December 2017, there were no transfers between level 1, 2 and 3 fair value measurements. Fair value increases/decreases are recorded in other comprehensive income.

BANK

At 1 January 2016	48,433
Total Gains/(losses) recognised through OCI	2,709
At 31 December 2016	51,142
Purchased during the year	2,504
Total Gains/(losses) recognised through OCI	33,714
At 31 December 2017	**87,360**

During the year ended 31 December 2017, there were no transfers between level 1, 2 and 3 fair value measurements. Fair value increases/decreases are recorded in other comprehensive income.

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, 2017 is as shown in the below table:

	Valuation Techniques	Assumption	Fair Values
		Base	33,016
AIRTEL	EV/EBITDA	Sensitivity of +2.5%	34,005
		Sensitivity of -2.5%	32,026
		Base	3,576
NIBSS PLC	P/E multiples	Sensitivity of +2.5%	3,666
		Sensitivity of -2.5%	3,487
		Base	585
AFFREXIM Bank Ltd	P/B multiples	Sensitivity of +2.5%	600
		Sensitivity of -2.5%	570
		Base	46,901
African Finance Corporation	P/E multiples	Sensitivity of +2.5%	48,074
		Sensitivity of -2.5%	45,729
		Base	778
Unified Payment Systems		Sensitivity of +2.5%	798
		Sensitivity of -2.5%	759

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

The fair value gain on the unlisted equities as at 31st December, 2017 is N33.7bn. A sensitivity of +/-2.5% results in a fair value of gain of N2.3bn and N2.3bn respectively which will impact on other comprehensive income.

(iv) **Group's valuation process**

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

3.7 **Financial instruments not measured at fair value**

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

Fair value hierachy
GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2017				
Financial assets				
Cash and balances with central banks	-	638,308	-	638,308
Loans and advances to banks	-	729,603	-	729,603
Loans and advances to Customers:				
- Overdrafts	-		296,135	296,135
- Term loans			1,695,780	1,695,780
- Staff loans	-	-	7,316	7,316
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Held to maturity investments	58,720	42,611	-	101,331
Asset pledged as collateral	69,311	5,100	-	74,411
Other assets	-	57,257	-	57,257
Deposit from customers	-	3,065,732	-	3,065,732
Deposit from bank	-	655,042	-	655,042
Borrowing	254,623	162,285	-	416,908
Other liabilities	-	189,593	-	189,593

GROUP	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2016				
Financial assets				
Cash and balances with central banks	-	689,597		689,597
Loans and advances to banks	-	437,935		437,935
Loans and advances to Customers:				
- Overdrafts	-		282,687	282,687
- Term loans			1,691,198	1,691,198
- Staff loans	-	-	6,769	6,769
- Project finance	-	-	104,783	104,783
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,913	43,246	-	108,159
Asset pledged as collateral	73,636	10,043	-	83,679
Other assets	-	26,544		26,544
Deposit from customers	-	3,030,090	-	3,030,090
Deposit from bank	-	377,214	-	377,214
Borrowing	233,974	82,818	-	316,792
Other liabilities	-	179,241	-	179,241

Financial instruments not measured at fair value
BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2017				
Financial assets				
Cash and balances with central banks	-	517,474	-	517,474
Loans and advances to banks	-	436,764	-	436,764
Loans and advances to Customers:				
- Overdrafts	-		198,502	198,502
- Term loans			1,428,088	1,428,088
- Staff loans	-	-	5,399	5,399
- Project finance	-	-	26,296	26,296
- Advances under finance lease	-	-	511	511
Held to maturity investments	47,480	2,016	-	49,496
Asset pledged as collateral	69,311	-	-	69,311
Other assets	-	56,923	-	56,923
Deposit from customers	-	2,531,660	-	2,531,660
Deposit from bank	-	59,102	-	59,102
Borrowing	254,623	177,048	-	431,671
Other liabilities	-	134,637	-	134,637
31 December 2016				
Financial assets				
Cash and balances with central banks	-	637,061	-	637,061
Loans and advances to banks	-	204,469	-	204,469
Loans and advances to Customers:				
- Overdrafts	-		238,471	238,471
- Term loans			1,421,789	1,421,789
- Staff loans	-	-	4,676	4,676
- Project finance	-	-	26,472	26,472
- Advances under finance lease	-	-	1,304	1,304
Held to maturity investments	64,915	16,675	-	81,590
Asset pledged as collateral	73,636	-	-	73,636
Other assets	-	17,362	-	17,362
Deposit from customers	-	2,490,578	-	2,490,578
Deposit from bank	-	40,493	-	40,493
Borrowing	233,974	135,454	-	369,428
Other liabilities	-	120,930	-	120,930

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

	At 31st December 2017		At 31st December 2016	
	Carrying value N 'millions	Fair value N 'millions	Carrying value N 'millions	Fair value N 'millions
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	7,316	5,493	6,769	5,147
Variable rate loans	2,018,722	2,018,722	2,079,972	2,079,972
Investment securities (held to maturity)	101,331	96,556	108,159	93,043
Asset pledged as collateral	74,411	53,036	83,679	60,582
Loan commitments	8,263	8,263	14,203	14,203
Financial liability				
Borrowings	416,908	414,052	316,792	272,774

Financial instruments not measured at fair value

	At 31st December 2017		At 31st December 2016	
	Carrying value N 'millions	**Fair value N 'millions**	**Carrying value N 'millions**	**Fair value N 'millions**
BANK				
Financial assets				
Loans and advances to customers:				
Fixed rate loans	5,399	3,576	4,676	3,054
Variable rate loans	1,653,397	1,653,397	1,688,036	1,688,036
Investment securities (held to maturity)	49,496	44,704	81,590	66,472
Asset pledged as collateral	69,311	47,936	73,636	50,539
Loan commitments	6,035	6,035	11,061	11,061
Financial liability				
Borrowings	431,671	428,814	369,428	325,410

Investment securities have been fair valued using market prices and is within level 1 of the fair value hierarchy.
Loans and advances have been fair valued using average benchmarked lending rates which were 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 hierarchy while other borrowings are fair valued using valuation techniques and are within level 2 of the fair value hierarchy.

(c) **The carrying value of the following financial assets and liabilities for both the bank and group approximate their fair values:**

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

4. Capital management

The Group's objectives in managing capital are (i) to comply with the capital requirements set by the Central Bank of Nigeria, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain an optimal capital structure suitable for the Group's business strategy.

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

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

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

The Group's capital is divided into two tiers:

• Tier 1 capital: core equity tier 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 a minimum limit of 15% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks with international banking licence in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The Bank works to maintain adequate capital cover for its trading activities, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

The table below summarises the Basel II capital adequacy ratio for 2017 and 2016. It shows the composition of regulatory capital and ratios for the years. During those years, the individual entities within the Group complied with all the regulatory capital requirements to which they are subjected.

	Group '31 Dec 2017 N 'millions	Group '31 Dec 2016 N 'millions	Bank '31 Dec 2017 N 'millions	Bank '31 Dec 2016 N 'millions
Tier 1 capital				
Share capital	16,316	16,316	16,316	16,316
Share premium	189,241	189,241	189,241	189,241
Statutory reserve	80,377	73,112	77,786	70,748
Non-controlling interest	-	965	-	-
SMEEIS reserves	6,076	6,076	6,076	6,076
Retained earnings	170,823	147,768	173,487	153,924
Less: Goodwill/Deferred Tax	(20,875)	(20,209)	(7,207)	(6,890)
Less: Excess over single obligor limit	-	-	-	-
Less: Loan to subsidiary	-	-	-	-
less: Investment in unconsolidated subsidiaries	-	-	(35,954)	(35,649)
Total qualifying for tier 1 capital	441,958	413,270	419,746	393,766
Tier 2 capital				
Fair value reserve	75,380	28,406	76,107	29,102
Forex Revaluation Reserve			-	-
Minority Interest			-	-
Other borrowings	129,152	233,976	129,152	233,976
Total Tier 2 Capital	204,532	262,382	205,259	263,078
less: Investment in unconsolidated subsidiaries	-	-	(35,954)	(35,649)
Total qualifying for tier 2 capital	147,319	137,757	115,946	107,490
Total regulatory capital	589,277	551,027	535,692	501,256
Risk-weighted assets				
Credit Risk	2,564,912	2,545,293	2,135,064	1,989,798
Operational Risk	735,990	693,552	651,154	620,103
Market Risk	233,662	177,509	233,662	208,257
Total risk-weighted assets	3,534,563	3,416,354	3,019,880	2,818,158
Risk-weighted Capital Adequacy Ratio (CAR)	**16.67%**	**16.13%**	**17.74%**	**17.79%**
TIER I CAR	**12.50%**	**12.10%**	**13.90%**	**13.97%**

5 Significant accounting judgments, estimates and assumptions

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an on-going basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise between 24 to 36 months where the financial asset is collaterized.

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

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

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

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

b Fair value of financial instruments

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. Refer to Note 3.6 for additional sensitivity information for financial instruments

5 Significant accounting judgments, estimates and assumptions (Contd)

c Held-to-maturity investments

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

If the class of held to maturity is tainted, the fair value would decrease by N15 billion amount with a corresponding entry in the available for sale reserve in shareholders equity. Furthermore, the entity would not be able to classify any financial assets as held to maturity for the following two annual report periods.

d 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.

e Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of 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 27.1 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2016: Nil)

6 Segment information

Operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.
The Group has identified the following reportable segments:

Retail Banking
Retail Banking cuts across private individuals, businesses and public sector clients, at the lower end of the market. It also covers small and medium enterprises (SMEs), local government agencies, and affluent customers.

Corporate Banking
Corporate Banking serves the middle segment of the business banking value chain, and clients comprise predominantly unrated and non-investment grade companies with a generally higher risk profile compared to institutional clients.

Commercial Banking
Commercial Banking Group (CBG), offers financial services to private sector enterprises, government contractors, hospitality and educational institutions with revenue over N3 billion which have been in existence for 2-5 years.

Public Sector
The public sector banking serves the the three tiers of governement especially the state governments. It also caters for government's parastatals,Ministries and MDAs by serving their banking needs and provide structured facilities to aid in the economic development of the country.

Treasury Services
The corporate treasury serves the needs of the group in the following areas among others:
- Cash Management
- Liquidity Planning and Control
- Management of interest, currency and commodity risks
- Procurement of finance and financial investments
- Contacts with banks and rating agencies
- Corporate finance.

Others
The results of all other business units are not reportable segments, as they are not separately included in the reports provided to the Group management committee. This segment also includes the corporate office (excluding treasury services).

The Group's management reporting is based on a measure of operating profit . This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

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

Segment result of operations

Total revenue in the segment represents: Interest income, fee and commission income, net gains or losses on foreign exchange income, net gains/ losses on investment securities, net gains/ losses from financial assets classified as held for trading, dividend income and other operating income.

The segment information provided to the Group management committee for the reportable segments for the year ended 31 December 2017 is as follows:

	Commercial Banking	Corporate Banking	Retail Banking	Public Sector	Treasury Services	Segment Total	Others	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2017								
Total segment revenue	24,117	169,778	83,239	6,804	170,797	**454,733**	86,740	**541,474**
Inter-segment revenue	1,354	(72,622)	148,214	13,316	(46,120)	**44,143**	(44,143)	**-**
Revenue from external customers	25,471	97,156	231,452	20,120	124,677	**498,876**	42,597	**541,474**
Total segment Interest Expense	(4,901)	(23,712)	(46,996)	(9,059)	(36,198)	**(120,867)**	(659)	**(121,526)**
	20,570	73,444	184,456	11,061	88,479	**378,010**	41,937	**419,948**
Profit/(loss) before tax	12,970	31,959	71,492	7,200	98,874	**222,495**	(165,387)	**57,108**
Income tax expense	-	-	-	-	-	**-**	-	**(5,633)**
Profit for the year	12,970	31,959	71,492	7,200	98,874	**222,495**	(165,387)	**51,475**
Impairment charge on credit losses	(8,993)	(83,280)	(467)	-	(29,942)	**(122,683)**	(17,488)	**(140,171)**
Impairment charge on doubtful receivables	-	-	-	-	-	**-**	(1,104)	**(1,104)**
Impairment charge on goodwill	-	-	-	-	-	**-**	-	**-**
Profit for the year from discontinued operations	-	-	-	-	-		(1,520)	**(1,520)**
Depreciation	-	(178)	-	-	-	**-**	(10,244)	**(10,422)**
Amortisation	-	(257)	-	-	-	**(257)**	(3,047)	**(3,304)**

6 Segment information continued

Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment.

	Commercial Banking	Corporate Banking	Retail Banking	Public Sector	Treasury Services	Segment Total	Others	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2017								
Total assets	127,820	2,469,670	126,831	118,658	1,631,644	**4,474,623**	539,626	**5,014,248**
Other measures of assets:								
Loans and advances to customers	127,820	1,595,594	126,831	118,658	4,918	**1,973,822**	52,216	**2,026,038**
Investment in associates	-	-	-		-	**-**	-	**-**
Expenditure on non-current assets	-	1,203	-	-	-	**1,203**	81,590	**82,793**
Investment securities	-	427,984	-	-	672,487	**1,100,471**	52,894	**1,153,365**
Total liabilities	139,857	1,376,219	1,841,399	151,557	12,751	**3,521,783**	864,874	**4,386,658**
At 31 December 2016								
Total segment revenue	25,783	149,971	86,433	8,595	196,221	**467,004**	68,536	**535,540**
Inter-segment revenue	(2,002)	(63,812)	108,173	13,954	(68,038)	**(11,726)**	11,726	**-**
Revenue from external customers	23,781	86,159	194,606	22,549	128,183	**455,278**	80,261	**535,540**
Total segment Interest Expense	(2,304)	(17,570)	(33,856)	(10,935)	(7,441)	**(72,106)**	(17,787)	**(89,893)**
Total Net Revenue	21,477	68,589	160,750	11,614	120,742	**383,172**	62,474	**445,647**
Profit/(loss) before tax	12,877	(19,682)	66,439	8,769	49,947	**118,349**	(107,674)	**10,675**
Income tax expense								**1,093**
Profit for the year	12,877	(19,682)	66,439	8,769	49,947	**118,349**	(107,674)	**11,768**
Impairment charge on credit losses	(6,755)	(76,118)	(10,011)	(5)	-	**(92,889)**	(132,056)	**(224,944)**
Impairment charge on doubtful receivables	-	-	-	-	-	**-**	(4,267)	**(4,267)**
Profit for the year from discontinued operations	-	-	-	-	-	**-**	(1,317)	**(1,317)**
Depreciation	-	(179)	-	-	-	**(179)**	(10,415)	**(10,594)**
Amortisation	-	(237)	-	-	-	**(237)**	(2,908)	**(3,146)**
At 31st December 2016								
Total assets	123,655	1,679,683	146,812	65,392	1,538,745	**3,554,287**	960,503	**4,514,790**
Other measures of assets:								
Loans and advances to customers	123,655	1,414,952	146,812	65,392	28,473	**1,779,283**	307,457	**2,086,740**
Investment in associates	-	-	-		-	**-**	-	**-**
Expenditure on non-current assets	-	948	-	-	-	**948**	82,409	**83,357**
Investment securities	-	263,784	-	-	668,743	**932,527**	28,709	**961,236**
Total liabilities	148,572	1,141,922	1,716,318	292,445	12,751	**3,312,008**	684,843	**3,996,851**

Geographical information

Revenues

	31 Dec 2017	31 Dec 2016
	N 'millions	N 'millions
Nigeria	457,471	462,681
Outside Nigeria	84,004	72,858
Total	**541,475**	**535,540**

Non current asset

	31 Dec 2017	31 Dec 2016
	N 'millions	N 'millions
Nigeria	74,241	74,468
Outside Nigeria	8,553	8,890
Total	**82,794**	**83,358**

7 Interest income

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Investment securities	153,312	100,595	122,505	94,988
Loans and advances to banks	3,117	14,777	13,950	9,984
Loans and advances to customer	284,769	268,805	251,870	234,328
	441,198	384,177	388,325	339,300

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is analysed as follows: Group N32.87 billion (2016:N30.24 billion) and Bank N32.80 billion (2016: N29.74 billion).

8 Interest expense

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Customer Deposits	87,565	69,211	75,767	56,561
Deposit from banks	9,518	1,918	6,449	542
Borrowings	24,444	18,764	27,045	22,630
	121,527	89,893	109,261	79,733

9 Impairment charge for credit losses

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Loans and advances to customers (refer to note 20)				
Increase in collective impairment	13,688	16,256	14,885	12,611
Increase in specific impairment	133,098	206,910	115,632	146,740
	146,786	223,166	130,517	159,351
Net recoveries on loans previously written off	(6,615)	(2,485)	(5,409)	(2,428)
Other assets (refer to note 29.1)				
Increase/(decrease) in impairment	1,104	4,267	1,082	2,918
	141,275	224,948	126,190	159,841

The Group Impairment charge in the financial year ended December 2017 stood at N141.29 billion from N224.95 billion recorded in December 2016. The impairment charge was attributable to recognition of impairment on some specific accounts as well as collective exposures following reassessment of the loan book. This is a prudent measure being taken, while the Group has commenced active remedial action on the specific impaired accounts. However, the bank has continued to improve on its risk management practices hence, the reduction in the impairment in 2017.

10 (a) Fee and commission income

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Credit related fees	7,049	4,233	6,830	3,698
Commission on turnover	253	3,171	-	17
Letters of credit commissions and fees	5,787	1,920	2,320	999
Electronic banking fees	24,989	21,837	24,964	21,837
Money transfer commission	3,601	5,178	3,524	5,107
Commission on bonds and guarantees	773	1,277	686	1,211
Funds transfer & intermediation fees	6,697	5,364	4,625	3,695
Account maintenance	6,432	12,457	6,411	12,457
Brokerage and intermediations	1,117	1,241	1,117	1,241
Custodian fees	5,960	4,727	-	-
Other fees and commissions	2,343	575	1,164	672
	65,001	61,980	51,641	50,934

10 (b) Fee and commission expense	12,084	10,984	12,512	11,465

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

11 Net gains on Foreign exchange income

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Revaluation gain on foreign currency balances	9,040	69,005	12,548	69,840
Foreign exchange trading income	7,547	8,845	4,481	6,262
	16,587	77,850	17,029	76,102

The reduction in revaluation gain is attributable to the lower movement in exchange rates in 2017 as compared to prior year.

12 Net gains on investment securities

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Gain on disposal of debt securities	4,358	5,365	4,235	5,341
Writeback/(Impairment) of AFS financial assets	546	(314)	-	-
	4,904	5,051	4,235	5,341

13 Net gains / (losses) from financial instruments held for trading

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Fair value gain on Derivatives	7,963	1,936	7,963	1,936
Trading income on Debt securities	2,055	1,235	2,055	1,235
Fair value loss on Debt securities	(888)	(69)	(888)	(69)
	9,130	3,102	9,130	3,102

14 Other operating income

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Other income	2,736	2,649	340	345
	2,736	2,649	340	345

Other income largely comprises of income made by the group from private banking services and VAT recovered.

15 (a) Operating expenses

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Auditors' remuneration	656	604	478	420
Directors' emoluments	2,933	2,326	1,557	1,100
Loss/(gain) on sale of property, plant and equipment	(122)	30	(124)	32
Regulatory cost	31,235	28,567	30,183	27,927
Maintenance	21,241	22,154	20,001	21,191
Insurance premium	1,072	1,200	72	1,200
Rent & Rates	3,994	3,933	2,322	2,452
Advert and Corporate Promotions	5,860	5,561	5,396	5,279
Legal and Professional fees	4,762	2,848	1,664	1,455
Donations & Subscriptions	1,076	839	741	316
Stationary & printing	1,506	1,749	1,249	1,447
Consultancy fees	679	590	551	429
Communications, Lights and Power	7,680	6,753	5,908	5,767
Cash handling charges	2,476	2,345	2,293	2,195
Operational and Other losses	7,425	6,028	7,278	5,966
Passages & Travels	5,289	4,878	4,467	4,143
Outsourced cost	16,229	15,400	16,122	15,307
Other operating expenses	4,823	3,413	2,037	902
	118,814	109,218	102,195	97,528

15 (b) Personnel expenses

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Wages and salaries	65,747	69,790	50,718	57,239
Pension costs:				
- Defined contribution plans	3,315	3,954	3,167	3,879
- Defined benefit plans (Note 33)	75	657	75	167
- Termination benefits	7,803	1,680	7,151	2,106
	76,940	76,081	61,111	63,391

16 Taxation

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Corporate tax	5,672	3,777	3,447	2,938
Education tax	189	-	91	-
Technology tax	566	535	502	535
Under provision in prior years	106	(38)	-	-
Current income tax - current period	6,533	4,274	4,040	3,473
Origination and reversal of temporary deferred tax differences	(900)	(5,367)	(784)	-
Income tax expense	5,633	(1,093)	3,256	3,473

Group

	2017		2016	
Profit before income tax	57,108		10,675	
Tax calculated using the domestic corporation tax rate of 30% (2016: 30%, 2015: 30%)	17,204	30%	3,203	30%
Effect of tax rates in foreign jurisdictions	114	0%	13,717	128%
Non-deductible expenses	25,944	45%	19,529	183%
Effect of education tax levy	189	0%	82	1%
Effect of Information technology	502	1%	535	5%
Effect of minimum tax	3,447	6%	2,938	28%
Effect of National fiscal levy	348	1%	15	0%
Tax exempt income	(41,748)	-73%	(41,173)	-386%
Tax incentives	(473)	-1%		0%
Tax loss effect	-	0%	69	1%
(Over) / under provided in prior years	106	0%	(7)	0%
Total income tax expense in income statement	5,633	10%	(1,093)	-10%
Income tax expense	5,633	10%	(1,093)	-10%

Bank

	2017		2016	
Profit before income tax	52,263		53,545	
Tax calculated using the domestic corporation tax rate of 30% (2016: 30%, 2015: 30%)	15,679	30%	16,064	30%
Non-deductible expenses	24,750	47%	17,967	34%
Effect of education tax levy	91	0%	-	0%
Effect of Information technology	502	1%	535	1%
Effect of minimum tax	3,447	7%	2,938	5%
Tax exempt income	(41,213)	-79%	(34,031)	-64%
Tax incentives	-	0%		0%
Tax loss effect	-	0%	-	0%
Total income tax expense in income statement	3,256	6%	3,473	6%
Income tax expense	3,256	6%	3,473	6%

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
The movement in the current income tax liability is as follows:				
At start of the year	4,805	5,790	3,564	2,897
Tax paid	(4,236)	(5,479)	(2,848)	(2,806)
Withholding tax credit utilised	(647)	-	(647)	-
Prior period (over)/ under provision	106	(11)	-	-
Income tax charge	6,428	2,640	4,040	3,473
Effect of Changes in Exchange Rate	(1,368)	1,864	-	-
At 31 December	5,088	4,805	4,109	3,564
Current	5,088	4,805	4,109	3,564

17 Cash and balances with central banks

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Cash	169,031	101,251	62,771	64,553
Balances with central banks excluding mandatory reserve deposits	14,294	46,044	4,716	35,563
	183,325	147,295	67,487	100,116
Mandatory reserve deposits with Central Banks	454,983	542,302	449,987	536,945
	638,308	689,597	517,474	637,061

There was no call placement with the Central Bank in 2017 (31 December 2016: N7.5 billion)

Restricted deposits with central banks are not available for use in the Group's day to day operations. The bank had restricted balances of N449.99 billion with central Bank of Nigeria (CBN) as at 31st December 2017 (December 2016: N536.95 billion). This balance includes CBN Cash Reserve Requirement and Special Intervention Reserve. The cash reserve ratio represents a mandatory 22.5% of qualifying deposits which should be held with the Central Bank of Nigeria as a regulatory requirement. The Group balance of mandatory reserve deposit also includes restricted balances of N2.276 billion and N1.964 billion (December 2016: N2.04 billion and N2.27 billion) for FBN Ghana and FBN Guinea respectively held with their respective Central Banks.

18 Cash and cash equivalents

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

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Cash (Note 17)	169,031	101,251	62,771	64,553
Balances with central banks other than mandatory reserve deposits (Note 17)	14,294	46,044	4,716	35,563
Loans and advances to banks excluding long term placements (Note 19)	688,178	370,564	376,018	137,098
Treasury bills included in financial assets held for trading (Note 21)	1,728	1,768	1,728	1,768
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.1 & 22.2)	256,071	199,541	9,159	992
	1,129,302	719,168	454,392	239,974

19 Loans and advances to banks

Current balances with banks within Nigeria	212,472	104,640	191,237	789
Current balances with banks outside Nigeria	379,743	147,919	179,780	103,429
Placements with banks and discount houses	95,963	118,005	5,001	32,880
	688,178	370,564	376,018	137,098
Long term placement/Cash collateral balance	41,425	67,371	60,746	67,371
Carrying amount	729,603	437,935	436,764	204,469

Included in loans to banks are long term placement/cash collateral balance of N41.43 billion balance for Group and N60.75 billion for Bank (31 December 2016: N67.37 billion for Group and Bank) which does not qualify as cash and cash equivalent. All other loans to banks are due within 3 months.

20 Loans and advances to customers

GROUP	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2017					
Overdrafts	345,628	44,205	5,288	49,493	296,135
Term loans	1,924,280	184,906	43,594	228,500	1,695,780
Staff loans	7,612	4	292	296	7,316
Project finance	26,775	-	479	479	26,296
	2,304,295	229,115	49,653	278,768	2,025,527
Advances under finance lease (AFL)	1,072	533	28	561	511
	2,305,367	229,648	49,681	279,329	2,026,038
31 December 2016					
Overdrafts	393,870	106,323	4,860	111,183	282,687
Term loans	1,887,619	164,818	31,603	196,421	1,691,198
Staff loans	6,854	3	82	85	6,769
Project finance	115,923	10,837	303	11,140	104,783
	2,404,266	281,981	36,848	318,829	2,085,437
Advances under finance lease	1,839	497	38	535	1,304
	2,406,105	282,478	36,886	319,364	2,086,741

BANK	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2017					
Overdrafts	244,730	42,027	4,201	46,228	198,502
Term loans	1,559,461	90,924	40,449	131,373	1,428,088
Staff loans	5,477	-	78	78	5,399
Project finance	26,775	-	479	479	26,296
	1,836,443	132,951	45,207	178,158	1,658,285
Advances under finance lease	1,072	533	28	561	511
	1,837,515	133,484	45,235	178,719	1,658,796
31 December 2016					
Overdrafts	344,306	102,207	3,628	105,835	238,471
Term loans	1,554,379	106,036	26,554	132,590	1,421,789
Staff loans	4,743	-	67	67	4,676
Project finance	28,140	1,365	303	1,668	26,472
	1,931,568	209,608	30,552	240,160	1,691,408
Advances under finance lease	1,839	497	38	535	1,304
	1,933,407	210,105	30,590	240,695	1,692,712

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Current	936,424	1,066,458	736,420	878,962
Non-current	1,089,614	1,020,282	922,376	813,750
	2,026,038	2,086,740	1,658,796	1,692,712

20a **CBN/Bank of Industry facilities**

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

CBN/Commercial Agriculture Credit (CACS)

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

	31 December 2017 N 'millions	31 December 2016 N 'millions
CBN/Bank of Industry	35,865	41,357
CBN/Commercial Agriculture Credit	19,779	12,165
CBN On-lending Bail out fund	23,355	25,652

Reconciliation of impairment allowance on loans and advances to customers:

GROUP

	Overdrafts N 'millions	Term loans N 'millions	AFL N 'millions	Others N 'millions	Total N 'millions
At 1 January 2017					
Specific impairment	106,323	164,818	497	10,840	282,478
Collective impairment	4,860	31,603	38	385	36,886
	111,183	196,421	535	11,225	319,364
Additional provision					
Specific impairment	10,742	123,672	36	(1,351)	133,099
Collective impairment	(936)	14,279	(10)	355	13,688
	9,806	137,951	26	(996)	146,787
Exchange difference					
Specific impairment	(1,817)	24,457	-	(9,470)	13,170
Collective impairment	1,512	(2,194)	-	31	(651)
Loans written off					
Specific impairment	(71,043)	(128,041)	-	(15)	(199,099)
Collective impairment	(148)	(94)	-	-	(242)
At 31 December 2017	49,493	228,500	561	775	279,329
Specific impairment	44,205	184,906	533	4	229,648
Collective impairment	5,288	43,594	28	771	49,681
	49,493	228,500	561	775	279,329

At 1 January 2016					
Specific impairment	39,089	75,109	323	0	114,521
Collective impairment	2,798	30,385	31	207	33,421
	41,887	105,494	354	207	147,942
Additional provision					
Specific impairment/(write back)	84,260	112,326	174	10,150	206,910
Collective impairment/(write back)	2,803	13,282	7	164	16,256
	87,063	125,608	181	10,314	223,166
Asset Held For Sale					
Specific impairment	(17)	(272)	-	(2)	(291)
Collective impairment	-	(41)	-	(1)	(42)
Exchange difference					
Specific impairment	442	13,360	-	692	14,494
Collective impairment	132	(4,604)	-	15	(4,457)
Loans written off					
Specific impairment	(17,451)	(35,705)	-	-	(53,156)
Collective impairment	(873)	(7,419)	-	-	(8,292)
At 31 December 2016	111,200	196,734	535	11,228	319,364
					-
Specific impairment	106,323	164,818	497	10,840	282,478
Collective impairment	4,860	31,603	38	385	36,886
	111,183	196,421	535	11,225	319,364

BANK

	Overdrafts N 'millions	Term loans N 'millions	AFL N 'millions	Others N 'millions	Total N 'millions
At 1 January 2017					
Specific impairment	102,207	106,037	497	1,365	210,106
Collective impairment	3,628	26,554	38	370	30,590
	105,835	132,591	535	1,735	240,696
Additional provision/(Writeback)					
Specific impairment	9,537	107,424	36	(1,365)	115,632
Collective impairment	721	13,987	(10)	187	14,885
	10,258	121,411	26	(1,178)	130,517
Loans written off					
Specific impairment	(69,717)	(122,537)	-	-	(192,254)
Collective impairment	(148)	(92)	-	-	(240)
At 31 December 2017	46,228	131,373	561	557	178,719
Specific impairment	42,027	90,924	533	-	133,484
Collective impairment	4,201	40,449	28	557	45,235
	46,228	131,373	561	557	178,719
At 1 January 2016					
Specific impairment	38,479	72,577	323	-	111,379
Collective impairment	1,634	24,401	31	206	26,272
	40,113	96,978	354	206	137,651
Additional provision/(Writeback)					
Specific impairment	77,826	67,375	174	1,365	146,740
Collective impairment	2,867	9,573	7	164	12,611
	80,693	76,948	181	1,529	159,351
Loans written off					
Specific impairment	(14,098)	(33,915)	-	-	(48,013)
Collective impairment	(873)	(7,420)	-	-	(8,293)
At 31 December 2016	105,835	132,591	535	1,735	240,696
Specific impairment	102,207	106,037	497	1,365	210,106
Collective impairment	3,628	26,554	38	370	30,590
	105,835	132,591	535	1,735	240,696

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

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Gross investment in finance lease, receivable				
- No later than 1 year	-	6	-	6
- Later than 1 year and no later than 5 years	1,072	1,928	1,072	1,928
	1,072	1,934	1,072	1,934
Unearned future finance income on finance leases	(97)	(95)	(97)	(95)
Impairment allowance on leases	(559)	(535)	(559)	(535)
Net investment in finance lease, receivable	416	1,304	416	1,304

Net investment in finance lease, receivable is analysed as follows

- No later than 1 year	-	6	-	6
- Later than 1 year and no later than 5 years	416	1,302	-	1,302
	416	1,308	-	1,308

20.1 Nature of security in respect of loans and advances:

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,133,945	1,197,162	940,900	990,002
Guarantee/Receivables Of Investment Grade Banks, Companies and State Government	608,451	640,822	598,987	630,246
Domiciliation of receivables	407,244	400,418	218,341	229,735
Clean/Negative Pledge	91,908	103,408	32,190	33,869
Marketable Securities/Shares	29,393	29,425	27,871	29,325
Otherwise Secured	15,294	14,797	2,297	2,417
Cash/Government Securities	19,132	20,072	16,929	17,812
	2,305,368	2,406,104	1,837,515	1,933,407

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

21 Financial assets and liabilities held for trading

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Treasury bills with maturity of less than 90 days	1,728	1,768	1,728	1,768
Treasury bills with maturity over 90 days	5,624	5,855	5,624	5,855
Bonds held for trading	2,732	694	2,732	694
Total debt securities	10,084	8,317	10,084	8,317
Derivative assets	22,927	15,177	18,768	15,165
Total assets held for trading	33,011	23,494	28,852	23,482

The Group did not designate any financial assets as fair value through profit or loss on initial recognition.
The Group uses the following derivative strategies:

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

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

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

	GROUP 31 Dec 2017			BANK 31 Dec 2017		
	Notional contract amount	Fair values Asset	Fair values Liability	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Foreign exchange derivatives						
Forward FX contract	197,370	4,974	(765)	49,657	815	(755)
FX Accumulator Contract	-	-	-	-	-	0
Currency swap	54,386	7,680	0	54,386	7,680	0
Put options	279,638	10,273	(8,587)	279,638	10,273	(8,587)
	531,394	22,927	(9,352)	383,681	18,768	(9,342)
Current	410,532	18,925	(6,197)	262,819	14,766	(6,187)
Non Current	120,862	4,002	(3,155)	120,862	4,002	(3,155)
	531,394	22,927	(9,352)	383,681	18,768	(9,342)

	GROUP 31 Dec 2016			BANK 31 Dec 2016		
	Notional contract amount	Fair values Asset	Fair values Liability	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Foreign exchange derivatives						
Forward FX contract	554,263	8,092.00	(32,347)	89,699	8,080	- 7,961
Currency swap	36,600	865	(123)	36,600	865	(123)
Put options	151,472	6,220	(4,667)	151,472	6,220	(4,667)
	742,335	15,177	(37,137)	277,771	15,165	(12,751)
Current	608,161	9,358	(32,825)	143,597	9,346	(8,439)
Non Current	134,174	5,819	(4,312)	134,174	5,819	(4,312)
	742,335	15,177	(37,137)	277,771	15,165	(12,751)

22 Investment Securities

		GROUP		BANK	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		N 'millions	N 'millions	N 'millions	N 'millions
22.1	**Securities available for sale**				
	Debt securities – at fair value:				
	– Treasury bills with maturity of less than 90 days	240,730	196,599	9,159	992
	– Treasury bills with maturity of more then 90 days	422,627	436,546	421,582	434,481
	– Government bonds	103,363	98,622	103,363	98,622
	– Other bonds	197,099	69,517	685	1,340
	Equity securities – at fair value:				
	– Listed	855	650	842	576
	Equity securities – at fair value:				
	– Unlisted	87,360	51,142	87,360	51,142
	Total securities classified as available for sale	1,052,034	853,076	622,991	587,153
	Current	688,452	728,121	439,242	464,337
	Non Current	363,582	124,955	183,749	122,816
		1,052,034	853,076	622,991	587,153
22.2	**Securities held to maturity**				
	Debt securities – at amortised cost:				
	– Treasury bills with maturity of less than 90 days	15,341	2,942	-	-
	– Treasury bills with maturity of more then 90 days	30,164	18,401	-	-
	– Bonds	55,826	86,816	49,496	81,590
	Total securities classified as held-to-maturity	101,331	108,159	49,496	81,590
	Current	62,150	48,675	26,937	22,104
	Non Current	39,181	59,484	22,559	59,486
		101,331	108,159	49,496	81,590
	Total investment securities	1,153,365	961,235	672,487	668,743

23 Asset pledged as collateral

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

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

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Available for sale debt securities (note 23.1)	120,540	77,454	120,540	77,454
Held to maturity debt securities (note 23.2)	74,411	83,679	69,311	73,636
	194,951	161,133	189,852	151,090

23.1 Available for sale debt securities

Debt securities - at fair value	-	-	-	-
– Treasury bills	72,417	77,454	72,417	77,454
– Bonds	48,123	-	48,123	-
	120,540	77,454	120,540	77,454

23.2 Held to maturity debt securities

Debt securities - at amortised cost				
– Treasury bills	5,100	10,043	-	-
– Bonds	69,311	73,636	69,311	73,636
	74,411	83,679	69,311	73,636

The related liability for assets held as collateral include:				
Bank of Industry	35,863	41,357	35,863	41,357
CBN/Commercial Agriculture Credit Scheme Intervention fund	22,277	12,165	22,277	12,165
Due to Other Banks	50,046	22,875	50,046	22,875

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 N33.8bn for the group in December 2017 (2016: N17.4bn) and N33.8bn for bank in December 2017 (2016: N17.4bn) for which there is no related liability.

Current	77,517	99,059	72,417	89,016
Non current	117,434	62,074	117,435	62,074
	194,951	161,133	189,852	151,090

24 Investment in subsidiaries

24.1 Principal subsidiary undertakings

	31 December 2017 N 'millions	31 December 2016 N 'millions
FBN Bank (UK) Limited (Note 24 (i))	45,882	45,882
First Pension Custodian Limited (Note 24 (ii))	2,000	2,000
FBN Bank Congo DRC (Note 24 (iii))	6,113	5,503
FBN Bank Ghana (Note 24 (iv))	10,559	10,559
FBN Bank Sierra Leone (Note 24 (v))	1,724	1,724
FBN Bank Guinea (Note 24 (vi))	3,171	3,171
FBN Bank Gambia (Note 24 (vii))	1,472	1,472
FBN Bank Senegal (Note 24 (viii))	4,034	4,034
Impairment loss on investment in subsidiaries	(3,048)	(3,048)
	71,907	71,297

In August 2017, the Bank acquired the 25% minority stake in FBNBank DRC for N610.5 million thereby obtaining 100% holding in FBNBank DRC.

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings. 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.

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the group (%)	Statutory year end
FBN Bank (UK) Limited (Note 24 (i))	Banking	United Kingdom	100	100	31 December
First Pension Custodian Limited (Note 24 (ii))	Pension fund Assets custodian	Nigeria	100	100	31 December
FBN Bank Congo (DRC) (Note 24 (iii))	Banking	Democratic Republic of Congo	100	100	31 December
FBN Bank Ghana (Note 24 (iv))	Banking	Ghana	100	100	31 December
FBN Bank Sierra Leone (Note 24 (v))	Banking	Sierra Leone	100	100	31 December
FBN Bank Guinea (Note 24 (vi))	Banking	Guinea	80	100	31 December
FBN Bank Gambia (Note 24 (vii))	Banking	Gambia	100	100	31 December
FBN Bank Senegal (Note 24 (viii))	Banking	Senegal	80	100	31 December

i FBN Bank (UK) Limited
FBN Bank (UK) Ltd ('FBNUK') is a company incorporated in the United Kingdom under the Companies Act 1985 as a UK registered bank authorised by the Financial Services Authority to accept deposits and undertake banking business. FBN Bank UK was incorporated in November 2002. It is a wholly owned subsidiary of First Bank of Nigeria Limited. The bank has a branch in Paris.

24 Investment in subsidiaries continued

ii First Pension Custodian Limited
First Pension Custodian Limited was incorporated on 12 August 2005 and granted an approval in principle by the National Pension Commission on 1 August 2005 while the operating licence was obtained on the 7 December 2005. The principal activity of the company is to act as a Custodian of Pension Fund Assets in accordance with the Pension Reform Act, 2004.

iii FBN Bank Congo (DRC)
FBN Bank (DRC) (previously known as Banque Internationale de Crédit (BIC)), is a company incorporated in the Democratic Republic of Congo (DRC) on 6th April 1994, following the approval granted by the Central Bank of Congo on September 24, 1993.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN DRC.

iv FBN Bank (Ghana)
FBN Bank (Ghana) (previously known as ICB Ghana), is a company incorporated in Ghana on March 19,1996, and commenced operations in November 1996. The bank operates with a Class 1 universal banking license and is a Tier III bank in the Ghana banking landscape with a network of seventeen (17) branches and two (2) cash agencies. Its principal activities include business banking and consumer banking. The target customers of the consumer banking are individuals while SMEs and corporates are the focus of the business banking unit.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank (Ghana).

v FBN Bank Sierra Leone
FBN Bank Sierra Leone, is a company incorporated in Sierra Leone on August 2004,and is one of the ten foreign-owned commercial banks in Sierra Leone. Presently, the bank has a branch network of two branches located in one of the four regions of Sierra Leone. Its principal activities include Public Sector, Retail banking, SMEs and Corporate banking.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank Sierra Leone.

vi FBN Bank (Guinea)
FBN Bank (Guinea) (previously known as ICB Guinea) is a Tier III bank in Guinea banking sector. The bank was incorporated on September 17,1996 and commenced operations in 1997. FBN Bank Guinea currently operates from five locations in Conakry, the capital city and is well known in Guinea as one of the leading banks with quality services, transparent transactions and compliance with legal and regulatory policies. Its principal activities include business and commercial banking. The business banking group focuses on corporate and institutional customers while consumer banking group provides services to retail customers.
First Bank Nigeria Limited has a holding of 80% in the equity of FBN Bank (Guinea), while FBN Bank (Ghana) holds the other 20% equity.

vii FBN Bank Gambia
FBN Bank Gambia, is a company incorporated and commenced operations in Gambia on July 2004. The bank is a Tier III bank in the Gambian banking sector, and currently operates from four (4) locations in one of the six regions in the Gambia. Key sectors targeted by the bank are public sector, corporate companies, SMEs and retail customers.
First Bank Nigeria Limited has a holding of 100% in the equity of FBN Bank Gambia.

viii FBN Bank Senegal
FBN Bank Senegal was incorporated and commenced operations in Senegal on June 2001. The bank is a Tier III bank,and currently operates from three (3) locations in Senegal. Its principal activities include retail and commercial banking. Key sectors targeted by the bank are public sector,corporate customers,SMEs and retails customers.
First Bank of Nigeria Limited acquired 80% in the equity of FBN Bank Senegal,with FBN Bank (Ghana) holding the remaining 20% equity.

ix FBN Finance Company B.V
This is a special purpose entity which issued Eurobonds on behalf of the Bank. The results of the SPE have been consolidated by the bank.

x First Dependants Nigeria Limited
First Dependants was set up as a special purpose vehicle/fund established by a trust deed for the purpose of provisions for pensions and other benefits on retirement for and in respect of employees of FBN Limited. Being a fund established by a trust deed, the management entered into a fund management agreement with First Trustees Limited to invest the funds in eligible transactions and assets held in anticipation of needs.

xi First Nominees Nigeria Limited
First Nominees Nigeria Limited was set up as a special purpose vehicle by the bank and funded by contributions from the bank. A provident fund and profit-sharing scheme, which was replaced by the "Pension and Gratuity Scheme". The fund was been managed to provide for pensions and other benefits on retirement for and in respect of employees of First Bank of Nigeria Limited. The fund is being managed by First Trustees Nigeria Limited.

xii Sinking Fund
The fund is an in-house insurance scheme established as a fund against the risk on the FBN Ltd's motor vehicles. This fund is being managed internally.

xiii FBC Assets Limited
FBC Assets Limited (previously called First Bank Capital Assets Limited) is a special purpose vehicle (SPV) incorporated to acquire shares of Zain Nigeria Limited (now Airtel Networks Limited).

Investment in subsidiaries continued

24 Investment in subsidiaries continued

25 Asset classified as held for sale

a) Disposal group

The assets classified as held for sale comprises the assets and liabilities of FBN Mortgages Limited ('FBNM'). The assets and liabilities of FBN Mortgages were classified in 2016 following the decision and resolution of the Board of Directors of First Bank Limited ('the company', 'FBN') to divest from FBN Mortgages Limited. The asset continues to meet the classification requirements of IFRS 5 and the Board of Directors demonstrated commitment to the sale and as such the sale is expected to be completed before the end of the next financial year. The entity is recognized as a cash generating unit (CGU) and forms part of the unreportable segment shown as 'others'.

The result of FBN Mortgages Limited as at 31 December 2017, when it was classsified as Assets Held for Sale are provided below:

Assets held for sale	**GROUP**		**BANK**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Investment in subsidiary			2,589	3,777
Cash and balances with central banks	203	203	-	-
Loans and advances to banks	102	510	-	-
Loans and advances to customers	2,176	3,067	-	-
-Available-for-sale investments	140	58	-	-
Other assets	557	532	-	-
Inventory	7,709	7,468	-	-
Intangible assets	1	1	-	-
Property, plant and equipment	39	61	-	-
Deferred tax	256	459	-	-
Remeasurement loss	-	-	(2,089)	(1,188)
Total assets	**11,183**	**12,359**	**500**	**2,589**
Liabilities held for sale				
Deposits from customers	6,988	10,039	-	-
Borrowings	5	109	-	-
Retirement benefit obligations	-	39	-	-
Current income tax liability	-	19	-	-
Other liabilities	416	404	-	-
Total liabilities	**7,409**	**10,610**	**-**	**-**
Net asset held for sale	**272**	**1,749**	**500**	**2,589**

	Group		**Bank**	
Summarised statement of comprehensive income	12 months to 31 Dec 2017	12 months to 31 Dec 2016	12 months to 31 Dec 2017	12 months to 31 Dec 2016
	N' millions	**N' millions**	**N' millions**	**N' millions**
Interest income	941	1,005	-	-
Interest expense	(1,277)	(927)	-	-
Net interest income	**(336)**	**78**	-	-
Impairment charge	(247)	(845)	-	-
Net interest income after net impairment charge	**(582)**	**(767)**	-	-
Net fee and commission income	94	50	-	-
Other operating income	34	183	-	-
Operating expenses	(861)	(828)	-	-
Remeasurement loss	-	-	(2,089)	(1,188)
Income tax	(205)	45	-	-
Loss for the year from discontinued operations	**(1,520)**	**(1,317)**	**(2,089)**	**(1,188)**
Summarised statement of cash flows				
Net cash flow used in operating activities			(3,729)	(2,660)
Net cash flow from investing activities			81	278
Net cash flow from financing activities			3,241	(17)
Net cash outflow/inflow			(407)	(2,399)

b) Non current asset held for sale

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

Assets held for Sale	**GROUP**		**BANK**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Property, plant and equipment	160	120	-	-
Total Assets held for sale	**11,343**	**12,479**	**500**	**2,589**

26 Property, plant and equipment

26 Property, plant and equipment

27 Intangible assets

	GROUP					
	Goodwill	Customer Relationship	Brand	Core Deposits	Computer software	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cost						
At 1 January 2016	5,265	52	326	688	9,760	16,091
Additions	-	-	-	-	4,475	4,475
Disposal	-	-	-	-	(116)	(116)
Exchange difference	974	-	-	217	774	1,965
At 31 December 2016	6,239	52	326	905	14,893	22,415
Additions	-	-	-	-	3,441	3,441
Exchange difference	146	-	-	49	389	584
At 31 December 2017	6,385	52	326	954	18,723	26,440
Amortisation and impairment						
At 1 January 2016	1,925	52	326	292	4,221	6,816
Amortisation charge	-	-	-	208	2,938	3,146
Disposal	-	-	-	-	(61)	(61)
Exchange difference	-	-	-	73	528	601
At 31 December 2016	1,925	52	326	573	7,626	10,502
Amortisation charge	-	-	-	177	3,127	3,304
Exchange difference	-	-	-	31	496	527
At 31 December 2017	1,925	52	326	781	11,249	14,333
Net book value						
At 31 December 2017	4,460	-	-	173	7,474	12,107
At 31 December 2016	4,314	-	-	332	7,267	11,913

	BANK	
	Computer software	**Total**
	N'million	**N'million**
Cost		
At 1 January 2016	6,554	6,554
Additions	3,835	3,835
At 31 December 2016	10,389	10,389
Additions	2,761	2,761
At 31 December 2017	13,150	13,150
Amortisation and impairment		
At 1 January 2016	2,511	2,511
Amortisation charge	2,331	2,331
At 31 December 2016	4,842	4,842
Amortisation charge	2,444	2,444
At 31 December 2017	7,286	7,286
Net book value		
At 31 December 2017	5,864	5,864
At 31 December 2016	5,547	5,547

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

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

The software is not internally generated.

27.1 Intangible assets continued

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entities to which the goodwill relates is recognized as a cash generating unit (CGU) and forms part of the unreportable segment shown as others. Each CGU to which goodwill is allocated for impairment testing purposes reflects the lowest level at which goodwill is monitored for internal management purposes.The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

As at 31 December, 2017, the Bank had goodwill of N4.5b. Goodwill is not amortized, but is tested, at least annually or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of the cash generating unit (CGU) to which goodwill has been allocated, with the carrying amount of the CGU including goodwill. Any deficiency is recognised as impairment of goodwill. The recoverable amount is the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the CG 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, 2017.

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 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.

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

	2017		**2016**	
	DRC	Ghana	DRC	Ghana
Terminal growth rate: %	4%	5%	8%	5%
Discount rate: %	29%	32%	23%	34%
Deposit growth rate:%	12%	7%	12%	19%
Recoverable amount of the CGU: (N' million)	13,384	12,303	7,960	13,228

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, Ghana and 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 N9.6bn, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by N10.5bn.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by N10.4bn, while if lower by 0.5% the recoverable amount would have been higher by N9.8bn.

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

Goodwill (N' million)	552	3,349	552	3,243
Net Asset (N' million)	3,256	8,437	5,397	8,613
Total carrying amount (N' million)	3,808	11,786	5,949	11,856
Excess of recoverable amount over carrying amount	9,576	517	2,011	1,372

28 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2017: 30%, 2016: 30%).

	GROUP		BANK	
	31 December 2017 N 'millions	**31 December 2016 N 'millions**	**31 December 2017 N 'millions**	**31 December 2016 N 'millions**
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred tax assets				
Property, plant and equipment	(4,634)	(7,926)	(8,245)	(8,245)
Allowance for loan losses	6,747	8,804	2,047	2,047
Tax losses carried forward	7,241	10,364	10,791	10,791
Other assets	67	1,254	1,254	1,254
Other liabilities	67	(7,604)	(7,671)	(7,671)
Defined benefit obligation	2,483	3,267	3,167	3,167
Effect of changes in exchange rate	(3,203)	137	-	-
	8,768	8,296	1,343	1,343

28 Deferred tax continued

Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	8,701	7,042	89	89
- Deferred tax asset to be recovered within 12 months	67	1,254	1,254	1,254
	8,768	8,296	1,343	1,343
Deferred tax liabilities				
Property, plant and equipment	6	6	-	-
Allowance for loan losses	(32)	(32)	-	-
Tax losses carried forward	2	2	-	-
Other assets	(11)	(11)	-	-
Other liabilities	33	33	-	-
	(2)	(2)	-	-
Deferred tax liabilities				
- Deferred tax asset to be recovered after more than 12 months	9	9	-	-
- Deferred tax asset to be recovered within 12 months	(11)	(11)	-	-
	(2)	(2)	-	-

Group

	1 Jan 2017 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2017 N 'millions
Movements in Deferred tax assets during the year:				
Property, plant and equipment	(7,926)	3,292	-	(4,634)
Allowance for loan losses	8,804	(2,098)	41	6,747
Tax losses carried forward	10,364	(3,123)	-	7,241
Other assets	1,254	(1,187)	-	67
Other liabilities	(7,604)	7,671	-	67
Retirement benefit obligation	3,267	-	(784)	2,483
Effect of changes in exchange rate	137	(3,340)	-	(3,203)
	8,296	1,215	(743)	8,768

	1 Jan 2016 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2016 N 'millions
Movements in Deferred tax assets during the year:				
Property, plant and equipment	(7,918)	(8)	-	(7,926)
Allowance for loan losses	3,380	5,424	-	8,804
Tax losses carried forward	10,364	-	-	10,364
Other assets	1,224	30	-	1,254
Other liabilities	(7,604)	-	-	(7,604)
Retirement benefit obligation	3,267	-	-	3,267
Effect of changes in exchange rate	210	(73)	-	137
	2,923	5,373	-	8,296

	Opening balance N 'millions	Recognised in P&L N 'millions	Closing balance N 'millions
Movements in Deferred tax liabilities during the year:			
2017			
Property, plant and equipment	6	-	6
Allowance for loan losses	(32)	-	(32)
Tax losses carried forward	2	-	2
Other assets	(11)	-	(11)
Other liabilities	(26)	61	35
	(61)	61	-
2016			
Property, plant and equipment	6	-	6
Allowance for loan losses	(32)	-	(32)
Tax losses carried forward	2	-	2
Other assets	(11)	-	(11)
Other liabilities	(28)	2	(26)
	(63)	2	(61)

28 Deferred tax continued

Bank

	1 Jan 2017 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2017 N 'millions
Movements in temporary differences during the year:				
Property, plant and equipment	(8,245)	3,302	-	(4,943)
Allowance for loan losses	2,047	(2,047)	-	-
Tax losses carried forward	10,791	(3,123)	-	7,668
Effect of changes in exchange rate	-	(3,764)		(3,764)
Other assets	1,255	(1,255)	-	-
Other liabilities	(7,671)	7,671	-	-
Retirement benefit obligation	3,166	-	(784)	2,382
	1,343	784	(784)	1,343

	1 Jan 2016 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2016 N 'millions
Movements in temporary differences during the year:				
Property, plant and equipment	(8,245)	-	-	(8,245)
Allowance for loan losses	2,047	-	-	2,047
Tax losses carried forward	10,791	-	-	10,791
Other assets	1,255	-	-	1,255
Other liabilities	(7,671)	-	-	(7,671)
Retirement benefit obligation	3,166	-	-	3,166
	1,343	-	-	1,343

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable. The Group did not recognise deferred income tax assets of N33 billion (2016: N12.8 billion).

The Group exercises control over the subsidiaries, it has the power control the timing of reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised. The unrecognised deferred tax arising from the temporary differences relating to the Group's investment in subsidiaries is N11.5 billion (2016: N6.7 billion).

29 Other assets

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Financial assets:				
Accounts receivable	62,105	31,595	61,714	21,071
	62,105	31,595	61,714	21,071
Less specific allowances for impairment	(4,848)	(5,051)	(4,791)	(3,709)
	57,257	26,544	56,923	17,362
Non-financial assets:				
Inventory- others	2,021	1,610	1,211	954
Inventory- repossessed collateral	54,904	-	54,904	-
Prepayments	9,779	10,455	7,916	8,638
	66,704	12,065	64,031	9,592
Net other assets balance	123,961	38,609	120,954	26,954

Inventory (repossessed collateral) of N54.90bn comprises of assets recovered from default loan customers.

29.1 Reconciliation of impairment account	GROUP		BANK	
	2017 N 'millions	2016 N 'millions	2017 N 'millions	2016 N 'millions
At start of year	5,051	805	3,709	791
Write off	(1,307)	(21)	-	-
Increase in impairment	1,104	4,267	1,082	2,918
At end of year	4,848	5,051	4,791	3,709

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

30 Deposits from banks

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Due to banks within Nigeria	563,078	333,215	-	281
Due to banks outside Nigeria	91,964	43,999	59,102	40,212
	655,042	377,214	59,102	40,493

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

31 Deposits from customers

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Current	750,108	737,328	703,759	666,147
Savings	1,014,433	949,302	989,372	927,505
Term	804,731	769,513	434,010	416,992
Domiciliary	483,996	564,679	392,055	470,666
Electronic purse	12,464	9,268	12,464	9,268
	3,065,732	3,030,090	2,531,660	2,490,578
Current	2,847,356	2,810,496	2,531,660	2,490,500
Non-current	218,376	219,594	-	78
	3,065,732	3,030,090	2,531,660	2,490,578

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

32 Borrowings

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Long term borrowing comprise:				
FBN EuroBond **(i)**	254,623	233,976	254,623	233,976
Proparco **(ii)**	21,681	19,968	21,681	19,968
African Development Bank **(iii)**	67,368	-	67,368	-
On-lending facilities from financial institutions **(iv)**	58,324	53,729	58,324	53,729
Borrowing from correspondent banks **(v)**	14,912	9,119	29,675	61,755
	416,908	316,792	431,671	369,428
Current	48,437	36,758	63,201	89,394
Non-current	368,471	280,034	368,470	280,034
	416,908	316,792	431,671	369,428
At start of the year	316,792	249,892	369,428	290,620
Assets held for sale	-	(121)	-	-
Proceeds of new borrowings	88,789	34,516	103,609	80,124
Finance Cost	24,444	18,764	27,045	22,630
Foreign exchange (gains)/ losses	27,895	82,702	27,059	87,818
Repayments of borrowings	(17,596)	(53,082)	(69,492)	(95,885)
Interest paid	(23,416)	(15,879)	(25,978)	(15,879)
At end of year	416,908	316,792	431,671	369,428

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2016: nil).

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

(ii) The amount of N21.68 billion (US $65.47 million) 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 semiannually and there is 2 year moratorium on principal repayment.

(iii) The amount of N67.37 billion (US $203.43 million) 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 2017.

(iv) 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 (2016: N41.4 billion) to First Bank of Nigeria Limited.

b. CBN/CACS Intervention funds
The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, First Bank Nigeria Limited received N12.9 billion (2015: N5.8 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

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

33 Retirement benefit obligations

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Defined Benefits Plan				
Defined benefits - Pension (i)	1,457	1,934	1,495	1,957
Gratuity Scheme (ii)	763	714	-	-
	2,220	2,648	1,495	1,957

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 2017 and 31 December 2016.

Net charge included in income statement	(169)	(179)	(155)	(167)
Remeasurement gain/(loss) included in OCI	754	1,285	617	1,256

Defined benefit - Pension (i)

First Pensions Custodian Nigeria Limited (FPCNL) 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 2017, the plan assets exceeded the defined benefit obligation by N37m resulting in a net defined benefit asset.

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

The movement in the defined benefit Pension (i) over the year is as follows:

	GROUP		
	Present value of the obligation N 'millions	Fair value of plan assets N 'millions	Total N 'millions
Defined benefit pension obligations at 1 January 2016	12,033	(8,950)	3,083
Transfer from gratuity scheme (1)	-		-
Interest expense/(income)	1,226	(1,068)	158
Service Cost	21	0	21
Curtailment losses	(1)	0	(1)
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	(34)	1,430	1,396
- change in demographic assumptions	(2,681)	-	(2,681)
Contributions:			-
- Employer	-	(42)	(42)
Payments:			-
- Benefit payment	(1,553)	1,553	-
Defined benefit pension obligations at 31 December 2016	**9,011**	**(7,077)**	**1,934**
Interest expense/(income)	1,303	(1,153)	150
Service Cost	19	-	19
Curtailment losses		-	0
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	0	(882)	(882)
- change in demographic assumptions	236	-	236
Contributions:			
- Employer	-		0
Payments:			
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	**9,065**	**(7,608)**	**1,457**

The movement in the defined benefit Pension (i) over the year is as follows:

	BANK		
	Present value of the obligation N 'millions	Fair value of plan assets N 'millions	Total N 'millions
Defined benefit pension obligations at 1 January 2016	11,808	(8,762)	3,046
Interest expense/(income)	1,213	(1,046)	167
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	-	1,426	1,426
- change in demographic assumptions	(2,682)	-	(2,682)
Payments:			
- Benefit payment	(1,457)	1,457	-
Defined benefit pension obligations at 31 December 2016	**8,882**	**(6,925)**	**1,957**
Interest expense/(income)	1,283	(1,128)	155
Remeasurement:			
- Return on plan assets not included in net interest cost on pension scheme	-	(874)	(874)
- change in demographic assumptions	257	-	257
Payments:			
- Benefit payment	(1,504)	1,504	-
Defined benefit pension obligations at 31 December 2017	**8,918**	**(7,423)**	**1,495**

The actual return on plan assets was Group N2.04 billion (2016: N2.50 billion); Bank N2 billion (2016: N2.47 billion).

33 Retirement benefit obligations continued

GROUP

Composition of Plan assets	**2017 N 'millions Quoted**	**2017 N 'millions Unquoted**	**2017 N 'millions Total**	**2016 N 'millions Quoted**	**2016 N 'millions Unquoted**	**2016 N 'millions Total**
Equity Instruments			1,014			563
Banking	779	-		401	-	
Oil Service	-	-		-	-	
Real Estate	9	-		8	-	
Manufacturing	226	-		154	-	
Debt Instruments			6,537			6,434
Government	4,935	-		4,560	-	
Corporate Bond	979	-		908	-	
Money market investments	-	623		-	966	
Money on call	-	57	57	-	80	80
Others	-	-			-	
Total	**6,928**	**680**	**7,608**	**6,031**	**1,046**	**7,077**

BANK

Composition of Plan assets	**2017 N 'millions Quoted**	**2017 N 'millions Unquoted**	**2017 N 'millions Total**	**2016 N 'millions Quoted**	**2016 N 'millions Unquoted**	**2016 N 'millions Total**
Equity Instruments			1,014			563
Banking	779			402		
Oil Service						
Real Estate	9			7		
Manufacturing	226			154		
Debt Instruments			6,353			6,297
Government	4,935			4,464		
Corporate Bond	979			868		
Money market investments		439			965	
Money on call		56	56		65	65
Total	**6,928**	**495**	**7,423**	**5,895**	**1,030**	**6,925**

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

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

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

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

Life Expectancy : The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6.3yrs and retirement age of 60yrs

Under the funded plan (Legacy scheme), the groups ensures that the fund manager operates within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation. The Bank is not expected to make any further contributions to the scheme over the next 12 months. There is no regulatory framework guiding the operation of the plan assets.

The weighted average duration of the defined benefit obligation is 6.3 years

33 Retirement benefit obligations continued

GROUP/BANK

The principal actuarial assumptions were as follows:	**31 Dec 2017**	**31 Dec 2016**
Discount rate on pension plan	14%	16%
Inflation rate	12%	12%
Life expectancy	19yrs	20yrs
Future pension increases	0%	0%

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
	14%	8,917	0.0%
	15%	8,496	-4.72%
Discount rate	13%	9,384	5.24%
	Base	8,917	0.0%
	Improved by 1 year	9,053	1.53%
Life expectancy	Decreased by 1 year	8,778	-1.56%

The above sensitivity analysis is for FBN 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	1,455,767
2019	1,416,139
2020	1,379,385
2021	1,342,945
2022	1,305,722
2023 - 2027	5,926,574

Gratuity scheme (ii)

This relates to the schemes operated by the subsidiaries of the bank as follows:
FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent. The aggregate balance on this scheme is deemed immaterial.

34 Other liabilities

	GROUP		**BANK**	
	31 December 2017 N 'millions	**31 December 2016 N 'millions**	**31 December 2017 N 'millions**	**31 December 2016 N 'millions**
Financial liabilities:				
Customer deposits for letters of credit	80,054	112,043	28,895	66,591
Accounts payable	49,951	36,868	52,942	32,462
Creditors	25,710	12,676	20,871	5,878
Bank cheques	22,828	12,426	22,505	11,988
Collection on behalf of third parties	11,050	5,228	9,424	4,011
	189,593	179,242	134,637	120,930
Non financial liabilities				
Other Creditors	35,315	38,311	25,180	31,994
Other liabilities balance	224,908	217,553	159,817	152,924

Other Creditors include transactional taxes and unearned income.

Other liabilities are expected to be settled within 12 months after the date of the consolidated statement of financial position.

35 Share capital

Authorised	31 December 2017 N 'millions	31 December 2016 N 'millions
50 billion ordinary shares of 50k each (2016: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the year:	Number of shares In millions	Ordinary shares N 'millions
At 31 December 2016	32,632	16,316
At 31 December 2017	32,632	16,316

36 Share premium and reserves

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

Share premium: Premiums from the issue of shares are reported in share premium.

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

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

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

SSI reserve: This reserve is maintained to comply with the 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.

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.

37 Reconciliation of profit before tax to cash generated from operations

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Profit before tax from continuing operations	57,108	10,675	52,263	54,733
Profit before tax from discontinued operations	(1,520)	(1,317)	(2,089)	(1,188)
Profit before tax including discontinued operations	55,588	9,358	50,174	53,545
Adjustments for:				
– Depreciation	10,422	10,594	8,890	9,210
– Amortisation	3,304	3,146	2,444	2,331
– Profit from disposal of property, plant and equipment	(122)	30	(124)	32
– Foreign exchange losses / (gains)	(9,027)	(69,005)	(12,548)	(69,840)
– Profit/(loss) from disposal of investment securities	(4,351)	(5,051)	(4,235)	(5,342)
– Net gains/(losses) from financial assets classified as held for trading	(9,129)	(3,102)	(9,129)	(3,102)
– Impairment on loans and advances	142,889	223,160	127,147	159,350
– PPE written off	-	92	-	92
– Change in provision in other assets	1,106	4,240	1,082	2,918
– Change in provision for impairment of investments	-	-	-	-
– Change in retirement benefit obligations	438	348	155	167
– Writedown on assets held for sale	-	-	2,089	1,188
– Dividend income	(1,918)	(730)	(4,166)	(3,108)
– Net interest income	(316,815)	(294,284)	(279,064)	(259,567)
– Net result from discontinued operations	1,520	1,317	-	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	87,592	(64,316)	86,959	(63,827)
– Loans and advances to banks	30,117	(25,023)	10,707	(29,044)
– Loans and advances to customers	19,617	(31,952)	(57,408)	(30,711)
– Financial assets held for trading	764	168,832	764	(4,230)
– Other assets	(34,388)	(12,379)	(38,763)	(9,694)
– Pledged assets	(33,489)	(57,542)	(38,762)	(51,004)
– Assets held for sale	-	(2,916)	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	198,972	173,323	3,602	(24,351)
– Deposits from customers	(81,487)	(155,352)	5,427	(72,359)
– Financial liabilities	-	34,682	-	-
– Liability held for sale	-			
– Other liabilities	(2,666)	(14,094)	2,570	(15,603)
Cash flow generated from/ (used in) operations	58,937	(106,624)	(142,189)	(412,948)

38 Commitments and Contingencies

38.1 Capital commitments

At the balance sheet date, the bank had capital commitments amounting to N1.061 billion (31 December 2016; N880 million) in respect of authorized and contracted capital projects. The expenditure will be funded from the group's internal resources.

	31 December 2017 N 'millions	31 December 2016 N 'millions
Authorised and contracted		
Group	1,049	880
Bank	1,049	880

38.2 Operating lease rentals:

At 31 December 2017 the Group was committed to making the following future payments in respect of operating leases for land and buildings.

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Within one year	667	332	-	-
Between two and five years	3,063	1,078	-	-
More than five years	6,102	2,926	-	-
	9,832	4,336	-	-

38.3 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

38.4 Other contingent commitments

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

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Performance bonds and guarantees	312,722	313,779	331,404	309,026
Letters of credit	218,247	156,845	190,003	144,232
	530,969	470,624	521,407	453,258

38.5 Loan commitments

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Undrawn irrevocable loan commitments	8,263	14,203	6,035	11,061

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

38.6 Compliance with covenants

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

The Group and the Bank are subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Management believes that the Group is in compliance with these covenants at 31 December 2017.

39 Offsetting financial assets and financial liabilities

This information is shown for the bank as no other entity within the group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2017:

BANK	Gross amounts 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/ provided	
	(a) N 'millions	(b) N 'millions	(c)= (a) - (b) N 'millions	(d) N 'millions	(e) N 'millions	(f) =(c) - (e) N 'millions
ASSETS						
- Financial assets held for trading	18,768	-	18,768	-	2,452	16,316
Total Assets subject to offsetting,master netting and similar arrangements	18,768	-	18,768	-	2,452	16,316
LIABILITIES						
Financial derivatives	(9,342)	-	(9,342)	-	(8,067)	(1,275)
Total liabilities subject to offsetting,master netting and similar arrangements	(9,342)	-	(9,342)	-	(8,067)	(1,275)

At 31 December 2016

BANK	Gross amounts 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) N 'millions	(b) N 'millions	(c)= (a) - (b) N 'millions	(d) N 'millions	(e) N 'millions	(f) =(c) - (e) N 'millions
ASSETS						
- Financial assets held for trading	15,165	-	15,165	-	1,585	13,580
Total Assets subject to offsetting,master netting and similar arrangements	15,165	-	15,165	-	1,585	13,580
LIABILITIES						
Financial derivatives	- 12,751	-	- 12,751	-	- 3,605	- 9,146
Total liabilities subject to offsetting,master netting and similar arrangements	- 12,751	-	- 12,751	-	- 3,605	- 9,146

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or liabilities with the margin deposit in case of default.

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

40 Related party transactions

The Group is controlled by FBN Holdings Plc. incorporated in Nigeria, which owns 99.9% of the ordinary shares.

FBN Holdings Plc. is the immediate parent company of FBN Nigeria Limited as well as the ultimate controlling party (See note 24 for the list of all subsidiaries of the Group).

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

The outstanding balances at the year-end, and related expense and income for the year are as follows:

40.1 Loans and advances to related parties

The Bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Group.

BANK

	Parent	Entities controlled by Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2017	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Loans and advances to customers					
Loans outstanding at 1 January	-	59,695	74,221	-	-
Loans issued during the year	-	4,892	16,544	-	-
Loan repayments during the year		-	(8,442)		
Loans outstanding at 31 December	-	64,587	82,323	-	-
31 December 2016					
Loans and advances to customers					
Loans outstanding at 1 January	-	52,120	67,742	-	-
Loans issued during the year	-	7,575	19,721	-	-
Loan repayments during the year		-	(13,242)		
Loans outstanding at 31 December	-	59,695	74,221	-	-

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 0% to 24%.

40.2 Deposits from related parties

BANK					
31 December 2017					
Due to customers					
Deposits at 1 January	13	2,297	276	-	1,525
Deposits received during the year	4,859	400,048	4,391	-	163,100
Deposits repaid during the year	(4,720)	(399,620)	(4,204)	-	(162,409)
Leavers	-	-	(106)	-	-
New entrants	-	-	0.4	-	-
Exchange Difference		31	18	-	3
Deposits at 31 December	152	2,756	375	-	2,219
Related party transactions continued					
31 December 2016					
Due to customers					
Deposits at 1 January	65	2,469	1,326	-	203
Deposits received during the year	11,160	379,778	6,541	-	105,575
Deposits repaid during the year	(11,212)	(380,086)	(7,024)	-	(104,267)
Leavers	-	(194)	(170)	-	-
New entrants	-	-	21	-	-
Exchange Difference	-	330	(418)	-	14
Deposits at 31 December	13	2,297	276	-	1,525

40.3 Other transactions with related parties

	Entities controlled by Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
31 December 2017				
Receivable	-	-	-	7,120
Account payable	-	-	-	1,042
Borrowings	-	-	-	17,438
Interest income	-	-	-	3,806
Interest expense	35	6	-	185
Fee and commission income	185	3	-	125
Other operating income				-
Other operating expense				-
Loans to banks				86,736
Deposit from banks				7,683
31 December 2016				
Receivable	-	-	-	0
Account payable	-	-	-	339
Borrowings	-	-	-	295,158
Interest income	0	0	-	36
Interest expense	68	22	-	19,688
Fee and commission income	74	11	-	91
Other operating income				11
Other operating expense				110
Loans to banks				62,603
Deposit from banks				925

40.4 Key management compensation

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

	GROUP		**BANK**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Salaries and other short-term employee benefits	1,165	801	1,165	801
Post-employment benefits	310	273	310	273
	1,475	1,074	1,475	1,074

41 Employees

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

	GROUP		BANK	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	Number	Number	Number	Number
Executive directors	4	4	4	4
Management	399	183	286	62
Non-management	7,825	8,556	6,438	7,234
	8,228	8,743	6,728	7,300

See note 15 for compensation for the above staff

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

	Number	Number	Number	Number
N300,000 - N2,000,000	392	419	81	30
N2,000,001 - N2,800,000	649	263	530	91
N2,800,001 - N3,500,000	176	982	114	872
N3,500,001 - N4,000,000	144	106	-	
N4,000,001 - N5,500,000	2,719	1,942	2,376	1,693
N5,500,001 - N6,500,000	472	1,759	351	1,651
N6,500,000 - N7,800,000	1,513	1,288	1,372	1,199
N7,800,001 - N9,000,000	624	780	599	753
N9,000,001 and above	1,535	1,200	1,301	1,007
	8,224	8,739	6,724	7,296

42 Directors' emoluments

Remuneration paid to the Group's directors (excluding certain allowances) was:

	GROUP	
	31 December 2017	31 December 2016
	N 'millions	N 'millions
Fees and sitting allowances	581	220
Executive compensation	339	339
Retirement benefit costs	442	282
Other director expenses	196	258
	1,558	1,099

Fees and other emoluments disclosed above include amounts paid to:

Chairman	70	46
Highest paid director	149	126

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number GROUP	
	31 Dec 2017	31 Dec 2016
N5,500,001 and above	15	16
	15	16

43 Compliance with banking regulations

- The bank paid a penalty of N4 million for exceeding regulatory single obligor limit in 2015

- A penalty of N2 million was imposed on the Bank for Non-compliance with extant regulation on reporting line of CRO

- A penalty of N2 million was paid by the Bank for failure to obtain CBN approval prior to loan write-off

- A penalty of N2 million was paid by the Bank for delay in payment in accordance with the provision of Section 64(i) of BOFIA 2004

- A penalty of N2 million was imposed on the Bank for opening new LCs for unauthorised sector (Finished Goods) outside of CBN Mandate

- A penalty of N2 million was imposed on the bank for failure to implement external auditor's recommendation contained in the December 2015 management letter.

- The bank paid a penalty of N1.142 million to CAC for non-display of the Bank's Statement of Affairs in Branches (Saminaka Branch, Kaduna (South) Branch, Afikpo Branch, Bola Ige International Market Branch, Asaba Branch, Awka Branch, Kaduna Main Branch,Kaduna GRA Branch)

44 Events after statement of financial position date

The sale of FBN Mortgages was completed in February 2018. FBN Mortgages was accounted for as an asset held for sale in these Financial Statements.

45 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the group and held as treasury shares.

The company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	GROUP		BANK	
	31 December 2017 N 'millions	31 December 2016 N 'millions	31 December 2017 N 'millions	31 December 2016 N 'millions
Profit from continuing operations attributable to owners of the parent (N'millions)	51,475	11,768	49,007	50,072
Profit/(loss) from discontinued operations attributable to owners of the parent (N'millions)	(1,520)	(1,317) -	2,089	-
Weighted average number of ordinary shares in issue (in million)	32,632	32,632	32,632	32,632
Basic/diluted earnings per share (expressed in Kobo per share):				
- From continuing operations	1.58	0.36	1.50	1.53
-From discontinued operations	(0.05)	(0.04)	(0.06)	-
	1.53	0.32	1.44	1.53

46 Non audit services

The external auditors of FBN Limited, PwC Nigeria rendered services in respect of NDIC deposit certification based on agreed upon procedures during the year. The payment made in respect of this service was included in professional fees as N1.1 million.

24.2 Condensed results of consolidated entities from continuing operations

31 December 2017	PARENT	FBN UK	FBN DRC	FBN GHANA	FBN GAMBIA	FBN SIERRA-LEONE	FBN GUINEA	FBN SENEGAL	MORTGAGES	PENSION	OTHERS	TOTAL	ADJUSTMENTS	BANKING GROUP
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement														
Operating income	353,217	23,155	16,302	4,961	381	676	1,544	1,702	-	7,808	466	410,212	(2,225)	407,987
Operating expenses	(174,765)	(14,048)	(10,225)	(3,556)	(477)	(417)	(1,157)	(1,570)	-	(2,040)	(79)	(208,334)	(1,269)	(209,603)
Provision expense	(126,190)	(8,757)	(6,153)	(123)	21	(34)	(62)	23	-	-	-	(141,275)	-	(141,275)
Operating profit	52,262	350	(76)	1,282	(75)	225	325	155	-	5,768	387	60,603	(3,494)	57,109
Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	52,262	350	(76)	1,282	(75)	225	325	155	-	5,768	387	60,603	(3,494)	57,109
Tax	(3,256)	14	(399)	(475)	(2)	(68)	(113)	(3)	-	(1,405)	(2)	(5,709)	75	(5,633)
Profit/(Loss) for the year	49,006	364	(475)	807	(77)	157	212	152	-	4,363	385	54,894	(3,419)	**51,476**
Other comprehensive income	46,838	3,080	(60)	29	(12)	42	(62)	7	(1,520)	-	(44)	48,298	10,493	58,791
Total comprehensive income	95,844	3,444	(535)	836	(89)	199	150	159	(1,520)	4,363	341	103,192	7,074	**110,267**
Total comprehensive income allocated to non controlling interest	-	-	(40)	-	-	-	-	-	-	-	-	(40)	-	**(40)**
Dividends paid to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Summarized Financial Position														
Assets														
Cash and balances with Central Bank	517,474	79,148	33,255	3,580	674	653	2,961	556	-	-	7	638,308	-	638,308
Due from other banks	436,764	354,759	29,777	10,249	1,256	1,312	5,001	3,743	-	142	1,551	844,554	(114,954)	729,600
Loans and advances	1,658,797	341,879	34,109	5,003	760	713	2,717	3,067	-	39	-	2,047,084	(21,044)	2,026,040
Financial Assets held for Trading (HFT)	28,852	4,159	-	-	-	-	-	-	-	-	-	33,011	-	33,011
Investment securities	672,487	427,984	-	14,735	1,776	3,678	10,071	10,335	-	11,240	247,736	1,400,042	(246,679)	1,153,363
Assets Pledged as collateral	189,852	-	-	5,100	-	-	-	-	-	-	-	194,952	-	194,952
Investment in subsidiaries	71,907	-	-	-	-	-	-	-	-	-	-	71,907	(71,907)	-
Other assets	120,954	1,114	7,675	1,242	167	201	263	257	-	886	8,511	141,270	(17,311)	123,959
Deferred tax	1,343	4,992	2,214	44	7	9	-	-	-	171	-	8,780	(11)	8,769
Intangible Assets	5,864	715	519	104	49	47	55	115	-	7	-	7,475	4,633	12,108
Property, plant and equipment	72,246	1,203	5,420	914	158	58	474	326	-	1,272	-	82,071	723	82,794
Assets held for sale	500	-	-	-	-	-	-	160	11,286	-	-	11,946	(604)	11,342
	3,777,040	1,215,953	112,969	40,971	4,847	6,671	21,542	18,559	11,286	13,757	257,805	5,481,400	(467,154)	**5,014,246**
Financed by														
Customer deposits	2,531,661	473,723	90,184	22,764	3,031	3,685	16,469	8,829	-	-	-	3,150,346	(84,616)	3,065,730
Due to other banks	59,102	592,765	2,964	7,896	195	-	-	1	-	-	-	662,923	(7,881)	655,042
Financial liabilities held for trading	9,342	10	-	-	-	-	-	-	-	-	-	9,352	-	9,352
Borrowed funds	431,672	21,335	-	-	-	-	-	2,662	-	-	255,191	710,860	(293,951)	416,909
Tax payable	4,109	(1,970)	660	29	(12)	(1)	53	3	-	2,214	2	5,087	-	5,087
Other liabilities	159,816	55,531	15,122	977	42	462	393	670	-	1,085	351	234,449	(9,542)	224,907
Retirement benefit obligations	1,495	-	-	-	-	29	285	13	-	-	-	1,822	397	2,219
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-	-	11,014	-	-	11,014	(3,606)	7,408
	3,197,197	1,141,394	108,930	31,666	3,256	4,175	17,200	12,178	11,014	3,299	255,544	4,785,853	(399,199)	**4,386,654**
Equity and reserves	579,842	74,560	4,039	9,304	1,591	2,496	4,342	6,382	272	10,458	2,262	695,548	(67,959)	**627,592**
Rate														
Summarized cash flows														
Operating activities														
Interest received	363,105	39,043	9,651	6,618	332	903	1,578	1,135	-	1,807	406	424,578	-	424,578
Interest paid	(104,209)	(13,011)	(2,641)	(2,370)	(72)	(217)	(237)	(244)	-	-	-	(123,001)	-	(123,001)
Purchase of investment securities	(751,753)	(165,005)	-	(4,623)	(2,947)	(3,787)	(2,779)	(2,128)	-	(1,147)	(1,044)	(935,213)	514	(934,699)
Proceeds from the sale of investment securities	809,574	9,724	-	-	2,717	2,952	1,268	-	-	-	1,000	827,235	-	827,235
Income tax paid	(3,495)	-	(525)	(443)	(34)	(109)	(108)	(3)	-	(1,048)	0	(5,765)	91	(5,674)
Cash flow generated from operations	(142,190)	209,108	26,102	2,283	(667)	342	3,135	(3,096)	-	4,190	(28)	99,179	(40,248)	58,931
Net cash generated from operating activities	171,032	79,859	32,587	1,465	(671)	84	2,857	(4,336)	-	3,802	334	287,013	(39,643)	247,370
Net cash used in investing activities	(7,722)	(733)	(848)	(377)	(58)	(49)	(200)	(253)	-	(147)	16	(10,372)	(1,653)	(12,025)
Net cash used in financing activities	34,117	19,825	0	0	-	-	-	(1,222)	-	(2,264)	-	50,457	20,277	70,734
Increase in cash and cash equivalents	197,427	98,951	31,739	1,088	(729)	35	2,657	(5,811)	-	1,391	350	327,098	(21,019)	**306,079**
Cash and cash equivalents at start of year	239,975	567,482	31,350	20,520	1,862	1,503	7,342	10,037	-	87	1,236	881,394	(162,220)	719,174
Effect of exchange rate fluctuations on cash held	16,991	(1,154)	-	(118)	(12)	(69)	(73)	-	-	-	(27)	15,538	88,602	104,140
Cash and cash equivalents at end of year	454,393	665,279	63,089	21,490	1,121	1,469	9,926	4,226	-	1,478	1,559	1,224,030	(94,637)	**1,129,394**

BREAKDOWN OF OTHERS IN NOTE 24.2

31 December 2017	FBN Finance N'million	Sinking Funds N'million	FBN Nominees N'million	FirstDependants N'million	Total N'million
Summarized Income Statement					
Operating income	43	411	4	8	**466**
Operating expenses	(34)	(42)	(1)	(2)	**(79)**
Provision expense	-	-	-	-	**-**
Operating profit	**9**	369	**3**	**6**	**387**
Associate	-	-	-	-	**-**
Profit before tax	**9**	369	**3**	**6**	**387**
Tax	(2)	-	-	-	**(2)**
(Loss)/Profit for the year	**7**	369	**3**	**6**	**385**
Other comprehensive income	-	-	(8)	(36)	**(44)**
Total comprehensive income	**7**	369	**(5)**	(30)	**341**
Total comprehensive income allocated to non controlling interest					
Dividends paid to non controlling interest					
Summarized Financial Position					
Assets					
Cash and balances with Central Bank	-	7	-	-	**7**
Due from other banks	7	382	599	563	**1,551**
Loans and advances	-	-	-	-	**-**
Financial Assets held for Trading (HFT)	-	-	-	-	**-**
Investment securities	246,679	1,057	-	-	**247,736**
Assets Pledged as collateral	-	-	-	-	**-**
Investment in subsidiaries	-	-	-	-	**-**
Investment in Associates	-	-	-	-	**-**
Other assets	8,511	-	-	-	**8,511**
Deferred tax	-	-	-	-	**-**
Intangible Assets	-	-	-	-	**-**
Property, plant and equipment	-	-	-	-	**-**
Assets held for sale	-	-	-	-	**-**
	255,197	1,446	599	563	**257,805**
Financed by					
Customer deposits	-	-	-	-	**-**
Due to other banks	-	-	-	-	**-**
Financial liabilities held for trading	-	-	-	-	**-**
Borrowed funds	255,190	-	-	-	**255,190**
Tax payable	2	-	-	-	**2**
Other liabilities	60	2	268	21	**351**
Retirement benefit obligations	-	-	-	-	**-**
Deferred income tax liabilities	-	-	-	-	**-**
Liabilities held for sale	-	-	-	-	**-**
	255,252	2	268	21	**255,543**
Equity and reserves	(55)	1,444	331	542	**2,262**
Total Equity and Liabilities	255,197	1,446	599	563	**257,805**
Rate					
Summarized cash flows					
Operating activities					
Interest received	-	395	-	11	**406**
Interest paid	-	-	-	-	**-**
Purchase of investment securities	-	(1,044)	-	-	**(1,044)**
Proceeds from the sale of investment securities	-	1,000	-	-	**1,000**
Income tax paid	-	-	-	-	**-**
Cash flow generated from operations	10	(25)	(19)	7	**(27)**
Net cash generated from operating activities	10	326	(19)	18	**335**
Net cash used in investing activities	-	-	15	1	**16**
Net cash used in financing activities	-	-	-	-	**-**
Increase in cash and cash equivalents	10	326	(4)	19	**351**
Cash and cash equivalents at start of year	24	64	567	581	**1,236**
Effect of exchange rate fluctuations on cash held	(27)	0	0	0	**(27)**
Cash and cash equivalents at end of year	7	390	563	600	**1,560**

Note 40.5 Related party transactions continued
Direct credit assets to Directors

Name of Borrowers	Nature of security	Name of the related interest	Relationship to Reporting Institution	Status	TOTAL (N)
ADESOLA ADEDUNTAN	Domiciliation of salary	Adesola Adeduntan	MD	Performing	41,987,771
EKE URUM KALU	Domiciliation of salary	EKE URUM KALU	GMD/FBN HOLDING	Performing	60,404
AWOSIKA IBUKUN ABIODUN	Domiciliation of personal inflow	AWOSIKA IBUKUN ABIODUN	Chairman FBN Ltd	Performing	8,039,482
AWOSIKA OLUDOLA OLUWATOMISIN	Domiciliation of personal inflow	AWOSIKA IBUKUN ABIODUN	Chairman FBN Ltd	Performing	971,799
SHOBO OLUGBENGA FRANCIS	Domiciliation of salary	SHOBO OLUGBENGA FRANCIS	DMD	Performing	405,575
ONI OLUREMI OYINDASOLA	Domiciliation of salary	ONI OLUREMI OYINDASOLA	Executive Director	Performing	110,830,182
IBRAHIM ABDULLAHI MUHAMMADU	Domiciliation of salary	IBRAHIM ABDULLAHI MUHAMMAD	Executive Director	Performing	49,250,399
IBRAHIM LAWAL KANKIA	Domiciliation of personal inflow	IBRAHIM LAWAL KANKIA	Non Executive Director	Performing	2,942,982
OTUDEKO OBAFEMI ADEDAMOLA	Domiciliation of personal inflow	OTUDEKO OBAFEMI ADEDAMOLA	Non Executive Director	Performing	122,493
AL-FIL PETROLEUM COMPANY LTD	Charge on asset financed.	Khadija Alao-Straub	Ex-Non Exe Director	NPL	386,713,326
FEESE AMBROSE ASULA	Domiciliation of personal inflow	Feese Ambrose Asula	Non Executive Director	Performing	195,974
HONEYWELL GROUP	All Asset Debenture over the assets of Honeywell Flour Mills Plc. Corporate Guarantee of Honeywell Oil & Gas & Pivot Engineering. Cross Guarantee of all members of the group All Asset Debenture over the assets of the company. All Assets Debenture being managed by First Trustees.	Oba Otudeko/Obafemi Adedamola Otudeko	Ex-Chairman/Non-ED	Performing	46,180,824,336
LAWAL DAUDA	Domiciliation of salary	Lawal Dauda	Ex- Executive Director	Performing	8,488,200
ADELABU ADEBAYO ADEKOLA	Domiciliation of personal inflow	Adelabu Adebayo Adekola	Ex- Executive Director	Performing	2,570,954
LISTER FLOUR MILLS (NIG) LTD	Mortgage Debenture on Lister Flour Mills.Legal Mortgage	Khadija Alao-Straub	Ex-Non Exe Director	NPL	12,773,378,825
NESTOIL LIMIED	All asset debenture	Chidi Anya	Non-ED-FBN Holdings	Performing	19,447,935,240
NSF DEVELOPMENTS LIMITED	Equitable mortgage over asset finance	Feese Ambrose Asula	Non Executive Director	Performing	89,475,304
P. W. Nig. Ltd	Legal Mortgage over the company's Housing Estate located at 142 Karmo (within the Life Camp Development Area) Abuja.	Garba Duba	Ex-Non Exe Director	Performing	934,359,610
EJEH NNAEMEKA CHUKWUKA	Domiciliation of salary	EJEH NNAEMEKA CHUKWUKA	Group Executive	Performing	581,924
TUNDE OWOLABI	Legal Mortgage over property	TUNDE OWOLABI	Group Executive	Performing	18,308,889
POPOOLA OLUSEYI OYEFESO	Legal Mortgage over property	POPOOLA OLUSEYI OYEFESO	Group Executive	Performing	33,791,305
PREMIUM POULTRY FARMS LIMITED	All Assets Debenture on fixed and floating assets (excluding land and building) of the Farm, Legal mortgage.	Mahey Rafindadi Rasheed	Ex-Non Exe Director	Performing	2,231,826,123
RAINBOW TOWN DEVELOPMENT LIMITED	Legal/Equitable Mortgage/Debenture on business premises, factory assets or real estates	FBN Holdings	Parent	Performing	64,586,047,533
					146,909,108,631

Related party transactions and balances disclosed above are in accordance with the Central Bank of Nigeria Circular BSD/1/2004

First Bank of Nigeria Limited

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

26 Property, plant and equipment

BANK	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Work in progress N million	Total N million
Cost								
At 1 January 2016	34,293	20,340	8,952	37,830	8,783	7,508	3,646	121,352
Additions	375	100	1,064	3,375	1,419	799	2,575	9,706
Reclassifications	5	-	-	1,434	69	312	(1,820)	-
Transfers	-	-	(18)	-	-	-	-	(18)
Write offs	-	-	-	-	-	-	(92)	(92)
Exchange difference	-	-	12	1	1	9	-	23
Disposals	-	-	(1,584)	(735)	(2)	(14)	(169)	(2,503)
At 31 December 2016	34,673	20,440	8,425	41,905	10,270	8,614	4,140	128,468
Accumulated depreciation								
At 1 January 2016	5,490	-	5,187	26,242	6,987	4,636	-	48,542
Charge for the year	746	-	1,623	4,383	1,327	1,131	-	9,210
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	(1,207)	(555)	(2)	(15)	-	(1,779)
At 31 December 2016	6,236	-	5,602	30,070	8,312	5,752	-	55,973
Net book amount at 31 December 2016	**28,437**	**20,440**	**2,823**	**11,835**	**1,958**	**2,862**	**4,140**	**72,495**
Cost								
At 1 January 2017	34,673	20,440	8,425	41,905	10,270	8,614	4,140	128,468
Additions	117	48	618	1,928	1,063	162	4,945	8,881
Reclassifications	741	-	-	584	119	(639)	(805)	-
Disposals	-	-	(1,149)	(481)	(11)	(38)	-	(1,679)
At 31 December 2017	35,531	20,488	7,894	43,936	11,441	8,099	8,280	135,670
Accumulated depreciation								
At 1 January 2017	6,236	-	5,602	30,070	8,312	5,752	-	55,972
Charge for the year	759	-	1,285	4,468	1,317	1,061	-	8,890
Reclassifications	241	-	-	79	8	(328)	-	-
Disposals	-	-	(927)	(465)	(9)	(38)	-	(1,439)
At 31 December 2017	7,236	-	5,960	34,152	9,628	6,447	-	63,423
Net book amount at 31 December 2017	**28,295**	**20,488**	**1,934**	**9,784**	**1,813**	**1,652**	**8,280**	**72,246**

26 Property, plant and equipment
GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Plant & machinery N million	Work in progress N million	Total N million
Cost									
At 1 January 2016	42,163	20,397	10,509	39,517	11,818	8,335	85	4,433	137,257
Additions	929	100	1,316	3,544	1,769	907	7	2,782	11,354
Reclassifications	24	-	-	1,436	72	312	4	(1,847)	-
Disposals	-	-	(1,697)	(745)	(72)	(33)	-	(169)	(2,716)
Write Offs	-	-	-	-	-	-	-	(92)	(93)
Transfer	-	-	(18)	-	-	-	-	(199)	(217)
Held for sale	(161)	-	(132)	(45)	(56)	(19)	-	-	(411)
Exchange difference	1,216	22	297	292	554	189	36	143	2,749
At 31 December 2016	44,171	20,519	10,274	43,999	14,085	9,691	132	5,051	147,923
Accumulated depreciation									
At 1 January 2016	6,922	-	6,156	27,299	9,252	5,224	53	-	54,906
Charge for the year	1,231	-	1,850	4,548	1,708	1,241	16	-	10,594
Reclassifications	(1)	-	-	-	-	1	-	-	-
Disposals	-	-	(1,301)	(562)	(22)	(30)	(0)	-	(1,916)
Held for sale	(39)	-	(64)	(36)	(50)	(16)	-	-	(206)
Exchange differences	299	-	160	184	400	123	21	-	1,188
At 31 December 2016	8,412	-	6,801	31,433	11,287	6,543	90	-	64,566
Net book amount at 31 December 2016	**35,759**	**20,519**	**3,473**	**12,566**	**2,798**	**3,148**	**42**	**5,051**	**83,357**
Cost									
At 1 January 2017	44,171	20,519	10,274	43,999	14,085	9,691	132	5,051	147,922
Additions	757	59	865	2,218	1,422	360	37	5,169	10,887
Reclassifications	923	-	14	646	247	(577)	-	(1,253)	-
Disposals	(1)	(11)	(1,185)	(513)	(43)	(114)	-	-	(1,867)
Held for sale	(12)	-	-	-	-	-	-	-	(12)
Exchange difference	(683)	3	(133)	(255)	(331)	(7)	17	(55)	(1,444)
At 31 December 2017	45,155	20,570	9,835	46,095	15,380	9,353	186	8,912	155,486
Accumulated depreciation									
At 1 January 2017	8,412	-	6,801	31,433	11,287	6,543	90	-	64,566
Exchange differences	(123)	-	(118)	(171)	(276)	(8)	12	-	(684)
Charge for the year	1,367	-	1,535	4,656	1,726	1,119	19	-	10,422
Reclassifications	239	-	-	82	8	(328)	-	-	-
Disposals	(1)	-	(958)	(497)	(42)	(114)	-	-	(1,611)
At 31 December 2017	9,895	-	7,260	35,502	12,704	7,213	120	-	72,693
Net book amount at 31 December 2017	**35,260**	**20,570**	**2,575**	**10,593**	**2,677**	**2,140**	**66**	**8,912**	**82,793**

Exchange Difference on PPE

These exchange difference on PPE occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date.

Supplementary Information
Other National Disclosures

Statement of Value Added - Group
Year ended 31 December 2017

Group	31 December 2017 N'million	%	31 December 2016 N'million	%
Gross income	541,474		534,222	
Interest & Fee expense	(133,611)		(100,877)	
	407,863		433,345	
Administrative overheads:				
- Local	(104,752)		(99,843)	
- Foreign	(15,582)		(9,375)	
Value added	287,529	100	324,127	100
Distribution				
Employees				
- Salaries and benefits	76,940	27	76,081	23
Government				
- Taxation	5,633	2	(1,093)	(0)
The future				
- Asset replacement (depreciation)				
- Local	10,422	4	10,594	3
- Foreign		-		-
- Asset replacement (amortisation)				
- Local	3,304	1	3,146	1
- Foreign		-		-
- Asset replacement (provision for losses)	141,275	49	224,948	69
- Expansion (transfers to reserves)	49,955	17	10,451	3
	287,529	100	324,127	100

Statement of Value Added - Bank

Bank	31 December 2017 N'million	%	31 December 2016 N'million	%
Gross income	474,866		477,044	
Interest and fee expense	(121,773)		(91,198)	
	353,093		385,846	
Administrative overheads	(104,284)		(97,528)	
Value added	248,810	100	288,318	100
Distribution				
Employees				
- Salaries and benefits	61,112	25	63,391	22
Government				
- Company income tax	3,256	2	3,473	1
The future				
- Asset replacement (depreciation)	8,890	4	9,210	3
- Asset replacement (amortisation)	2,444	1	2,331	1
- Asset replacement (provision for losses)	126,190	51	159,841	56
- Expansion (transfers to reserves)	46,918	19	50,072	17
	248,810	100	288,318	100

FIRST BANK OF NIGERIA LIMITED

Supplementary Information
Other National Disclosures

FIVE YEAR FINANCIAL SUMMARY - BANK

STATEMENT OF FINANCIAL POSITION

	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million
Assets:					
Cash and balances with central bank	**517,474**	637,061	679,054	670,045	541,221
Loans and advances to banks	**436,764**	204,469	137,548	242,842	367,571
Loans and advances to customers	**1,658,796**	1,692,712	1,457,285	1,794,037	1,473,839
Financial assets held for trading	**28,852**	23,482	5,049	9,258	2,225
Investment securities	**672,487**	668,743	781,902	544,975	637,928
Assets pledged as collateral	**189,852**	151,090	100,086	63,158	52,406
Other assets	**120,954**	26,954	18,840	29,173	36,067
Investment in associates	**-**	-	-	-	2,224
Investment in subsidiaries	**71,907**	71,297	74,415	58,986	56,307
Property, plant and equipment	**72,246**	72,495	72,810	74,782	71,895
Intangible assets	**5,864**	5,547	4,043	2,272	1,241
Deferred tax	**1,343**	1,343	1,343	1,343	3,655
Assets held for sale	**500**	2,589	-	-	-
	3,777,039	3,557,782	3,332,375	3,490,871	3,246,579
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	189,241
Reserves	**374,286**	280,530	254,190	217,490	145,152
Deposits from banks	**59,102**	40,493	50,566	19,246	10,155
Deposits from customers	**2,531,660**	2,490,578	2,399,822	2,551,022	2,570,719
Financial liabilities held for trading	**9,342**	12,751	2,657	7,946	1,697
Borrowings	**431,671**	369,428	290,620	377,950	125,363
Retirement benefit obligations	**1,495**	1,957	3,046	1,546	1,111
Current income tax	**4,109**	3,564	2,897	6,558	29,836
Other liabilities	**159,817**	152,924	123,020	103,556	156,988
	3,777,039	3,557,782	3,332,375	3,490,871	3,246,579

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

INCOME STATEMENT

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015	12 months ended 31 Dec 2014	12 months ended 31 Dec 2013
Gross Earnings	**474,866**	477,044	421,227	410,648	339,320
Net operating income	**353,093**	387,034	301,890	303,411	256,112
Gain from disposal of associate	**-**	-	-	-	-
Operating expenses	**(174,640)**	(172,460)	(179,028)	(201,126)	(159,421)
Impairment charge for credit losses	**(126,190)**	(159,841)	(120,046)	(20,924)	(19,838)
Profit before taxation	**52,263**	54,733	2,816	81,361	76,853
Taxation	**(3,256)**	(3,473)	(2,779)	(6,186)	(17,488)
Profit from continuing operations	**49,007**	51,260	37	75,175	59,365
Profit from discontinuing operations	**- 2,088.52**	- 1,188	-	4,176	-
Profit for the year	**46,919**	**50,072**	**37**	**79,351**	**59,365**
Earnings per share (basic)	**143.78**	153.44	0.11	243	182

FIRST BANK OF NIGERIA LIMITED

Supplementary Information
Other National Disclosures

FIVE YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million	31 December 2014 N'million	31 December 2013 N'million
Assets:					
Cash and balances with central bank	**638,308**	689,597	715,092	697,601	593,973
Loans and advances to banks	**729,603**	437,935	374,511	430,053	415,210
Loans and advances to customers	**2,026,038**	2,086,741	1,816,045	2,193,563	1,797,935
Financial assets held for trading	**33,011**	23,494	5,049	10,708	4,743
Investment securities	**1,153,365**	961,235	830,586	598,904	734,690
Assets pledged as collateral	**194,951**	161,133	102,217	64,527	53,651
Inventory	**-**	-	-	-	-
Other assets	**123,961**	38,609	34,479	39,457	44,729
Investment in associates	**-**	-	-	-	6,225
Property, plant and equipment	**82,793**	83,357	82,351	83,404	78,489
Intangible assets	**12,107**	11,913	9,275	8,103	8,594
Deferred tax	**8,768**	8,296	2,923	2,384	4,587
Assets held for sale	**11,343**	12,479	570	2,931	4,549
	5,014,248	4,514,789	3,973,099	4,131,635	3,747,375
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	189,241	189,241
Reserves	**422,032**	311,415	297,038	255,818	175,965
Non controlling interest	**-**	966	1,929	1,641	1,626
Deposits from banks	**655,042**	377,214	139,052	163,710	77,481
Deposits from customers	**3,065,732**	3,030,090	2,905,070	2,989,735	2,942,782
Financial liabilities held for trading	**9,352**	37,137	12,121	9,913	1,701
Borrowings	**416,908**	316,792	249,892	362,976	126,302
Retirement benefit obligations	**2,220**	2,648	3,709	2,012	1,776
Current income tax	**5,088**	4,805	5,790	8,530	31,634
Other liabilities	**224,908**	217,553	152,877	131,704	182,542
Deferred income tax liabilities	**-**	2	63	38	10
Liabilities held for sale	**7,409**	10,610	-	-	-
	5,014,248	4,514,789	3,973,099	4,131,635	3,747,375

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	12 months ended 31 Dec 2017 N'million	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million	*Restated* 12 months ended 31 Dec 2014 N'million	12 months ended 31 Dec 2013 N'million
Gross Earnings	**541,474**	534,222	463,400	455,393	372,840
Net operating income	**407,863**	434,662	335,059	338,814	280,107
Operating expenses	**(209,480)**	(199,039)	(199,658)	(218,632)	(173,001)
Group's share of associate's results	**-**	-	-	-	-
Impairment charge for credit losses	**(141,275)**	(224,948)	(125,672)	(25,730)	(20,521)
Profit before taxation	**57,108**	10,675	9,729	94,452	86,585
Taxation	**(5,633)**	1,093	(6,913)	(9,526)	(21,009)
Profit from continuing operations	**51,475**	11,768	2,815	84,926	65,576
Profit from discontinuing operations	**(1,520)**	(1,317)	129	(84)	875
Profit for the year	**49,955**	10,451	2,945	84,842	66,451
Profit attributable to:					
Owners of the parent	**49,995**	11,240	2,551	84,826	66,344
Non controlling interest	**(40)**	(789)	394	15	107
	49,955	10,451	2,945	84,842	66,451
Earnings per share in kobo (basic/diluted)	**153**	32	9	260	204