FBN Holdings

FBN Holdings Plc.
Separate and Consolidated Financial Statements for the year ended 31 December 2020

PREMIUM BOARD LISTED

FBN Holdings Plc.

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for the year ended 31 December 2020

DIRECTORS AND ADVISORS

DIRECTORS

Dr. Oba A. Otudeko, CFR	Non-Executive Director (Group Chairman)
U. K. Eke, MFR	Group Managing Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Chidi Anya	Non-Executive Director
Dr. Sule Hamza Wuro Bokki	Non-Executive Director
Debola Osibogun	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Dr. Adesola Adeduntan	Non-Executive Director
Oluwande Muoyo	Independent Non-Executive Director (resigned 30 April 2020)
Cecilia Akintomide, OON	Independent Non-Executive Director
Seni Adetu[1]	Independent Non-Executive Director
Juliet Anammah[1]	Independent Non-Executive Director
Otu Hughes[1]	Non-Executive Director

[1] - Appointed on October 27, 2020 but subject to Regulatory approval and Shareholders' approval

COMPANY SECRETARY:	Oluseye Kosoko
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos Telephone: +234 271 8955 Website: www.kpmg.com/ng
REGISTRAR:	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKERS:	First Bank of Nigeria Limited 35 Marina Lagos FBNQuest Merchant Bank Limited 10 Keffi Street, Ikoyi Lagos

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

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

Recent events have heightened the need for organisations to evaluate the ability of their corporate governance practices to resolve emerging challenges. At FBNHoldings, we will continue to strengthen our corporate governance framework and adapt our processes to ensure that our practices are robust in dealing with current market realities and emerging trends that have significant ramifications for our businesses. This includes issues of changing workplace and people, cyber security risks, and the use of of technology to drive the future of our businesses.

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

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

Diversity

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

FBNHoldings provides an enabling environment, policies and procedures that foster a culture of equal opportunity, diversity, and inclusion where stakeholders are treated with fairness, dignity, and respect.

Shareholder and Regulatory Engagement

The Board and Management maintain stakeholder focus through continuous engagement with shareholders and shareholder groups. Engagement sessions continue to provide valuable opportunities for Board and Management to listen to external perspectives, as well as to gain insights into shareholders' concerns.

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

Appointment Philosophy
Relevant regulatory guidelines and laws guide the appointment philosophy of FBNHoldings, which also includes a transparent Board appointment process. The Directors are selected based on their skills, competencies and experience. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment.

Thereafter, recommendations on candidates' suitability are made to the Board, which then decides on the appointment of the candidates subject to the approvals of the relevant regulatory authorities and the shareholders at the general meeting.

Changes to Board Composition
The Board is a blend of diversity, experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure new ideas and experience are embedded in its decisionmaking processes. In 2020, the following changes were made to the Board:

- Oluwande Muoyo, an Independent Non-Executive Director, resigned from the Board effective 30 April 2020.
- Seni Adetu and Juliet Anammah were appointed as Independent Non-Executive Directors, effective 27 October 2020, subject to the approval of the Central Bank of Nigeria and the Shareholders.
- Otu Hughes was appointed as a Non-Executive Director, effective 27 October 2020, subject to the approval of the Central Bank of Nigeria and the Shareholders.

Board Composition
The Board has 12 Directors, comprising eight Non-Executive Directors, three Independent Non-Executive Directors and one Executive Director, who is also the Group Managing Director. This is in alignment with global best practice that encourages a higher ratio of Non-Executive Directors to Executive Directors.

EFFECTIVENESS

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

Guiding Principles on Composition
The first approach is to appoint the right people; individuals who have displayed excellent business knowledge and Board experience.

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

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

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

Training of Directors

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

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

Board Appraisal

The Board engaged the services of an independent consultant, Messrs PricewaterhouseCoopers (PwC), to conduct an appraisal of the Board of Directors and individual Directors' peer-appraisal for the year ended 31 December 2020. The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities.

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

Access to Independent Professional Advice

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

Board Responsibilities

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

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

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

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

- ❒ Building long-term shareholder value by ensuring that adequate systems, procedures and policies are in place to safeguard the Group's assets;
- ❒ Appointing, developing and refreshing the overall competency of the Board, as necessary;

- ❒ Articulating and approving the Group's strategies and financial objectives, as well as monitoring the implementation of those strategies and objectives;
- ❒ Approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Director in the Group;
- ❒ Reviewing the succession planning for the Board and Senior Management Staff on a regular and continuous basis and recommending changes where necessary;
- ❒ Overseeing the implementation of corporate governance principles and guidelines;
- ❒ Reviewing and approving the recommendations of the Board Governance and Nomination Committee concerning the remuneration of Directors;
- ❒ Overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks encountered by the Group;
- ❒ Articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- ❒ Maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Group; and
- ❒ Overseeing the Group's corporate sustainability practices with regards to its economic, social and environmental obligations.

The Role of the Group Chairman

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

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

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

The Role of the Group Managing Director

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

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

- In conjunction with the Board, lead the development of the Company's strategy and oversee the implementation of the Company's long and short-term plans in accordance with its strategy;
- Ensure the Company is appropriately organised and staffed, as well as to hire and terminate staff appointments as deemed necessary, to enable the Company achieve the approved strategy;
- Ensure the Group has appropriate systems to conduct its activities both lawfully and ethically;
- Ensure the Company maintains a high standard of corporate citizenship and social responsibility wherever it does business;
- Act as a liaison between the Management and the Board, and communicate effectively with shareholders, employees, government authorities, other stakeholders and the public;
- Ensure the Directors are properly informed, and that sufficient information is provided to the Board to enable the Directors to form appropriate judgements;
- Abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and
- Manage the Group within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- Ensure the Group operates within approved budgets and complies with all regulatory requirements of a holding company; and
- Develop and recommend to the Board the annual operating and capital budget, and upon approval, with fully delegated authority, to implement the plan in its entirety.

The Role of the Company Secretary

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

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

MAKING BOARD MEETINGS EFFECTIVE

How FBNHoldings Board meetings work:

- The Board meets quarterly and as required;
- The annual calendar of Board meetings is approved in advance at the last Board meeting of the preceding year;

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

Attendance at Board Meetings
The Board of FBNHoldings met nine times in 2020

Names	Jan. 31	Mar. 11	Apr. 17	Apr. 24	Jun. 03	Jul. 29	Oct. 27	Nov. 03	Dec. 22
Dr. Oba Otudeko, *CFR*	√	√	√	√	√	√	√	√	√
U.K. Eke, *MFR*	√	√	√	√	√	√	√	√	√
Oye Hassan-Odukale, *MFR*	√	√	√	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√	√	√	√
Debola Osibogun	√	√	√	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√	√	√	√
Dr. Adesola Adeduntan	√	√	√	√	√	√	√	√	√
Oluwande Muoyo[1]	√	√	√	√	N/A	N/A	N/A	N/A	N/A
Cecilia Akintomide, *OON*	√	√	√	√	√	√	√	√	√
Seni Adetu[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Juliet Anammah[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Otu Hughes[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1] - *Resigned with effect from April 30, 2020*

[2] - *Appointed on October 27, 2020 but subject to Regulatory approval and Shareholders' approval*

BOARD COMMITTEE REPORTS

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

FBNHoldings has the following constituted Board Committees:

A. Board Governance and Nomination Committee

Membership:

Debola Osibogun - Chairman
Dr. Hamza Wuro Bokki
Oluwande Muoyo[1]
Omatseyin Ayida

[1] - *Resigned with effect from April 30, 2020*

Attendance at Committee Meetings:

The Board Governance and Nomination Committee met four times in 2020

Names	Jan. 29	Apr. 16	Jul. 24	Oct. 23
Debola Osibogun	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√
Oluwande Muoyo[1]	√	√	N/A	N/A
Omatseyin Ayida	√	√	√	√

Key Responsibilities:

The responsibilities of the Committee are to:

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

- ❒ Review and approve amendments to the Group's Corporate Governance framework;
- ❒ Nominate independent consultants to conduct an annual review or appraisal of the performance of the Board and make recommendations to the Board in this regard. This review or appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight of corporate culture, monitoring role and evaluation of Management's performance, and stewardship towards
- ❒ Evaluate the performance of the Board Committees and Boards of subsidiary companies annually. The Committee may utilise the service of the independent consultant duly approved
- ❒ Perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- ❒ Evaluate the role of the Board Committees and Boards of subsidiary companies and ratify the performance appraisals of the Executive Directors as presented by the GMD; and
- ❒ Ensure compliance with the Codes of Corporate Governance of the Security Exchange Commission (SEC), the Central Bank of Nigeria (CBN), the Financial Reporting Council of Nigeria (FRCN) and global best practices on corporate governance.

B. Board Audit and Risk Assessment Committee

Membership:
Omatseyin Ayida - Acting Chairman
Oluwande Muoyo[1]
Debola Osibogun
Chidi Anya

[1] - *Resigned with effect from April 30, 2020*

Attendance at Committee Meetings:
The Board Audit and Risk Assessment Committee met five times in 2020

Names	**Jan. 22**	**Mar. 11**	**Apr. 16**	**Jul. 23**	**Oct. 21**
Omatseyin Ayida	√	√	√	√	√
Oluwande Muoyo[1]	√	√	√	N/A	N/A
Debola Osibogun	√	√	√	√	√
Chidi Anya	√	√	√	√	√

Key Responsibilities:
The responsibilities of the Committee are to:

- ❒ Ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Group;
- ❒ Evaluate the Group's risk profile and the controls in place to mitigate such risks;
- ❒ Ensure the development of a comprehensive internal control framework for the Group;
- ❒ Review the Group's system of internal control to ascertain its adequacy and effectiveness;
- ❒ Evaluate internal processes for identifying, assessing, monitoring, and managing key risk areas, especially market, liquidity and operational risks, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures, and Management's views on the acceptable and appropriate levels of those risk

- Review the independence and authority of the Risk Management function;
- Receive the decisions of the Statutory Audit Committee on the statutory audit report from the Company Secretary and ensure its full implementation; and
- Assess and confirm the independence of the External Auditor annually. The report of this assessment should be submitted to the Board and the Statutory Audit Committee.

C. Board Finance and Investment Committee

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

Attendance at Committee Meetings:
The Board Finance and Investment Committee met five times in 2020

Names	Jan. 21	Apr. 16	Jul. 22	Oct. 21	Dec. 14
Oye Hassan-Odukale, *MFR*	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√
U.K. Eke, *MFR*	√	√	√	√	√

Key Responsibilities:
The responsibilities of the Committee are to:

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

D. Group Executive Committee (GEC)

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

Membership:

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

Key Responsibilities:

The responsibilities of the Committee are to:

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

E. Management Committee (MANCO)

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

Membership:

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

Key Responsibilities:
The responsibilities of the Committee are to:

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

F. Statutory Audit Committee (SAC)

Section 404 (2) and (3) of the Companies and Allied Matters Act (CAMA) 2020 requires every public company to establish a Statutory Audit Committee composed of two Non-Executive Directors and three representatives of its shareholders, subject to a maximum of five members. This will take effect from the election of SAC members at the next Annual General Meeting.
The current composition of the Statutory Audit Committee is based on the provisions of CAMA

Membership:
Kolawole Durojaiye, *FCA* - Chairman
Nnamdi Okwuadigbo, *FCA*
Fuad Farouk Umar (elected 27 April 2020)
Oye Hassan-Odukale, *MFR*
Chidi Anya
Cecilia Akintomide, *OON*

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

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

Attendance at Statutory Audit Committee Meetings:
The Statutory Audit Committee met four times in 2020

Names	**Mar. 11**	**Jun. 23**	**Sep.22**	**Dec. 10**
Kolawole Durojaiye, *FCA*	√	√	√	√
Nnamdi Okwuadigbo, *FCA*	√	√	√	X
Fuad Farouk Umar (elected 27 April 2020)	N/A	√	√	√
Oye Hassan-Odukale, *MFR*	√	√	√	√
Chidi Anya	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√

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

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

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

External Auditors
The external auditor for the 2020 financial year was Messrs. KPMG Professional Services (KPMG).
KPMG was appointed at the last AGM of the company in April 2020 to replace Messrs PricewaterhouseCoopers (PwC) in line with extant statutes.

2020 Audit Fees
In April 2020 at the Annual General Meeting (AGM), Messrs. KPMG Professional Services (KPMG) was appointed as external auditor to replace Messrs. PricewaterhouseCoopers (PwC) that retired after serving as auditors to First Bank of Nigeria Limited (FirstBank) and FBN Holdings Plc. for ten years and eight years respectively. The audit fee paid by the Company to KPMG for the 2020 statutory audit was N25million.
Prior to this time, KPMG offered non-audit service to the Company in relation to the appraisal of the Board of Directors of FBNH for the year ended 31 December 2019. The service was completed prior to its appointment as external auditor in April 2020. The Company paid the sum of N9.6million for this service. Upon the appointment of KPMG as external auditors in April 2020, the service was discontinued.

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

Succession Planning

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

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

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

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

On conclusion of this phase, the Committee identifies a talent pool, following which the Committee determines the skills and competency gaps.

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

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

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

Performance Monitoring

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

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

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

The Group’s actual performance is presented relative to its planned or budgeted performance, to provide the Board with ongoing insights into the level of achievement.

Also, peer benchmarking forms a continuous part of the Board meetings to put FBNHoldings’ performance against competitors into perspective.

REMUNERATION STRUCTURE

Introduction

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

Remuneration Philosophy

FBNHoldings’ compensation and reward philosophy represent the values and beliefs that drive the Company’s compensation policy.

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

Remuneration Strategy

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

Compensation Policy

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

- Base pay includes the salary component for the defined job grade and is mainly cash-based. It is guaranteed and payable monthly in arrears, as per the employment contract. It is the basis for the computation of some allowances and most benefits.

- Allowances are other pay items outside base pay and are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch and clothing. They are payable in cash and are paid monthly, quarterly, or yearly for tax planning, liquidity planning and staff convenience. Allowances are separated into two: those that form part of staff salary and those categorised purely as allowances.

- Bonuses and incentives are related to the achievement of organisational and individual targets and may be cash or non-cash, such as performance bonuses and commendation letters.

- Perquisites are usually lifestyle-oriented and designed to ensure comfort, motivation, commitment, and the retention of staff, particularly those at the senior level or with high potential. These may include status cars, power generators, gym equipment and other choice items.

- ❒ Benefits are entitlements usually attainable subject to organisational conditions. They include leaves, medical allowances, and social club subscriptions. To guarantee staff convenience and in line with the Group's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that while ensuring adequate cash flow for staff, the Group does not run contrary to tax laws and other statutory regulations.

Executive Remuneration

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

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

BOARD COMPENSATION

Non-Executive Directors

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

Executive Directors

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

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

WHISTLEBLOWING PROCEDURES

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

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

All escalated concerns are thoroughly investigated and reported to the appropriate authorities, including the Chairman, Board Audit and Risk Assessment Committee. Reports made through this policy should not be based on mere speculation, rumours or gossip, rather should be based on factual knowledge, as evidence may be required to ensure proper prosecution and consequent management. The full version of the Group's Whistleblowing Policy can be accessed on the website:
www.fbnholdings.com/whistle-blowing.

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

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

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

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

Directors' Report for the year ended December 31, 2020

The Directors present their report on the affairs of FBN Holdings Plc (“the Company”) together with the financial statements and auditors' report for the year ended December 31, 2020.

(a) Legal Form

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

(b) Principal Activity and Business Review

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

The Company has six direct subsidiaries, namely: First Bank of Nigeria Limited, FBNQuest Merchant Bank Limited, FBNQuest Capital Limited, FBNQuest Trustees Limited, FBN Insurance Brokers Limited, Rainbow Town Development Limited; and indirect subsidiaries, namely: FBNBank (UK) Limited, FBNBank DR Congo Limited, FBNBank Ghana Limited, FBNBank Sierra Leone Limited, FBNBank Guinea Limited, FBNBank Gambia Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited, FBNQuest Asset Management Limited, FBNQuest Securities Limited, FBNQuest Funds Limited.

The financial results of all the subsidiaries have been consolidated in these financial statements.

(c) Operating results

Highlights of the Group's results for the year are as follows:

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

(d) Dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act (CAMA) 2020, has recommended a dividend of 45 kobo per ordinary share of 50 kobo each, amounting to N16,152,881,755.95 (2019: N13,640,211,261.00). Witholding tax will be deducted at the time of payment.

(e) Changes to the Board

In the course of the financial year ended December 31, 2020, Mrs Oluwande Muoyo (an Independent Non-Executive Director) resigned from the Board with effect from April 30, 2020.
During the year, Mr. Seni Adetu and Mrs Juliet Anammah were appointed as Independent Non-Executive Directors while Mr. Otu Hughes was appointed as a Non-executive Director. All the appointments which took effect from October 27, 2020 are subject to Regulatory approval and Shareholders approval.

(f) Directors' Shareholding

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the register of Directors' shareholding and/or as notified by the Directors for, the purposes of Sections 301 and 302 of the Companies and Allied Matters Act (CAMA) 2020 and the listing requirements of the Nigerian Stock Exchange, are noted as follows:

	Dec. 2020		**Dec. 2019**	
	Direct	**Indirect**	**Direct**	**Indirect**
Dr. Oba Otudeko, *CFR*	5,895,264	532,075,839	5,895,264	532,075,839
Oye Hassan-Odukale, *MFR*	8,854,003	360,961,091	8,854,003	310,961,091
Chidi Anya	-	552,168	-	500,000
Dr. Hamza Wuro Bokki	6,680,863	-	6,680,863	-
Debola Osibogun	4,127,659	-	1,171,612	-
Omatseyin Ayida	1,100,000	134,640,242	1,100,000	134,680,565
U.K. Eke, *MFR*	85,268,414	-	65,196,390	-
Dr. Adesola Adeduntan	18,871,689	-	18,871,689	-
Oluwande Muoyo[1]	2,814,714	798,596	1,971,481	798,596
Cecilia Akintomide, *OON*	1,005,500	-	5,500	-
Seni Adetu[2]	-	-	-	-
Juliet Anammah[2]	-	-	-	-
Otu Hughes[2]	-	-	-	-

[1] - *Resigned with effect from April 30, 2020*

[2] - *Appointed on October 27, 2020 but subject to Regulatory approval and Shareholders' approval*

(g) Analysis of Shareholding

The analysis of the distribution of the shares of the Company as at December 31, 2020 is as follows:

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

The analysis of the distribution of the shares of the Company as at December 31, 2019 is as follows:

Range			No. of Holde	% Holders	Units	% Units
1	-	1,000	291,327	24.22	212,523,003	0.59
1,001	-	5,000	492,240	40.93	1,183,777,660	3.30
5,001	-	10,000	170,953	14.22	1,175,333,005	3.27
10,001	-	50,000	205,566	17.09	4,175,780,245	11.63
50,001	-	100,000	20,998	1.75	1,461,803,363	4.07
100,001	-	500,000	17,309	1.44	3,440,943,180	9.59
500,001	-	1,000,000	2,092	0.17	1,468,250,952	4.09
1,000,001	-	5,000,000	1,697	0.14	3,255,520,537	9.07
5,000,001	-	10,000,000	193	0.02	1,375,077,586	3.83
10,000,001	-	50,000,000	179	0.01	3,703,861,628	10.32
50,000,001	-	100,000,000	21	-	1,413,476,922	3.94
100,000,001	-	35,895,292,791	43	-	13,028,944,710	36.30
			1,202,618	**100**	**35,895,292,791**	**100**

According to the Register of Members as at December 31, 2020, no individual shareholder held more than 5% of the issued share capital of the Company.

(h) Directors' Interests in Contracts

For the purpose of section 303 of the Companies and Allied Matters Act (CAMA) 2020, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

(i) Donation and charitable gifts

The Company, a non-operating financial holding company did not make any donation during the year ended December 31, 2020. However, the subsidiaries of the company that are operating entities made donations to various worthy causes. For example First Bank is part of the Coalition Against COVID-19 (CACOVID) and donated the sum of N1 billion and other relief materials.

(j) Property and equipment

Information relating to changes in property and equipment is given in Note 31 to the financial statements. In the Directors' opinion, the fair value of the Group's property and equipment is not less than the carrying value in the financial statements

(k) Events after the reporting date

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

(l) Human Resources

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

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

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

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

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

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

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

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

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

Gender Analysis

The number and percentage of men and women employed as at 31 December 2020 vis-à-vis total workforce are as follows:

	Number		Percentage (%)	
	Male	**Female**	**Male**	**Female**
Employees	23	14	62	38

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

	Number		Percentage (%)	
	Male	**Female**	**Male**	**Female**
Board	9	3	75	25
Management	7	2	78	22

(m) Auditors

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

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

BY ORDER OF THE BOARD

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

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

The Companies and Allied Matters Act 2020 and the Banks and Other Financial Institutions Act 2020 require the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act 2020 and the Banks and Other Financial Institutions Act 2020;

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

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

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

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

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

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

SIGNED ON BEHALF OF THE DIRECTORS:

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

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

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

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

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

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

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

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

U. K. Eke, MFR	**Oyewale Ariyibi**
Group Managing Director	Chief Financial Officer
FRC/2013/ICAN/00000002352	FRC/2013/ICAN/00000001251

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

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

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

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

Oluseye Kosoko
Company Secretary
FRC/2013/NBA/00000002006

FBN Holdings

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 404 of the Companies and Allied Matters Act 2020, we have reviewed the Audit Report for the year ended December 31, 2020 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion.
2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
3. The internal control was being constantly and effectively monitored.
4. The external auditor's management report received satisfactory response from Management.
5. The Committee reviewed the Audit Report on insider-related party transactions and is satisfied with their status as required by Central Bank of Nigeria (CBN).

Dated March 8, 2021

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

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

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FBN Holdings Plc

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

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

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

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

Basis for Opinion

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

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

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

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

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

Procedures

Our procedures included the following:

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

- we assessed Group's default definition and other qualitative default indicators by checking it to the requirements of the relevant accounting standards.

- we tested the appropriateness of the Group's determination of SICR, defaults and the resultant classification of loans into stages on a sample basis by reviewing customer files for the terms of the loans and account statements for due and unpaid obligations.

- assisted by our Financial Risk Management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Group. Our procedures in this regard included the following:
  - i) we challenged the appropriateness and reasonableness of the Group's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.
  - ii) for forward looking assumptions comprising Crude oil price, Gross Domestic Product (GDP), and Nigeria Stock Exchange (NSE) index used by the Group's management in its ECL calculations, we corroborated the Group's assumptions using publicly available information from external sources;
  - iii) we evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate by checking them to source documents and performing a recomputation;
  - iv) we checked the CCF applied in modelling the EAD for undrawn commitments by reviewing the client's computation to confirm that the computation is in line with portfolio segmentation;
  - v) for PD used in the ECL calculation, we validated the completeness and accuracy of the data used for default and non-default categories for corporate and retail loans by evaluating its reasonability;
  - vi) we checked the calculation of the LGD used by the Group in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD, cashflow validation and assessing the haircuts applied by management on the recoverability of collateral considering the current economic conditions. On a sample basis, we challenged the valuation of collaterals applied in the ECL computations by evaluating the competence of the valuers, and checking the market value of the collaterals to other independent publicly available information;

vii) we assessed how the Group has treated restructured loans based on changes to cashflow characteristic of customers and the related impact on staging and SICR, to confirm that they are consistent with the requirements of the standards;

viii) we independently re-performed the calculation of impairment allowance for loans and advances using the Group's impairment model and validated key inputs.

The Group's accounting policy on impairment, related disclosures on credit risk and significant accounting judgements, estimates and assumptions are shown in notes 2.9.1, 3.2, 22 and 5 respectively.

Other Matter

The separate and consolidated financial statements of the Company and Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those separate and consolidated financial statements on 6 April 2020.

Other Information

The Directors are responsible for the other information. The other information comprises; the Directors and Advisors listing, Corporate Governance Report, Directors' report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Statement of Compliance with Nigerian Stock Exchange (NSE) Listing Rules on Securities Trading Policy, Report of the Audit Committee, Other National Disclosures and Other Information included in the annual report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Other information also includes Our Business Report, Strategic Report, Corporate Responsibility and Sustainability Report, Governance Report, Risk Review Report and Shareholder Information, together the "Outstanding reports", which are expected to be made available to us after that date.

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

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

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

Responsibilities of the Directors for the Separate and Consolidated Financial Statements
The Directors are responsible for the preparation of separate and consolidated financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Statutory Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.

i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books

iii. The Company's statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account and returns;

KPMG

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

i. The Group paid penalties in respect of contravention of the Banks and Other Financial Institutions Act, 2020 and Financial Reporting Council of Nigeria regulations during the year ended 31 December 2020. Details of penalties paid are disclosed in note 49 to the separate and consolidated financial statements.

ii. Related party transactions and balances are disclosed in note 47 to the separate and consolidated financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
31 March 2021
Lagos, Nigeria

FBN Holdings Plc.

SEPARATE AND CONSOLIDATED STATEMENT OF PROFIT OR LOSS		GROUP		COMPANY	
	Note	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Continuing operations					
Interest income	7	384,798	431,934	1,332	2,173
Interest expense	8	(133,183)	(152,342)	(13)	(14)
Net interest income		**251,615**	**279,592**	**1,319**	**2,159**
Impairment charge for losses	9	(50,596)	(51,093)	-	-
Net interest income after impairment charge for losses		**201,019**	**228,499**	**1,319**	**2,159**
Fee and commission income	10a	113,222	103,381	-	-
Fee and commission expense	10b	(19,446)	(20,483)	-	-
Net Fee and commission income		**93,776**	**82,898**	**-**	**-**
Foreign exchange income	11	1,460	9,540	34	6
Net gains/(losses) on sale of investment securities	12	48,078	17,493	(10)	8
Net gains/(losses) from financial instruments at FVTPL	13	23,775	20,562	(941)	(371)
Dividend income	14	3,983	4,368	18,296	16,580
Profit from disposal of investment in subsidiary	30	-	-	19,890	-
Other operating income	15	3,631	3,021	-	-
Personnel expenses	16	(100,584)	(95,873)	(1,465)	(1,201)
Depreciation of property and equipment	31	(18,634)	(16,401)	(223)	(319)
Amortisation of intangible assets	32	(7,238)	(6,197)	-	-
Other operating expenses	17	(166,045)	(172,711)	(2,827)	(2,988)
Operating profit		**83,221**	**75,199**	**34,073**	**13,874**
Share of profit of associates	28	482	87	-	-
Profit before tax		**83,703**	**75,286**	**34,073**	**13,874**
Income tax expense	18a	(8,111)	(9,242)	(213)	(12)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**75,592**	**66,044**	**33,860**	**13,862**
Discontinued operations					
Profit for the year from discontinued operations	30	14,138	7,621	-	-
PROFIT FOR THE YEAR		**89,730**	**73,665**	**33,860**	**13,862**
Profit attributable to:					
Owners of the parent		87,986	69,918	33,860	13,862
Non-controlling interests		1,744	3,747	-	-
		89,730	**73,665**	**33,860**	**13,862**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share (in Naira):	52				
From continuing operations		2.06	1.74	0.94	0.39
From discontinued operations		0.39	0.21	-	-
From profit for the year		2.45	1.95	0.94	0.39

FBN Holdings Plc.

SEPARATE AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Note	**31 December 2020 N 'million**	**31 December 2019 N 'million**	**31 December 2020 N 'million**	**31 December 2019 N 'million**
PROFIT FOR THE YEAR		**89,730**	**73,665**	**33,860**	**13,862**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Changes in fair value of debt instruments at fair value through other comprehensive income:					
-Net changes in fair value of debt instruments		(16,121)	22,032	(198)	127
-Net reclassification adjustments for realised net gains		12,115	-	-	-
Share of other comprehensive income of associates		(30)	-	-	-
Exchange difference on translation of foreign operations		16,957	(990)	-	-
Items that will not be reclassified to profit or loss					
Net fair value gains on equity instruments		28,820	48,643	-	-
Remeasurement of defined benefit pension scheme	40	(5,360)	(429)	-	-
Total Other comprehensive income/(loss) for the year		**36,381**	**69,256**	**(198)**	**127**
COMPREHENSIVE INCOME FOR THE YEAR		**126,111**	**142,921**	**33,662**	**13,989**
Comprehensive income attributable to:					
Owners of the parent		124,120	138,294	33,662	13,989
Non-controlling interests		1,991	4,627	-	-
		126,111	**142,921**	**33,662**	**13,989**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		111,144	133,340	33,662	13,989
Discontinued operations		12,976	4,954	-	-
		124,120	**138,294**	**33,662**	**13,989**

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
ASSETS					
Cash and balances with central banks	19	1,631,730	1,025,325	-	-
Loans and advances to banks	21	1,016,823	754,910	11,240	5,706
Loans and advances to customers	22	2,217,268	1,852,411	61	94
Financial assets at fair value through profit or loss	23	126,354	282,660	2,116	3,057
Investment securities	24	1,549,290	1,414,530	9,863	11,393
Asset pledged as collateral	25	635,913	464,922	-	-
Other assets	26	315,501	212,092	14,360	15,922
Investment properties	27	-	100	-	-
Investments in associates accounted for using the equity method	28	1,163	711	-	-
Investment in subsidiaries	29	-	-	262,671	239,514
Property and equipment	31	114,034	112,939	312	490
Intangible assets	32	15,340	18,961	-	-
Deferred tax assets	33	27,619	25,009	-	-
		7,651,035	6,164,570	300,623	276,176
Assets held for sale	30	37,993	38,956	-	-
Total assets		**7,689,028**	**6,203,526**	**300,623**	**276,176**
LIABILITIES					
Deposits from banks	34	1,039,220	860,486	-	-
Deposits from customers	35	4,894,715	4,019,836	-	-
Derivative liabilities	23a	7,464	6,046	-	-
Current income tax liability	18b	11,247	13,778	214	12
Other liabilities	36	581,720	297,140	13,544	9,321
Liability on investment contracts	37	-	24,676	-	-
Liability on insurance contracts	38	-	63,748	-	-
Borrowings	39	379,484	250,596	-	-
Retirement benefit obligations	40	7,527	3,352	-	-
Deferred tax liabilities	33	101	250	-	-
		6,921,478	5,539,908	13,758	9,333
Liabilities held for sale	30	2,379	2,493	-	-
Total liabilities		**6,923,857**	**5,542,401**	**13,758**	**9,333**
EQUITY					
Share capital	41	17,948	17,948	17,948	17,948
Share premium	42	233,392	233,392	233,392	233,392
Retained earnings	42	132,421	73,197	35,599	15,379
Statutory reserve	42	110,667	101,378	-	-
Capital reserve	42	1,223	1,223	10	10
Small scale investment reserve	42	6,076	6,076	-	-
Fair value reserve	42	171,696	147,070	(84)	114
Contingency reserve	42	-	3,013	-	-
Regulatory risk reserve	42	18,060	14,576	-	-
Foreign currency translation reserve	42	64,603	47,736	-	-
		756,086	645,609	286,865	266,843
Non-controlling interests	43	9,085	15,516	-	-
Total equity		**765,171**	**661,125**	**286,865**	**266,843**
Total equity and liabilities		**7,689,028**	**6,203,526**	**300,623**	**276,176**

The financial statements were approved and authorised for issue by the Board of Directors on 09 March 2021 and signed on its behalf by:

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

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

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

FBN Holdings Plc.

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Share capital	Share premium	Retained earnings	Capital reserve	Statutory reserve	Small scale investments reserve	Fair value reserve	Contingency reserve	Regulatory risk reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2019	17,948	233,392	3,066	1,223	93,325	6,076	77,276	2,022	33,599	48,727	516,654	12,289	528,943
Profit for the year	-	-	69,918	-	-	-	-	-	-	-	69,918	3,747	73,666
Other comprehensive income													-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	(990)	(990)	-	(990)
Fair value movements on financial assets	-	-	-	-	-	-	69,794	-	-	-	69,794	881	70,675
Remeasurement of defined benefit pension scheme	-	-	(429)	-	-	-	-	-	-	-	(429)	-	(429)
Total comprehensive income	-	-	69,489	-	-	-	69,794	-	-	(990)	138,292	4,628	142,921
Transactions with owners													
Dividends	-	-	(9,333)	-	-	-	-	-	-	-	(9,333)	(1,401)	(10,734)
Transfer between reserves	-	-	9,978	-	8,053	-	-	991	(19,023)	-	-	-	-
Total transactions with Owners	-	-	642	-	8,053	-	-	991	(19,023)	-	(9,333)	(1,401)	(10,734)
At 31 December 2019	17,948	233,392	73,197	1,223	101,378	6,076	147,070	3,013	14,576	47,736	645,609	15,516	661,126
Balance at 1 January 2020	17,948	233,392	73,197	1,223	101,378	6,076	147,070	3,013	14,576	47,736	645,609	15,516	661,126
Profit for the year	-	-	87,986	-	-	-	-	-	-	-	87,986	1,744	89,730
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	16,867	16,867	90	16,957
Fair value movements on financial assets	-	-	-	-	-	-	24,657	-	-	-	24,657	157	24,814
Remeasurement of defined benefit pension scheme	-	-	(5,360)	-	-	-	-	-	-	-	(5,360)	-	(5,360)
Share of other comprehensive income of associates	-	-	-	-	-	-	(30)	-	-	-	(30)	-	(30)
Total comprehensive income	-	-	82,626		-	-	24,627	-	-	16,867	124,120	1,991	126,111
Transactions with owners													
Dividends	-	-	(13,640)		-	-	-	-	-	-	(13,640)	(598)	(14,238)
Disposal of investment (note 30.3)	-	-	-	-	-	-	-	-	-	-	-	(7,824)	(7,824)
Transfer between reserves	-	-	(9,760)	-	9,289	-	-	(3,013)	3,484	-	(0)	-	(0)
Total transactions with Owners	-	-	(23,401)	-	9,289	-	-	(3,013)	3,484	-	(13,640)	(8,422)	(22,062)
At 31 December 2020	17,948	233,392	132,421	1,223	110,667	6,076	171,696	0	18,060	64,603	756,086	9,085	765,171

FBN Holdings Plc.

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	Available for sale fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2019	17,948	233,392	10,850	10	(12)	262,188
Profit for the year	-	-	13,862	-	-	13,862
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	127	127
Total comprehensive income	-	-	13,862	-	127	13,989
Transactions with owners						
Dividends	-	-	(9,333)	-	-	(9,333)
Total transactions with Owners	-	-	(9,333)	-	-	(9,333)
At 31 December 2019	17,948	233,392	15,379	10	114	266,843
Balance at 1 January 2020	17,948	233,392	15,379	10	114	266,843
Profit for the year	-	-	33,860	-	-	33,860
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	(198)	(198)
Total comprehensive income	-	-	33,860	-	(198)	33,662
Transactions with owners						
Dividends	-	-	(13,640)	-	-	(13,640)
Total transactions with Owners	0	0	(13,640)	-	-	(13,640)
At 31 December 2020	17,948	233,392	35,599	10	(84)	286,865

FBN Holdings Plc.

SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
Operating activities					
Cash flow (used in)/generated from operations	44	115,348	(637,571)	14	(2,888)
Income taxes paid	18b	(8,297)	(10,443)	-	(36)
Interest received		370,570	519,376	1,576	1,806
Interest paid	44b(xiii)	(103,933)	(126,141)	-	-
Net cash flow generated from/(used in) operating activities		373,688	(254,779)	1,590	(1,117)
Investing activities					
Purchase of investment securities		(1,969,026)	(1,897,585)	(9,832)	(21,885)
Proceeds from the sale of investment securities		2,108,194	2,145,964	10,645	17,615
Additional investment in subsidiaries	44b(xv)	-	-	(25,000)	-
Net proceeds from disposal of subsidiary	30.3	-	-	24,614	-
Dividends received	44b(v)	3,983	4,368	17,227	4,001
Purchase of property and equipment	31	(20,471)	(20,006)	(44)	(221)
Purchase of intangible assets	32	(3,597)	(8,300)	-	-
Proceeds on disposal of property and equipment	44b(xii)	155	450	-	-
Net cash flow generated from/(used in) investing activities		119,238	224,891	17,610	(489)
Financing activities					
Dividend paid		(14,238)	(10,734)	(13,640)	(9,333)
Proceeds from new borrowings	39	262,782	129,653	-	-
Repayment of borrowings	39	(145,620)	(220,514)	-	-
Interest paid on borrowings	39	(13,324)	(14,917)	-	-
Principal element of lease payments	31	(1,261)	(1,396)	(60)	-
Net cash flow generated from/(used in) financing activities		88,339	(117,908)	(13,700)	(9,333)
Increase/(decrease) in cash and cash equivalents		581,265	(147,795)	5,500	(10,939)
Cash and cash equivalents at start of year		1,304,998	1,419,889	5,706	16,639
Effect of exchange rate fluctuations on cash held		46,630	32,903	34	6
Cash and cash equivalents at end of year	20	1,932,893	1,304,998	11,240	5,706

1 General information

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

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

The separate and consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 09 March 2021.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group’s separate and consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

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

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

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

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

2.1.1 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention except the following:

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through Profit or Loss
- Financial assets measured at fair value through other comprehensive income
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Loans and receivables are measured at amortised cost.

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

(i) **Definition of a business**
The Group applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose dates of acquisition are on on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group's financial statements because the Group has not acquired any subsidiaires during the year. However, the Group has amended its accounting policies for acquisitions on or after 1 January 2020.

(ii) **Interest rate benchmark reform**
Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform): This amendment seek to address uncertainties related to the market-wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. They are effective for annual periods beginning on or after 1 January 2020 . The impact on the financial statements is not significant.

(iii) **Definition of material - Amendment to IAS 1 and IAS 8 (effective 1 January 2020)**
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.
In particular, the amendments clarify:

● that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
● the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(iv) **Revised Conceptual Framework for Financial Reporting (effective 1 January 2020)**
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

● increasing the prominence of stewardship in the objective of financial reporting
● reinstating prudence as a component of neutrality
● defining a reporting entity, which may be a legal entity, or a portion of an entity
● revising the definitions of an asset and a liability
● removing the probability threshold for recognition and adding guidance on derecognition
● adding guidance on different measurement basis, and
● stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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

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

The following new and amended standards are not expected to have a significant impact on the Group's separate and consolidated financial statements.

(i) Onerous contracts - Cost of Fulfiling a Contract (Amendments to IAS 37)
(ii) Covid-19 Related Rent Concessions (Amendment to IFRS 16)
(iii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
(iv) Reference to Conceptual Framework (Amendments to IFRS 3)
(v) Classification of Liabilities as Current or Non-curent (Amendments to IAS 1)

2.3 Basis of consolidation

a. Business combinations
The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 2.3b).

From 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and subtantive process and whether the acquired set has the abilitiy to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquireid set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-exiting relationships. Such amounts are generally recognised in profit or loss.

Any contigent consideration is measured at fair value at the date of acquisiton. If an obligation to pay contigent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, other contigent consideration is remeasured at fair value ar each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

b. Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of controls. This includes circumstances in which protective rights held (e.g those resulting from a lending relatonship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statments from the date on which control commences until the date on which control ceases.

c. Non-controlling interests
Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

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

e. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

f. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are elminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g. Associates

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

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

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

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

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

h. Investment entities

Some of the entities within the Group are investment entities. Equity investments held by these entities in the investee companies are carried in the balance sheet at fair value through profit or loss even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, `Investment in associates', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IFRS 9 and IFRS 13, with changes in fair value recognised in the income statement in the period of the change.

2.4 Segment reporting

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

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

2.5 Common control transactions

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

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

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

2.6 Foreign currency translation

a. *Functional and presentation currency*

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

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

b. *Transactions and balances*

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

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

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

c. *Group companies*

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

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

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

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

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

2.7 Income taxation

a. Current income tax

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

b. Deferred tax

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

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

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

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

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

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

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

c. Tax exposure
In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

2.8 Inventories

Stock of consumables
Inventories include stock of consumables and repossessed assets held for resale. Stock of consumables comprise of materials to be consumed in the process of rendering of services as well as accessories held for subsequent issuance to customers. They are measured at lower of cost and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net reliasble value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recgnised as an expense in the period in which the relevant revenue is recognised.

Repossessed collaterals
In certain cirumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less cost to sell and reported within 'Other asset'.

2.9 Financial assets and liabilities

In accordance with IFRS 9, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

Initial Recognition
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as ‘Assets pledged as collateral’, if the transferee has the right to sell or repledge them.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3.2.11, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:
(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

2.9.1 *Financial assets*

Classification and measurement

The group classifies its debt financial assets in the following measurement categories:
● Fair Value through Other Comprehensive Income (FVOCI)
● Fair Value through Profit or Loss (FVTPL)
● Amortised Cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Business Model Assessment

Business Model assessment involves determining whether financial assets are held to collect the contractual cashflows (rather than sell the instrument prior to its contractual maturity to realise its fair value changes).
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
• Investment strategy for holding or selling the assets
• Past experience on how cash flows for these assets were collected.
• How the asset's performance is evaluated and reported to key management personnel
•The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
• The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model for each portfolio of financial assets are to be categorized into one of the following models:

• **Hold-to-collect contractual cash flows:** Financial assets held with the sole objective to collect contractual cashflows;

• **Hold-to-collect contractual cash flows and sell:** Financial assets held with the objective to both collect contractual cashflows and sell;

• **Fair value through profit or loss (FVTPL) business model:** Financial assets held with neither of the objectives mentioned in the two categories above. They are basically financial assets held with the sole objective to trade and realize fair value changes.

Cash flow characteristics assessment

The assessment aims to identify whether the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.
The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.
The SPPI test is based on the premise that it is only when the variability in the contractual cash flows arises to maintain the holder's return in line with a 'basic lending arrangement' that the application of the effective interest method provides useful information.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments. Thus the principal is not the legal amount due under the contractual terms of an instrument. This definition allows assets acquired at a discount or premium pass the SPPI test.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

a. *Financial assets measured at amortised cost*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions and is not designated as at FVTPL:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

b. *Financial assets measured at FVOCI*

A debt instrument shall be measured at FVOCI if both of the following conditions are met and is not designated as at FVTPL:

• The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in OCI within a separate component of equity, except for the following items, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

• interest revenue using the effective interest method;

• expected credit losses and reversals; and

• foreign exchange gains and losses.

When the debt instrument is disposed or derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains or (losses)".

c. Financial assets measured at FVTPL

A debt instrument that is not measured at amortised cost or at FVOCI must be measured at FVTPL. These would include debt instruments that are held for trading and those that have been designated as fair value through profit or loss at initial recognition. Gains and losses both on subsequent measurement and derecognition are recognised in profit or loss and reported as "Net gains or (losses)" in the period in which it arose.

The Group may irrevocably designate a debt instrument as measured at FVTPL on initial recognition only if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch'). Such mismatches would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. *Equity Instruments*

Equity investments are measured at FVTPL. However on initial recognition, the Group can make an irrevocable election to measure an equity investment at FVOCI. This option only applies to instruments that are neither held for trading nor contingent consideration, recognised by an acquirer in a business combination to which IFRS 3 applies.

For equities measured at FVOCI, fair value gains and losses on the equity remeasurements are recognised in OCI. However, dividends are recognised in profit or loss unless they clearly represent a repayment of part of the cost of the investment.

The amounts recognised in OCI are never reclassified from equity to profit or loss.

e. *Impairment of Financial Assets*

The Group recognizes expected credit losses (“ECL”) on forward-looking basis for its financial assets measured at amortized cost, lease receivables, debt instrument at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss.

No impairment is recognised on equity investments. This is because the fair value changes would incorporate impairment gains or losses if any.

The measurement of ECL reflects:

• An unbiased and probability-weighted amount that is determined by a range of possible outcomes;

• The time value of money; and

• Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f. *Modification and renegotiation of financial assets*

Where the terms of a financial asset are modified, the Group assesses whether the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognizes the original financial assets and recognizes a new asset at fair value and recalculates the effective interest rate.

Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortized cost’.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

g. *Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

h. Reclassifications

Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Group changes its business model for managing a financial assets, the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest should not be restated.

i. Derivative financial instruments

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

j. Embedded derivatives

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

2.9.2 Financial liabilities

Financial liabilities are classified into one of the following measurement categories:
• Fair value through profit or loss (FVTPL)
• Amortised cost

a. *Financial liabilities at fair value through profit or loss (FVTPL)*

Financial liabilities are measured at FVTPL when they are designated as such on initial recognition using the fair value option or when they meet the definition of held for trading i.e.
• it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
• on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
• or it is a derivative [except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

For financial liabilities designated as at FVTPL using the fair value option, the element of gains or losses attributable to changes in the Group’s own credit risk are recognised in OCI, with the remainder recognised in profit or loss. The movement in fair value attributable to changes in the Group’s own credit quality is calculated by determining the changes in credit spread above observable market interest rates. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

However, if presentation of the fair value change in respect of the liability’s credit risk in OCI creates or enlarges an accounting mismatch in profit or loss, gains and losses must be entirely presented in profit or loss. To determine whether the treatment would create or enlarge an accounting mismatch, the Group assesses whether it expects the effect of the change in the liability’s credit risk to be offset in profit or loss by a change in fair value of another financial instrument, such as when the fair value of an asset is linked to the fair value of the liability. If such a mismatch does arise, the Group will be required to present all fair value changes of the liability in profit or loss.

b. Financial liabilities at amortised cost

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised costs are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

c. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.9.3 Determination of fair value

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

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

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

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

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

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

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

The impact on other comprehensive income of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.6.

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

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

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

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

2.9.4 Offsetting financial instruments

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

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

2.10 Revenue recognition

a. Interest income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial assetinstead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

b. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. For other fees and commission income, it is the Group’s policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

Credit related fees: This includes advisory and commitment fees. These are fees charged for administration and advisory services to the customer up to the customer's acceptance of the offer letter. The advisory and commitment fees are earned at the point in time where the customer accepts the offer letter which is when the Group recognises its income. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate.

Letter of credit and commission fees: This represents commission earned on Letter of credit contracts initiated at the request of customers. The nature of this income is such that the performance obligation is the execution of customer’s instruction: a direct payment is made on behalf of our customers to the beneficiary (as stated by our customer) when goods/services are received; OR, a payment is made to the stated beneficiary only when our customer cannot fulfill its obligation. Income earned on letter of credit contracts is satisfied at a point in time. This is because revenue is recognised only when payments have been received by the intended beneficiary.

Electronic banking fees: Electronic banking fees relate to fees & commission charged by the banking subsidiaries on electronic transactions carried out by its customers e.g. USSD income, Agency banking commission. The nature of this income is such that the performance obligation of the group is the provision of the platform for the execution of the transactions. Income is earned when these transactions have been successfully executed on these platforms. Income from electronic banking is satisfied at a 'point in time.

Money transfer commission: This represents commission earned on local & foreign money transfers initiated by the Group's customers. The nature of this income is such that the performance obligation of the group is the delivery of transferred monies to the intended beneficiaries. Income on money transfers is satisfied at a "point in time". This is because commission is recognized only when the transferred sums have been delivered to their intended recipients.

Commission on Bonds and Guarantees: This represents commission earned on bond and guarantees contracts. It includes commissions earned on advanced payment guarantees, performance bonds, bid bonds etc. This fee is earned over the tenor of the bond and guarantee.

Funds transfer and intermediation fees: This is principally made of commission on collections. The group acts as a collecting agent for corporate bodies or government organisations; thus, earns commissions on these collection services. The Group's performance obligation is the collection of funds on behalf of the customer. Income from funds transfer and intermediation is satisfied at a point in time as the commissioned earned is deducted & recognized when remitting these funds to the respective customer.

Account maintenance fees: This represents the fee charged by banking subsidiaries within the Group on current accounts maintained by customers. This fee is charged with respect to customer induced debit transactions to third parties as well as debit transfers/lodgements to customer's account in another bank. This was introduced by the CBN to replace COT which was abolished by the regulator in 2016. The performance obligation required from the Group in the maintenance/safe keeping of the customers’ fund.

Brokerage and intermediation fees: This represents fees charged by the group in order to execute transactions or provide specialized services as requested by customers. Such transaction/services include execution of primary & secondary market transaction on behalf of customers. Income from brokerage and intermediation services are satisfied at a point in time as they are earned and recognized when such services have been executed on behalf of customers.

Custodian fees: This represents commission earned by the group while rendering custodian services to its customers. This custodian services are to a large extent the safe keeping of financial assets. Income earned on custodian services are earned at a point in time.

c. **Dividend income:** Dividend income is recognised when the right to receive income is established. This income is earned at a point in time.

d. **Other operating income:** This largely comprises of income made from private banking services, profit on sale of plant and equipment and gain on sale of properties . These income are earned at a point in time

2.11 Impairment of non-financial assets

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

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

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

2.12 Discontinued operations

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

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

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

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arises.

2.13 Collateral

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

The Group may also use other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019

The Group primarily leases buildings for use as office spaces for branch operations, quick service points (QSPs) and residential use, land for use as car parks and off-site ATM locations, printers for office equipment.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated and the lease terms range from 1 year to 25 years. The lease agreements do not impose any covenants - however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components and treat them accordingly.

Until the 2018 financial year, leases of property (land, buildings) were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease Liabilities

At the commencement date of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Right of use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1 million when new,e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has applied the low value lease exemption for leases of printers as they are less than N1 million when new.

Extension and termination options

Extension and termination options are included in all of the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations. Most of the extension options are subject to mutual agreement by the Group and the lessors and some of the termination options held are exercisable only by the Group.

b The group is the lessor

(i) Operating lease

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

(ii) Finance lease

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

2.15 Investment properties

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

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

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

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

Transfer to, or from, investment property is recognized only when there is a change in use, evidenced by one or more of the following:

i. commencement of owner-occupation (transfer from investment property to owner-occupied property)
ii. commencement of development with the view to sale (transfer from investment property to inventories)
iii. end of owner-occupation (transfer from owner-occupied property to investment property)
iv. commencement of an operating lease to another party (transfer from inventories to investment property)
v. end of construction or development (transfer from property in the course of construction/ development to investment property)

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

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

2.16 Property and Equipment

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

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

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

Asset Class	**Depreciation rate**
Improvement & buildings	2%
Motor Vehicles	25%
Office Equipment	20%
Computer Equipment	33.33%
Plant and Equipment	20%
Furniture, fittings & equipment	20%
Right-of-use Assets	Lower of lease term or the useful life for the specificed class of item

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

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

When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life. No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Work in Progress represents costs incured on the assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

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

2.17 Intangible assets

a. Goodwill

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

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

Goodwill on acquisitions of associates is included in the amount of the investment.
Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

b. Computer software

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

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

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

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

2.18 Investment contracts

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

2.19 Cash and cash equivalents

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

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

2.20 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans

a. *Defined contribution plan*

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

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

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

b. *Defined benefit plan*

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

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

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

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

(ii) Short-term benefits

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

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

2.21 Provisions

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

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

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

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

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

2.22 Insurance contracts

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

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

a. *Classification of contracts*

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

b. *Recognition and measurement*

(i) *Short-term insurance contracts*

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

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

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

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

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

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

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

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

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

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

c. *Insurance contract liabilities*

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

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.
Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.23 Fiduciary activities

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

2.24 Issued debt and equity securities

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

2.25 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.
Dividends proposed by the Directors but not yet approved by members are disclosed in the financial

c. *Earnings per share*

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

c. *Treasury shares*

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

d. *Regulatory Risk Reserve*

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

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

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

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in income statement.

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

2.26 Financial guarantees

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

3. Financial risk management

3.1 Introduction and overview

Effective risk management is fundamental to the business activities of the Group. At FBN Holdings, we promote a culture where risk management is everyone's business from board level down to risk owners and units across the Group.

Our approach to risk is supported by a robust Enterprise Risk Management framework (ERM) and a strong risk culture to identify, measure, monitor and control risks thereby promoting accountability at all levels across the group. Objectives of the ERM framework are communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organization.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes Credit risk, Liquidity risk and Market risk. Other material risks impacting activities of the group include, Operational, Legal, Compliance, Strategic, Reputational, Information security, Environmental and Social risk.

3.1.1 Risk Management Philosophy

The key elements of the risk management philosophy are the following:

• The Group considers sound risk management to be the foundation of a long-lasting financial institution.

• The Group continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.

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

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

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

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

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

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

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

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

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

3.1.2 Risk Appetite

Risk appetite is the level and type of risk the Group is willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes. In addition, risk appetite reflects potential impact on earnings, capital and funding / liquidity.

The Group's risk appetite is the amount of risk its willing to accept to align with and support our financial and strategic objectives, relative to our risk capacity to assume losses.

Risk Appetite Statement (RAS)

Our RAS is the expression of the maximum level of risk we would take across the major risks facing our business and accept in the pursuit of our strategic objectives. The Group would accept moderate risk in every activity it undertakes to achieve these strategic objectives by declaring its willingness to accept moderate risks related to each key value driver.

Risk Tolerance

This refers to the quantitative thresholds that allocate the Group's risk appetite to specific risk types, business units, products, customer segments, and other levels. Certain risk tolerances are policy limits that shall not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits).

Whereas risk appetite is a strategic determination based on long-term objectives, risk tolerance is a tactical readiness to bear a specific risk within established parameters. Enterprise-wide strategic risk appetite is thus translated into specific tactical risk tolerances that constrain risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.

Once established, these parameters are communicated downward throughout the Group to give clear guidelines to every stakeholder and to provide feedback when they are exceeded.

3.1.3 Risk Management Framework

The risk management framework of the Group consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for purpose.

The Group's framework for management of enterprise risk specifically covers:

- Governance and oversight of the overall risk management framework.
- Risk appetite statement and risk appetite measurements.
- Policies, procedures, controls and systems through which risk is identified and managed.
- Oversight, control, assurance and delegation of authorities for each type of risk.
- Monitoring and reporting of the risk profile against risk appetite.
- Control and correction of the risk profile should it deviate from risk appetite.
- Reassessment of risk appetite and/or the Group's strategy in the light of changes in the business.

The Board of Directors has overall responsibility for the establishment of the Group's Risk Management framework and exercises its oversight function through its various committees. These committees are responsible for developing and monitoring risk policies in their specific areas and report regularly to the Board of Directors. The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group.

3.1.4 Risk Governance Structure, Roles and Responsibilities

The Group addresses the challenge of risks by applying leading practices that are supported by a robust governance structure consisting of board level and executive management committees.
The Group adopts the 'three-pronged line of defense' model to underpin its approach to strong risk management principles. Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. Risk governance is maintained through delegation of authority from the board, down to management hierarchy, supported by committee structure both at the board level and at management level. The delegation of risk management responsibilities across the group is structured to ensure that decisions are enacted at the most appropriate level, in line with business objectives, subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite with the executive and risk committees closely monitoring risk profiles against this appetite.

RISK GOVERNANCE FRAMEWORK

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Daily risk management, monitoring and high level oversight	Risk oversight and challenges, policies and methodologies.	Independent assurance of risk management
Business units and risk-takers	Risk Committees Chief Risk Officers, Heads of Risk across the Group Risk Management function	Audit Committee Internal Audit External Audit Regulators External Assessors

a. First Line of Defence - Risk Management and Ownership

The primary responsibilities and objectives of the first line of defence include:
- Managing risks/implementing actions to manage and treat risks at transaction level;
- Implementing risk management processes on an ongoing basis as changes occur with business mix, systems, or regulatory and other requirements;
- Executing risk assessments and identifying emerging risks at the transaction/business case level.

b. Second Line of Defence - Risk Oversight

The main objective of the second line of defence is to provide oversight of the execution of the frontline controls. The second line of defence is responsible for monitoring the internal controls that have been designed with the following main responsibilities:

- Establishing risk management policies and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions);
- Identifying enterprise trends, synergies and opportunities for change;
- Initiating change, integrating and making new monitoring processes operational; and
- Oversight over key risks.

c. Third Line of Defence - Risk Assurance

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Group's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defense include:
- Performing periodic reviews based on a rationalized and systematized approach that allows for risk assessment and governance reporting;
- Providing oversight on the risk management process;
- Reporting to the executive management committee, the audit committee and the board of directors on the state of the control environment and gaps in the controls or monitoring environment;

Board Audit & Risk Assessment Committee evaluates the processes for identifying, assessing, monitoring and managing key risk areas; it also evaluates the adequacy of the group's risk management systems and control environment.

Management Committee is responsible for formulating policies; monitoring implementation of risk policies; reviewing risk reports for presentation to the Board/Board committees; and Implementing Board decisions across the Group.

3.2 Credit risk

Credit risk is the single largest risk for the Group's business therefore, prominence is placed on effective management of credit risk.
Credit risk is defined as the potential that a borrower or counter party will fail to meet obligations in accordance with agreed terms. It is also defined as the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties.

Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities. It can also arise from credit enhancement provided such as financial guarantees, letters of credit, endorsements and acceptances.
The Risk Management function of each subsidiary has specific and overall responsibility for facilitating risk asset creation and exposure management processes across the Group.

3.2.1 Management of Credit Risk

The Credit Risk Policy Manual is the primary reference document for creating and managing credit risk exposures. The manual outlines the general policies and procedures, framework for credit risk management across the subsidiaries and incorporates provisions for marketing, risk analysis, approval, administration, monitoring and reporting of risk exposures.
The Credit Risk Management Policy Manual is designed to:
- Standardize credit policies, give employees clear and consistent direction for the creation of risk exposures across all asset creating business units;
- Provide a comprehensive guide and framework in creating and managing risk assets;
- Ensure prompt identification of problem credits and prudent management of decline in credit quality;
- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio; and
- Provide a framework for the on-going maintenance of the risk management policies and processes.

Credit risk management policies and procedures are articulated by the Risk Management function of each subsidiary.

3.2.2 Risk limit control and mitigation policies

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

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

(a) Portfolio limits

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

The Group's Portfolio limit includes:
• Maintain aggregate large exposure of not more than 400% of shareholders' funds.
• Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'Ba2'
• Maintain minimum weighted average facility risk rating (facility-WARR) of 'Ba2'

• The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
– The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'Baa3' or better.
– No more than 15% of the Group's portfolio would be in any industry rated 'Ba3' or worse.
– No more than 10% of the Group's portfolio in any single industry rated 'B3' or worse

(b) Geographical limits

Presently, the Group's exposures outside Nigeria are taken by its subsidiaries in the United Kingdom and other African countries, which operate within country limits defined by their Boards of Directors. In addition, the Group has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

(c) Single obligor limits

The Group as a matter of policy does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.

For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realizable value of collateral. The group shall apply the granularity criterion on its retail credit portfolio:
– No single retail loan should amount to more than 0.2% of total retail portfolio.

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

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

3.2.3 Collateral held as security to mitigate credit risk

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The principal collateral types for loans and advances are:

• Cash/Treasury bill/Government securities
• Legal Mortgage over residential properties, business real estates in prime locations
• Charge over business fixed and floating assets as well as inventory
• Guarantee from acceptable corporates
• Equitable Mortgage on real estates in prime locations
• Negative Pledge
• Domiciliation of receivables from acceptable corporates.

Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the Company's undertaking on one or more of its assets and keyman insurance.

No loan allowance is recognized for the portion of the Group's financial assets which are fully collateralized by cash in the same currency in accordance with the Group’s expected credit loss model. The carrying amount of such financial assets is N87.7 billion as at 31 December, 2020 (2019: N48.3 bn).

The Group’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

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

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group

December 2020	**Gross Exposure**	**Impairment Allowance**	**Carrying Amount**	**Fair value of Collateral held**
Credit-Impaired assets	N'million	N'million	N'million	N'million
Retail portfolio				
- Overdrafts	5,180	4,698	482	2,779
- Credit cards	80	11	69	-
- Term loans	3,752	1,152	2,608	349
- Mortgages	1,139	400	739	1,214
Corporate portfolio				
- Overdrafts	33,646	11,021	22,628	12,718
- Term loans	82,756	21,689	65,342	164,952
- Project Finance	65,821	15,654	45,824	21,184
Total Credit Impaired Assets	192,373	54,625	137,690	203,195

Group

December 2019	**Gross Exposure**	**Impairment Allowance**	**Carrying Amount**	**Fair value of Collateral held**
Credit-Impaired assets	N'million	N'million	N'million	N'million
Retail portfolio				
- Overdrafts	3,967	3,588	380	14,724
- Credit cards	212	43	170	30
- Term loans	6,521	1,794	4,727	5,006
- Mortgages	675	241	434	1,061
Corporate portfolio				
- Overdrafts	38,462	16,480	21,982	19,792
- Term loans	117,107	35,734	81,373	80,938
- Project Finance	29,919	5,517	24,402	17,334
Total Credit Impaired Assets	196,863	63,396	133,467	138,885

3.2.4 Exposure Management

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

3.2.5 Delinquency Management/Loan Workout

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

3.2.6 Credit Recovery

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

3.2.7 Write Off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was N60.2 billion (2019: N366.4 bn). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.2.8 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to notes 1.2.1.1(iv) and (v) above). The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for three consecutive months or more (for non-specialised assets) and six consecutive months or more (for specialised assets) .

The gross carrying amount of such assets held as at 31 December 2020 was nil (2019: N35.0bn).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Group's restructuring activities and their respective effect on the Group's financial performance:

Loans and advances to customers	**GROUP**	
	N'miilion	**N'miilion**
	2020	**2019**
Amortised cost before modification	35,003	35,003
Net modification gain/(loss)	1,851	1,851

3.2.9 Governance structure around the ECL model

The governance around ECL model centers on oversight functions of primary stakeholders. Oversight function is provided over the following:

i. Obligor ratings

ii. Loss Given Default

iii. Derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilized in deriving these estimates are sourced from credible sources. However, a team of IT experts still carry out periodic checks for system vulnerability, performance and deficiency.

Overall, review of completeness and accuracy is jointly carried out by credit risk team, internal control on regular basis and by internal audit periodically.

3.2.10 Grouping of instruments for losses measured on collective basis

To estimate credit losses for retail portfolio, the Group adopts a model which groups loans with similar or homogeneous characteristics together and this mainly based on the product types. Products are segmented in to four broad categories namely Credit Cards, Mortgages, Term loans and Overdrafts.

Models for Probability of default and loss given default are built in line with the segmentation and the output provide PD and LGD for each of the product category while EAD is applied at individual level.

PD for each product category is calculated as the ratio of the loans which have defaulted to the total count of the loans in the product group while LGD is estimated based on account balances, recoveries and collateral cover.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.2.11 Credit risk measurement

In measuring credit risk of financial assets (loans and advances to customers and to banks, Investment securities and loan commitments) at a counterparty level, the Group reflects the following components:

- The character and capacity to pay of the client or counterparty to meet its contractual obligations;
- Current exposures to the counterparty and its likely future development;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out.

Obligor Risk Rating

The Group has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default.

The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.

The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers regarding default events.

Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Scale Rating			Grade
Highest quality, with minimal credit risk	Aaa	Aaa	1	
High quality, subject to very low credit risk	Aa1	Aa	2	
	Aa2		3	
	Aa3		4	
Considered upper-medium and may possess certain speculative characteristics	A1	A	5	Investment Grade
	A2		6	
	A3		7	
Considered medium-grade and may possess certain speculative characteristics	Baa1	Baa	8	
	Baa2		9	
	Baa3		10	
Considered to have speculative elements and are subject to substantial credit risk	Ba1	Ba	11	
	Ba2		12	
	Ba3		13	
Considered speculative and are subject to high credit risk	B1	B	14	
	B2		15	
	B3		16	Non Investment Grade
Considered to be of poor standing and are subject to very high credit risk	Caa1	Caa	17	
	Caa2		18	
	Caa3		19	
In or near default, with possibility of recovery	Ca	Ca	20	
In default with little chance of recovery	C	C	21	

3.2.12 Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on intial recognition is classified in 'Stage 1' and has the credit risk continously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.2.11(a) for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to note 3.2.11(b) for a description of credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within th next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to note 3.2.11(c) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.2.11(d) includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on inital recognition. Their ECL is always measured on a lifetime basis (Stage 3)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below.
However, the simplified approach has been adopted for trade receivables and other assets.

a Assessment of significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Corporate portfolio, Investment Securities and Placements with financial institutions

Quantitative Criteria:

This is based on the backstop policy disclosed in the next section. Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold as specified per table below:

Criteria	Number of notches/rating scale considered significant
Rating Notches Downgrade	>= 4
Poor Credit Rating Threshold	>=17
Default	>=20

Migrations to rating scale 17 and above is considered stage 2 while rating scale 20 and above is considered stage 3. Please refer to Note 3.2.11 on 21 rating scale adopted by the Group.

Qualitative Criteria:

If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

i Significant increase in credit spread
ii Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
iii Actual or expected forberance or restructuring
iv Actual or expected significant adverse change in operating results of the borrower
v Significant change in collateral value (secured facilities only) which is expected to increase risk of dafault.
vi Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

Retail Portfolio

Quantitative Criteria:

This is based on the backstop policy disclosed in the next section

Qualitative Criteria:

If the borrower meets one or more of the following criteria:

i In short-term forbearance
ii Significant modification to contractual terms
iii Previous arrears within the last 3 months
iv Negative credit bureau reports

The assessment of SICR incorporates forward-looking information (refer to note 3.2.11(d) for further information) and is performed on a periodic basis at a counterparty level for all financial instruments held by the Group.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, however specialized facilities are considered to have experienced significant increase in credit risk if the borrower is more than 90 days past due on its contractual repayment. Specialized facilities include lending for Project/ Object finance and Commercial Real Estate.

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

b Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the sole exception of specialized lending for project, object and commercial real estate where a borrower is required to be more than 180 days past due to be considered in default).

Qualitative criteria

The following qualitative criteria indicates that a borrower is in significant financial difficulty:

- long-term forbearance
- Deceased borrower
- Insolvency or Bankruptcy
- Breach of financial covenant(s)
- Disappearance of an active market for a financial asset due to financial difficulties
- Concessions made by the lender in relation to the borrower’s financial difficulty

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

The 180 days past due default definition used for specialized facilities has been aligned with the definition used for regulatory capital purposes. Therefore the Group considers 180 days past due to be a more appropriate default definition and has rebutted the 90 days past due presumption under IFRS 9 for the specialized facilities. This rebuttal will be monitored and reviewed by the Credit Risk department on an annual basis to ensure it remains appropriate

Cure Criteria

- An exposure will move from stage 2 to 1 where probationary period of 90 days is met subject to all payments being up to date with the customer demonstrating ability to maintain future repayments.
- An Exposure will move from Stage 3 to 2 where probationary period of 180 days is met and there is consistency in repayment of obligations as and when due.

c Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

• The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

• EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

• Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12M PD associated with a given rating is calibrated to a 12M Point in Time PD (PiT PD) using regression analysis while the lifetime PD is developed by applying a cross section regression model which extends the 12-month PiT PD over a long-time horizon. The cross-sectional analysis incorporates time-variant factors, time-invariant factors and idiosyncratic factors.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by facility type.

• For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.

• For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group’s recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

• For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales which has embedded cost of recovery, recovery period and haircuts.

• For unsecured products, the group leverages on a statistical model which estimates recovery rate based on analysis of default data. The model takes in to consideration the credit worthiness and borrowers industry in arriving at the recovery rate.

• LGD’s are typically set at product level for retail portfolio and counterparty level for the corporate portfolio, investment securities and placements with financial institutions.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by portfolio/product type. Refer to note 3.2.11(d) for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation such as rating migration for determination of PDs and change in collateral values etc. are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key macro-economic variables impacting credit risk and expected credit losses for its portfolio.

These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgment has also been applied in this process.
Forecasts of these macro-economic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody's Analytics economic's team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Weights are assigned to the possible outcome of each scenario based on statistical regression analysis and expert judgement taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 3.2.11a). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Generally, in economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, hence the actual outcomes may be significantly different to those projected. Therefore, the Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

e Simplified Approach

In determining the ECL for other assets, the Group applies the simplified approach to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns, to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for forward looking estimates e.g. inflation, exchange rates etc.

3.2.13 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 are set out below.

Corporate Portfolio, Investment Securities and Placements with financial institutions

		2021	2022	2023	2024	2025
Gross Domestic Product (NGN' billions)	Base	70,795	72,841	75,477	78,697	82,021
	Upturn	71,147	74,163	77,368	81,175	85,179
	Downturn	69,740	68,713	70,638	75,662	79,299
Stock Index Price (NGN per share)	Base	33,977	35,604	37,143	38,662	40,978
	Upturn	36,300	39,489	40,892	42,017	44,054
	Downturn	27,619	26,404	30,114	33,637	36,981
Oil price (USD per barrel)	Base	52	58	63	64	66
	Upturn	57	65	70	71	73
	Downturn	34	28	42	50	55

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below.

		2020	2021	2022	2023	2024
Gross Domestic Product (NGN' billions)	Base	74,248	76,716	79,194	81,490	84,010
	Upturn	75,608	80,028	83,338	86,146	88,991
	Downturn	70,294	71,067	73,737	76,647	79,730
Stock Index Price (NGN per share)	Base	28,277	31,094	32,891	34,548	36,596
	Upside	32,248	34,916	36,478	37,884	39,794
	Downside 3	21,769	24,886	27,793	30,719	33,248
Oil price (USD per barrel)	Base	64	66	66	67	69
	Upside	80	81	81	80	81
	Downturn	39	45	49	54	58

In current year, First Bank adopted the Gaussian distribution method of probability distribution to determine the weights of each of its selected scenarios. Expert judgement was applied for other entities. The weightings assigned to each economic scenario are as follows:

DECEMBER 2020	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

DECEMBER 2019	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

3.2.14 Sensitivity analysis on ECL Model

The most significant assumptions affecting the ECL allowance are as follows:

Corporate Portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations
(ii) Oil price, given its significant impact on Nigerian economy and industry players
(iii) Stock Price Index, given its relevance for evaluating market performance of firms.

The sensitivity analysis has been determined by changing one variable or holding it constant on the x -axis, while changing another variable or holding it constant on the y-axis. Set out below are the changes to the ECL that would result if the economic variable assumptions used to measure ECL remain as expected, as well as if each of the key asumptions used change by plus or minus 10%.

DECEMBER 2020		**Oil Price**		
Corporate Portfolios		N'm	N'm	N'm
		(-10%)	No change	+10%
GDP	+10%	55,675	55,675	55,898
	No Change	55,970	55,970	55,970
	(-10%)	55,970	55,970	55,970

DECEMBER 2019		**Oil Price**		
Corporate Portfolios		N'm	N'm	N'm
		(-10%)	No change	+10%
GDP	+10%	52,428	52,428	52,638
	No Change	52,706	52,706	52,706
	(-10%)	52,706	52,706	52,706

3.2.15 Measurement basis of financial assets and liabilities

GROUP

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2020				
Financial assets				
Cash and balances with central banks	-	-	1,631,730	1,631,730
Loans and advances to banks	-	-	1,016,823	1,016,823
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	310,968	310,968
- Term loans	-	-	1,385,260	1,385,260
- Project finance	-	-	344,628	344,628
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	12,829	12,829
- Term loans	-	-	121,099	121,099
- Credit cards	-	-	1,922	1,922
- Mortgage	-	-	40,562	40,562
Financial assets at fair value through profit or loss	126,354	-	-	126,354
Investment securities:				
- Investments at FVOCI	-	473,606	-	473,606
- Investments at amortised cost	-	-	1,075,684	1,075,684
Asset pledged as collateral	273,437	240,335	122,141	635,913
Other assets	-	-	221,257	221,257
Total Financial Assets	399,791	713,941	6,284,903	7,398,635

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Deposits from banks	-	1,039,220	1,039,220
Deposits from customers	-	4,894,715	4,894,715
Derivative liabilities	7,464	-	7,464
Other liabilities	-	529,062	529,062
Liability on investment contracts	-	-	-
Borrowings	-	379,484	379,484
Total Financial Liabilities	7,464	6,842,481	6,849,945

GROUP

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	N'million	N'million	N'million
31 December 2019				
Financial assets				
Cash and balances with central banks	-	-	1,025,325	1,025,325
Loans and advances to banks	-	-	754,910	754,910
Loans and advances to customers - Corporate Portfolio:				-
- Overdrafts	-	-	198,082	198,082
- Term loans	-	-	903,920	903,920
- Project finance	-	-	607,438	607,438
- Advances under finance lease	-	-	-	-
Loans and advances to customers - Retail Portfolio:				-
- Overdrafts	-	-	11,872	11,872
- Term loans	-	-	94,758	94,758
- Credit cards	-	-	1,730	1,730
- Mortgage	-	-	34,611	34,611
Financial assets at fair value through profit or loss	282,660	-	-	282,660
Investment securities:				-
- Investments at FVOCI	-	554,666	-	554,666
- Investments at amortised cost	-	-	859,864	859,864
Asset pledged as collateral	-	444,393	20,529	464,923
Other assets	-	-	121,593	121,593
Total Financial Assets	282,660	999,059	4,634,631	5,916,349

3.2.15 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L	Amortised cost	Total
	N'million	N'million	N'million
Financial liabilities			
Deposits from banks	-	860,486	860,486
Deposits from customers	-	4,019,836	4,019,836
Derivative liabilities	6,046	-	6,046
Other liabilities	-	266,328	266,328
Liability on investment contracts	-	24,676	24,676
Borrowings	-	250,596	250,596
Total Financial Liabilities	6,046	5,421,922	5,427,968

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
COMPANY				
31 December 2020				
Financial assets				
Loans and advances to banks	-	-	11,240	11,240
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	61	61
Financial assets at FVTPL	2,116	-	-	2,116
Investment securities:				-
- Investment securities at FVOCI	-	9,863	-	9,863
Other assets	-	-	14,214	14,214
Total Financial Assets	2,116	9,863	25,515	37,494

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	13,544	13,544
Total Financial Liabilities	-	13,544	13,544

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
COMPANY				
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	5,706	5,706
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	94	94
Financial assets at FVTPL	3,057	-	-	3,057
Investment securities:				-
- Investment securities at FVOCI	-	11,393	-	11,393
Other assets	-	-	15,729	15,729
Total Financial Assets	3,057	11,393	21,529	35,979

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Other liabilities	-	9,321	9,321
Total Financial Liabilities	-	9,321	9,321

3.2.16 Maximum exposure to credit risk before collateral held or credit enhancements

(a) Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

GROUP

	Balances with Central Banks 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	1,509,128	-	-	-	1,509,128
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	1,509,128	-	-	-	1,509,128
Loss allowance	-	-	-	-	-
Carrying Amount	1,509,128	-	-	-	1,509,128

	Loans and Advances to Banks 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	301,203	-	-	-	301,203
Non Investment Grade	718,206	-	-	-	718,206
Gross Carrying Amount	1,019,409	-	-	-	1,019,409
Loss allowance	(2,586)	-	-	-	(2,586)
Carrying Amount	1,016,823	-	-	-	1,016,823

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	75	-	-	-	75
Non Investment Grade	170,393	7,602	143	-	178,138
Default	-	-	10,007	-	10,007
Gross Carrying Amount	170,468	7,602	10,150	-	188,220
Loss allowance	(5,412)	(136)	(6,260)	-	(11,808)
Carrying Amount	165,056	7,466	3,890	-	176,412

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	541,570	15,095	-	-	556,664
Non Investment Grade	848,320	516,203	2,972	-	1,367,496
Default	-	-	179,165	-	179,165
Gross Carrying Amount	1,389,890	531,298	182,138	-	2,103,325
Loss allowance	(6,121)	(7,988)	(48,360)	-	(62,469)
Carrying Amount	1,383,769	523,310	133,777	-	2,040,856

	Debt Investment Securities - at FVOCI 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	264,576	-	-	-	264,576
Non Investment Grade	17,810	-	-	-	17,810
Carrying Amount	282,386	-	-	-	282,386

	Investment Securities - at Amortised Cost 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	996,997	-	-	-	996,997
Non Investment Grade	79,784	-	-	-	79,784
Default	-	-	-	-	-
Gross Carrying Amount	1,076,780	-	-	-	1,076,780
Loss allowance	(1,096)	-	-	-	(1,096)
Carrying Amount	1,075,684	-	-	-	1,075,684

	Assets Pledged as Collateral 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	635,913	-	-	-	635,913
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	635,913	-	-	-	635,913
Loss allowance	-	-	-	-	-
Carrying Amount	635,913	-	-	-	635,913

	31 Dec 2020 N'millions
Other assets	240,341
ECL	(19,084)
Carrying amount	221,257

The expected loss rate per age bracket in table below is for First Bank of Nigeria Limited (FBN) as at 31 December 2020. FBN contributes 90% of the total Other assets of the Group, therefore the table is a representative for the Group

	0-30 days	31-60 days	61-180 days	181 -365 days	> 365 days
Expected Loss rate	0.24%	0.35%	1.06%	2.14%	0.00%

GROUP

	Balances with Central Banks 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	899,396	-	-	-	899,396
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	899,396	-	-	-	899,396
Loss allowance	-	-	-	-	-
Carrying Amount	899,396	-	-	-	899,396

	Loans and Advances to Banks 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	160,751	-	-	-	160,751
Non Investment Grade	594,888	-	-	-	594,888
Gross Carrying Amount	755,639	-	-	-	755,639
Loss allowance	(729)	-	-	-	(729)
Carrying Amount	754,910	-	-	-	754,910

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	28,063	2,037	-	-	30,100
Non Investment Grade	109,964	2,639	9	-	112,612
Default	-	-	11,367	-	11,367
Gross Carrying Amount	138,027	4,676	11,376	-	154,080
Loss allowance	(5,391)	(51)	(5,667)	-	(11,109)
Carrying Amount	132,636	4,625	5,709	-	142,971

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	461,135	19,660	-	-	480,795
Non Investment Grade	454,508	656,313	205	-	1,111,026
Default	-	-	185,421	-	185,421
Gross Carrying Amount	915,643	675,972	185,626	-	1,777,242
Loss allowance	(3,933)	(6,139)	(57,731)	-	(67,803)
Carrying Amount	911,710	669,833	127,896	-	1,709,439

	Debt Investment Securities - at FVOCI 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	383,397	-	-	-	383,397
Non Investment Grade	12,228	-	-	-	12,228
Carrying Amount	395,625	-	-	-	395,625

	Investment Securities - at Amortised Cost 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	819,526	-	-	-	819,526
Non Investment Grade	40,948	-	-	-	40,948
Default	-	-	-	-	-
Gross Carrying Amount	860,474	-	-	-	860,474
Loss allowance	(610)	-	-	-	(610)
Carrying Amount	859,864	-	-	-	859,864

	Assets Pledged as Collateral 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	464,922	-	-	-	464,922
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	464,922	-	-	-	464,922
Loss allowance	-	-	-	-	-
Carrying Amount	464,922	-	-	-	464,922

	31 Dec 2019 Total N'millions
Other assets	141,533
ECL	(19,940)
Carrying amount	121,592

Company

	Loans and Advances to Banks 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	11,240	-	-	-	11,240
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	11,240	-	-	-	11,240
Loss allowance	-	-	-	-	-
Carrying Amount	11,240	-	-	-	11,240

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	-	-	-	-	-
Non Investment Grade	61	-	-	-	61
Gross Carrying Amount	61	-	-	-	61
Loss allowance	-	-	-	-	-
Carrying Amount	61	-	-	-	61

	Debt Investment Securities - at FVOCI 31 Dec 2020				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	9,863	-	-	-	9,863
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	9,863	-	-	-	9,863
Loss allowance	-	-	-	-	-
Carrying Amount	9,863	-	-	-	9,863

	31 Dec 2020 N'millions
Other assets	15,729
ECL	-
Carrying amount	15,729

	Loans and Advances to Banks 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	5,706	-	-	-	5,706
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	5,706	-	-	-	5,706
Loss allowance	-	-	-	-	-
Carrying Amount	5,706	-	-	-	5,706

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	-	-	-	-	-
Non Investment Grade	94	-	-	-	94
Gross Carrying Amount	94	-	-	-	94
Loss allowance	-	-	-	-	-
Carrying Amount	94	-	-	-	94

	Debt Investment Securities - at FVOCI 31 Dec 2019				
	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	11,393	-	-	-	11,393
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	11,393	-	-	-	11,393
Loss allowance	-	-	-	-	-
Carrying Amount	11,393	-	-	-	11,393

	31 Dec 2019 N'millions
Other assets	15,729
ECL	-
Carrying amount	15,729

(b) **Financial instruments not subject to impairment**

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment

	GROUP		COMPANY	
	31 Dec 2020 N'millions	31 Dec 2019 N'millions	31 Dec 2020 N'millions	31 Dec 2019 N'millions
Financial Assets at FVPTL				
- Debt Securities	15,418	208,907	-	-
- Derivatives	72,234	38,372	-	-

3.2.17 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2020 and 31 December 2019. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	1,475,066	-	-	34,062	-	-	1,509,128
Loans and advances to banks	399,010	-	-	85,459	403,384	128,969	1,016,823
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	2,856	4,144	690	5,139	0	-	12,829
- Term loans	36,971	43,667	25,049	15,228	184	-	121,099
- Credit cards	770	535	617	-	-	-	1,922
- Mortgage	6,947	968	256	14	32,355	22	40,562
Corporate portfolio:							
- Overdrafts	215,668	23,950	11,697	36,061	23,592	-	310,968
- Term loans	1,079,134	106,732	28,824	102,436	61,191	6,944	1,385,260
- Project finance	255,273	62,547	26,808	-	-	-	344,628
Financial assets at FVTPL	85,800	-	-	1,124	728	-	87,652
Investment securities							
- FVOCI Investments	266,502	14,356	905	623	-	-	282,386
- Amortised cost investments	242,841	99	-	274,845	92,868	465,031	1,075,684
Asset pledged as collateral	622,536	-	-	13,376	-	-	635,913
Other assets	199,886	8,097	988	12,051	235	-	221,257
31 December 2020	4,889,259	265,095	95,836	580,419	614,536	600,966	7,046,112

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

Loan commitments	58,279	23,728	927	4,329	-	-	87,263
Letters of credit and other credit related obligations	722,116	57,278	35,247	18,630	1,243	-	834,513
31 December 2020	780,395	81,006	36,174	22,959	1,243	-	921,776

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	866,904	-	-	32,492	-	-	899,396
Loans and advances to banks	464,349	-	-	48,610	40,456	201,495	754,910
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,619	2,595	610	4,048	0	-	11,872
- Term loans	23,299	34,081	22,603	14,752	23	-	94,758
- Credit cards	766	594	369	-	-	-	1,730
- Mortgage	3,668	612	221	15	30,029	65	34,611
Corporate portfolio:							
- Overdrafts	103,919	24,114	3,400	27,587	38,543	519	198,082
- Term loans	627,831	109,100	19,843	76,878	60,722	9,545	903,920
- Project finance	560,775	19,214	27,448	-	-	-	607,438
Financial assets at FVTPL	236,492	-	-	1,329	9,458	-	247,279
Investment securities							
- FVOCI Investments	391,962	1,512	1,416	736	-	-	395,626
- Amortised cost investments	135,918	149	-	65,130	31,464	627,204	859,864
Asset pledged as collateral	444,393	-	-	20,529	-	-	464,922
Other assets	100,156	8,097	988	12,117	235	-	121,593
31 December 2019	3,965,051	200,069	76,897	304,223	210,930	838,829	5,596,000

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

Loan commitments	52,147	23,728	927	4,329	-	-	81,131
Letters of credit and other credit related obligations	748,706	57,278	35,247	18,630	1,243	-	861,103
31 December 2019	800,852	81,006	36,174	22,959	1,243	-	942,234

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

COMPANY

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	**Total N 'million**
Loans and advances to banks	11,240	-	-	-	-	-	11,240
Loans and advances to customers							
- Term loans	61	-	-	-	-	-	61
Investment securities							
- FVOCI Investments	9,863	-	-	-	-	-	9,863
Other assets	14,214	-	-	-	-	-	14,214
31 December 2020	35,378	-	-	-	-	-	35,378

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	**Total N 'million**
Loans and advances to banks	5,706	-	-	-	-	-	5,706
Loans and advances to customers							
- Term loans	94	-	-	-	-	-	94
Investment securities							
- FVOCI Investments	11,393	-	-	-	-	-	11,393
Other assets	15,729	-	-	-	-	-	15,729
31 December 2019	32,921	-	-	-	-	-	32,922

b) Industry sectors

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

GROUP

	Balances with central bank N 'million	Loans and advances to banks N 'million	Financial assets at fair value through profit or loss N 'million	Investment Securities - FVOCI N 'million	Investment Securities - Amortised cost N 'million	Asset pledged as collateral N 'million	Other assets N 'million
Oil and gas	-	-	-	4,326	-	-	-
Manufacturing	-	-	-	3,856	2,143	-	-
Finance and insurance	1,509,128	1,016,823	2,045	105,413	10,910	-	143,368
Transportation	-	-	14,620	-	663,024	-	-
Communication	-	-	-	87,972	-	-	-
General commerce	-	-	-	-	-	-	12,796
Public sector	-	-	70,987	80,819	399,606	635,913	65,093
Total at 31 December 2020	1,509,128	1,016,823	87,652	282,386	1,075,684	635,913	221,257

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

	Loans and advances to customers - Retail Portfolio				
	Overdraft	Term loans	Credit Cards	Mortgage	Total
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Agriculture	320	719	1	-	1,040
Oil and gas	164	376	-	-	540
Consumer credit	3,814	97,809	1,911	14	103,548
Manufacturing	104	151	-	36,134	36,389
Real estate	10	238	3	4,415	4,666
Construction	139	37	-	-	176
Finance and insurance	62	274	-	-	337
Transportation	132	27	-	-	159
Communication	629	69	-	-	697
General commerce	2,336	1,584	-	-	3,921
Utilities	24	7,246	-	-	7,270
Retail services	4,968	12,412	6	-	17,386
Public sector	127	158	0	-	284
Total at 31 December 2020	12,829	121,099	1,922	40,562	176,413

	Loans and advances to customers - Corporate Portfolio			
	Overdraft	Term loans	Project finance	Total
	N 'million	**N 'million**	**N 'million**	**N 'million**
Agriculture	18,762	39,693	1,053	59,508
Oil and gas	129,271	557,774	9,332	696,377
Consumer credit	2,921	2,931	-	5,851
Manufacturing	46,553	202,528	144,294	393,375
Real estate	401	25,142	23,127	48,669
Construction	27,254	37,930	77,141	142,324
Finance and insurance	4,907	4,434	-	9,341
Transportation	3,101	11,910	-	15,011
Communication	4,064	62,527	65,463	132,054
General commerce	47,304	72,908	-	120,213
Utilities	7,171	163,227	13,858	184,256
Retail services	17,304	42,826	10,361	70,491
Public sector	1,956	161,432	-	163,387
Total at 31 December 2020	310,968	1,385,260	344,628	2,040,857

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Asset pledged as collateral	Other assets
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Oil and gas	-	-	627	5,999	-	-	-
Manufacturing	-	-	135	2,946	2,143	-	-
Finance and insurance	899,396	754,910	88,579	39,213	729,916	20,529	36,266
Communication	-	-	-	1,516	-	-	-
General commerce	-	-	-	-	-	-	20,300
Public sector	-	-	157,938	345,952	127,805	444,393	65,027
Total at 31 December 2019	899,396	754,910	247,280	395,626	859,864	464,923	121,593

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

	Loans and advances to customers - Retail Portfolio				
	Overdraft	Term loans	Credit Cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	106	246	-	-	352
Oil and gas	195	569	-	-	764
Consumer credit	3,500	83,757	1,723	18	88,998
Manufacturing	197	418	-	-	615
Real estate	14	578	-	34,597	35,190
Construction	78	-	-	-	78
Finance and insurance	61	91	-	-	152
Transportation	3	154	-	-	157
Communication	7	100	-	-	107
General commerce	1,767	3,161	0	-	4,928
Utilities	3	-	-	-	3
Retail services	5,810	5,625	7	-	11,442
Public sector	128	59	0	-	186
Total at 31 December 2019	11,869	94,757	1,731	34,615	142,972

	Loans and advances to customers - Corporate Portfolio			
	Overdraft	Term loans	Project finance	Total
	N 'million	N 'million	N 'million	N 'million
Agriculture	9,915	40,806	4,000	54,720
Oil and gas	32,270	176,549	384,496	593,315
Consumer credit	1,201	2,453	-	3,654
Manufacturing	43,200	183,555	63,026	289,781
Real estate	370	28,831	25,128	54,329
Construction	19,461	54,822	22,017	96,299
Finance and insurance	4,085	7,796	-	11,881
Transportation	473	13,055	4,573	18,102
Communication	1,127	109,526	139	110,792
General commerce	71,062	87,529	1,443	160,034
Utilities	3,206	43,803	81,558	128,567
Retail services	11,714	17,495	6,684	35,893
Public sector	0	137,699	14,376	152,075
Total at 31 December 2019	198,083	903,919	607,440	1,709,441

b) Industry sectors

	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Other assets	Loans to customers Retail portfolio
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
COMPANY						
Finance and insurance	11,240	-	-	-	14,214	-
Retail services	-	-	-	-	-	61
Public sector	-	-	9,863	-	-	-
Total at 31 December 2020	11,240	-	9,863	-	14,214	61

	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Other assets	Loans to customers Retail portfolio
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
COMPANY						
Finance and insurance	5,706	-	-	-	15,729	-
Retail services	-	-	-	-	-	94
Public sector	-	-	11,393	-	-	-
Total at 31 December 2019	5,706	-	11,393	-	15,729	94

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

	Loan commitments 31 Dec 2020 N 'million	Letter of credit and other related obligations 31 Dec 2020 N 'million	Loan commitments 31 Dec 2019 N 'million	Letter of credit and other related obligations 31 Dec 2019 N 'million
	GROUP			
Agriculture	1,448	28,764	835	32,109
Oil and gas	35,647	117,471	40,267	95,291
Consumer credit	2	-	550	9,342
Manufacturing	24,655	266,753	15,651	245,844
Real estate	41	-	7	167
Construction	2,558	56,268	45	54,036
Finance and insurance	176	240,496	505	351,331
Transportation	35	411	32.45	255
Communication	76	2,516	2,217	3,098
General commerce	9,246	72,293	15,836	42,102
Utilities	120	13,744	69	16,301
Retail services	12,967	33,301	4,204	10,231
Public sector	292	2,495	912	994
TOTAL	87,263	834,513	81,131	861,103

3.2.18 Loans and advances to customers

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

December 2020	Loans and advances to customers				
	Overdraft	Term loans	Credit Cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Retail					
Stage 1 loans	13,590	120,173	1,863	34,840	170,466
Stage 2 loans	1,145	1,386	5	5,067	7,602
Stage 3 loans	5,180	3,752	80	1,139	10,151
Gross	19,915	125,311	1,948	41,046	188,219
Less: allowance for impairment (note 22)	(7,086)	(4,212)	(26)	(484)	(11,808)
Net	12,829	121,099	1,922	40,561	176,411
Lifetime ECL (see note 22)	4,773	1,199	11	413	6,396
12-months' ECL (see note 22)	2,313	3,013	15	71	5,412
Total	7,086	4,212	26	484	11,808

December 2020	Loans and advances to customers				
	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Corporate					
Stage 1 loans	201,881	914,818	275,422	-	1,392,121
Stage 2 loans	87,723	423,137	19,287	-	530,147
Stage 3 loans	33,646	81,590	65,821	-	181,057
Gross	323,250	1,419,545	360,530	-	2,103,325
Less: allowance for impairment (note 22)	(12,282)	(34,285)	(15,902)	-	(62,469)
Net	310,968	1,385,260	344,628	-	2,040,856
Lifetime ECL (see note 22)	11,569	29,082	15,697	-	56,348
12-months' ECL (see note 22)	713	5,203	205	-	6,121
Total	12,282	34,285	15,902	-	62,469

December 2019	Loans and advances to customers				
	Overdraft	Term loans	Credit Cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Retail					
Stage 1 loans	10,448	93,897	1,553	32,130	138,028
Stage 2 loans	1,486	1,083	14	2,094	4,676
Stage 3 loans	3,967	6,521	212	675	11,376
Gross	15,901	101,501	1,779	34,899	154,080
Less: allowance for impairment (note 23)	(4,029)	(6,743)	(49)	(288)	(11,109)
Net	11,872	94,758	1,730	34,611	142,971
Lifetime ECL (see note 23)	3,615	1,816	43	244	5,718
12-months' ECL (see note 23)	414	4,927	6	44	5,391
Total	4,029	6,743	49	288	11,109

December 2019	Loans and advances to customers				
	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Corporate					
Stage 1 loans	154,344	573,417	187,879	-	915,640
Stage 2 loans	22,504	255,429	398,179	-	676,113
Stage 3 loans	38,462	117,107	29,919	-	185,488
Gross	215,310	945,954	615,977	-	1,777,241
Less: allowance for impairment (note 23)	(17,228)	(42,034)	(8,540)		(67,802)
Net	198,082	903,920	607,437	0	1,709,439
Lifetime ECL (see note 23)	16,603	39,673	7,593	-	63,870
12-months' ECL (see note 23)	625	2,361	947	-	3,933
Total	17,228	42,034	8,540	-	67,803

	Term loans	**Total**
	N 'million	**N 'million**
COMPANY		
Retail		
December 2020		
Stage 1 loans	61	61
Gross	61	61
Less: allowance for impairment	-	-
Net	61	61
Retail		
December 2019		
Stage 1 loans	94	94
Gross	94	94
Less: allowance for impairment	-	-
Net	94	94

GROUP
December 2020
Retail
(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.11 for an explanation of the internal rating system).

	Overdraft N 'million	Term loans N 'million	Credit cards N 'million	Mortgage N 'million	**Total N 'million**
Grades:					
A	-	66	-	-	66
Baa	119	1,423	-	-	1,542
Ba	9,540	100,743	1,863	34,840	146,986
B	3,931	17,941	-	-	21,872
	13,590	120,173	1,863	34,840	170,466

(b) Loans and advances - Stage 2

	Overdraft N 'million	Term loans N 'million	Credit cards N 'million	Mortgage N 'million	**Total N 'million**
Past due up to 30 days	33	281	1	4,316	4,631
Past due by 30 - 60 days	1,086	807	3	299	2,196
Past due 60-90 days	26	298	1	452	777
Above 90 days	0	-	0	-	0
Gross amount	1,145	1,386	5	5,067	7,602

(c) Loans and advances - Stage 3

	Overdraft	Term loans	Credit cards	Mortgage	Total
Gross amount	5,180	3,752	80	1,139	10,151
Life time ECL- credit impaired	(4,698)	(1,152)	(11)	(400)	(6,261)
Net amount	482	2,600	69	739	3,890

December 2020
Corporate
(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.11 for an explanation of the internal rating system).

	Overdraft N 'million	Term loans N 'million	Project finance N 'million	**Total N 'million**
Grades:				
Aaa	-	0	-	0
Aa	14,482	146,109	166,802	327,393
A	7,083	58,678	9,916	75,677
Baa	27,674	89,867	26,861	144,402
Ba	130,492	369,996	68,110	568,599
B	22,150	250,168	3,733	276,051
Caa	-	-	-	-
	201,881	914,818	275,422	1,392,121

	Overdraft	Term loans	Project finance	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2				
Past due up to 30 days	87,679	386,012	19,287	492,978
Past due by 30 - 60 days	44	1,193	-	1,237
Past due 60-90 days	0	5,297	-	5,297
Above 90 days	-	30,635	-	30,635
Gross amount	87,723	423,137	19,287	530,147
(c) Loans and advances - Stage 3				
Gross amount	33,646	82,757	65,821	182,223
Life time ECL- credit impaired	(11,021)	(21,689)	(15,653)	(48,363)
Net amount	22,625	61,068	50,168	133,860

GROUP

December 2019

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.11 for an explanation of the internal rating system).

	Overdraft	Term loans	Credit cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Grades:					
A	53	52	-	-	105
Baa	29	426	-	27,877	28,332
Ba	5,243	59,573	1,462	4,075	70,353
B	5,123	33,846	91	178	39,238
	10,448	93,897	1,553	32,130	138,028

	Overdraft	Term loans	Credit cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2					
Past due up to 30 days	35	116	0	29	180
Past due by 30 - 60 days	1,435	708	12	503	2,657
Past due 60-90 days	15	259	2	1,405	1,681
Above 90 days	1	-	0	157	158
Gross amount	1,486	1,083	14	2,094	4,676
(c) Loans and advances - Stage 3					
Gross amount	3,967	6,521	212	675	11,376
Life time ECL- credit impaired	(3,587)	(1,794)	(43)	(241)	(5,665)
Net amount	380	4,727	170	434	5,711

3.2.18 Loans and advances to customers continued

December 2019

Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.2 for an explanation of the internal rating system).

	Overdraft	Term loans	Project finance	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**
Grades:				
Aaa	6,062	32,328	-	
Aa	7,871	207,935	70,780	286,586
A	466	18,504	-	18,970
Baa	13,034	92,226	14,432	119,692
Ba	95,438	121,663	23,874	240,975
B	31,403	100,755	78,793	210,952
Caa	75	-	-	75
	154,351	573,410	187,879	877,249

	Overdraft	Term loans	Project finance	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2				
Past due up to 30 days	22,384	225,982	336,985	585,350
Past due by 30 - 60 days	25	21,263	10,815	32,103
Past due 60-90 days	-	5,599	-	5,599
Above 90 days	95	2,585	50,380	53,060
Gross amount	22,504	255,429	398,179	676,113
(c) Loans and advances - Stage 3				
Gross amount	38,462	117,107	29,919	185,488
Life time ECL- credit impaired	(16,480)	(35,734)	(5,517)	(57,732)
Net amount	21,982	81,373	24,402	127,756

3.2.19 Collaterized Assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2020 and 31 December 2019 are as shown below

GROUP	**Collaterised assets**	
31 December 2020	Carrying value of the assets	Fair value of collateral held
Financial assets		
Loans and advances to banks	1,016,823	481,411
Financial assets at fair value through profit or loss	87,652	1,509
Total Financial Assets	1,104,475	482,920

GROUP	**Collaterised assets**	
31 December 2019	Carrying value of the assets	Fair value of collateral held
Financial assets		
Loans and advances to banks	754,910	481,411
Financial assets at fair value through profit or loss	247,279	0
Total Financial Assets	1,002,189	481,411

COMPANY	Under-Collaterised assets	
31 December 2020	Carrying value of the assets	Fair value of collateral held
Financial assets		
Loans and advances to banks	11,240	-
Financial assets at fair value through profit or loss	2,116	-
Total Financial Assets	13,356	-

COMPANY	Under-collaterised assets	
31 December 2019	Carrying value of the assets	Fair value of collateral held
Financial assets		
Loans and advances to banks	5,706	-
Financial assets at fair value through profit or loss	3,057	-
Total Financial Assets	8,763	-

The underlisted financial assets are not collaterised:
Cash and balances with Central Banks
Investment securities:
- Investment securities at fair value through other comprehensive income
- Amortised cost investments

Asset pledged as collateral
Other assets

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

3.3 Liquidity risk

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

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

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

3.3.1 Management of liquidity risk

The Group’s liquidity management process includes:

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

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

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

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

3.3.2 Funding approach

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

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

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in table A below are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk on a behavioural basis which is shown in table B below. See note 32b for maturity analysis of leases.

GROUP

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

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2020							
Financial liabilities							
Deposits from banks	590,506	150,545	151,711	64,915	482	-	958,159
Deposits from customers	3,985,775	436,909	110,436	193,514	77,394	34,425	4,838,453
Derivative liabilities	7,464	-	-	-	-	-	7,464
Borrowings	10,653	1,204	14,510	114,147	289,878	181,701	612,093
Other liabilities	420,055	27,178	12,318	6,011	24,851	5,712	496,125
Total financial liabilities	5,014,452	615,837	288,975	378,587	392,605	221,838	6,912,294
Loan commitments	35,566	21,306	15,879	14,512	-	-	87,263
Letters of credit and other credit related obligations	84,295	129,420	191,640	375,383	39,249	12,923	832,909
Total commitments	119,861	150,726	207,519	389,895	39,249	12,923	920,173
Assets held for managing liquidity risk	1,095,163	1,600,956	341,600	346,490	319,407	157,912	3,861,528
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	3,016,554	442,908	217,822	191,402	164,839	19	4,033,544
Financial liabilities at fair value through profit or loss	6,046	-	-	-	-	-	6,046
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,653
Other liabilities	186,553	32,427	12,318	6,011	24,851	5,712	267,872
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	3,855,353	669,044	293,445	300,043	355,369	13,567	5,486,821
Loan commitments	37,164	35,959	2,545	4,547	915	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	505,350	96,892	4,400	942,234
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001

3.3 Liquidity risk continued

COMPANY

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2020							
Financial liabilities							
Other liabilities	10,002	3,541	-	-	-	-	13,543
Total financial liabilities	10,002	3,541	-	-	-	-	13,543
Assets held for managing liquidity risk	6,038	3,122	3,064	4,433	765	1,063	18,485
31 December 2019							
Financial liabilities							
Other liabilities	8,479	841	-	-	-	-	9,321
Total financial liabilities	8,479	841	-	-	-	-	9,321
Assets held for managing liquidity risk	6,038	3,122	3,064	4,433	765	1,063	18,485

(b) Table B below presents the undiscounted cashflows payable by the Group based on their behavioral patterns. In managing its liquidity risk, the Group profiles its cashflows statistically using historical observations, to ensure that projections are in tune with demonstrated behavioral trends. The Group adopts a Behavioral run-off model in estimating Core and Volatile components of its non-maturing liabilities, complemented by qualitative factors e.g. changes in collection sweep cycles, effect of new fiscal or monetary policies etc. The objective is to determine the proportion of the non-contractual balances to be spread across the Group's maturity bands.

TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS
GROUP

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2020							
Financial liabilities							
Deposits from banks	578,471	162,580	151,711	64,915	482	-	958,159
Deposits from customers	349,725	522,649	232,855	421,959	605,144	2,706,121	4,838,453
Borrowings	10,653	1,204	14,510	114,147	289,878	181,701	612,093
Other liabilities	420,566	27,178	12,318	6,011	24,851	5,712	496,636
Total financial liabilities	1,359,414	713,612	411,394	607,032	920,355	2,893,533	6,905,341
Loan commitments	35,566	21,306	15,879	14,512	-	-	87,263
Letters of credit and other credit related obligations	84,295	129,420	191,640	375,383	39,249	12,923	832,909
Total commitments	119,861	150,726	207,519	389,895	39,249	12,923	920,173
Assets held for managing liquidity risk	1,095,163	1,600,956	341,600	346,490	319,407	157,912	3,861,528

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	326,749	507,489	337,255	348,004	424,910	2,088,791	4,033,197
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,652
Other liabilities	187,064	32,427	12,318	6,011	24,851	5,712	268,383
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	1,160,012	733,624	412,878	456,645	615,441	2,102,339	5,480,939
Loan commitments	37,164	35,959	2,545	5,459	3	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	506,262	95,980	4,400	942,233
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001

3.3.4 Assets held for managing liquidity risk

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

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

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term. On an actuarial basis, the bank's demand deposits exhibit much longer duration, with 80.83% of the bank's current account balances and 88.57% of savings account balances being deemed core.

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

3.3.5 Derivative liabilities

(a) Derivatives settled on a net basis

The out options and the foreign exchange (FX) contract will be settled on a net basis.

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

GROUP	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2020							
Derivative liabilities							
FX Futures	(1,307)	(3,386)	(590)	(62)	(70)	-	(5,415)
FX Swap	(41)	(12)	-	44,191	-	-	44,139
Put Options	-	-	-	-	-	-	-
	(1,348)	(3,397)	(590)	44,129	(70)	-	38,723
Derivative assets							
FX Futures	1,316	3,386	422	62	70	-	5,256
Put Options	-	-	-	240	-	-	240
Forward Contract	59	28	26	-	-	-	113
	1,375	3,414	448	302	70	-	5,610
	27	17	(142)	44,431	-	-	44,333
At 31 December 2019							
Derivative liabilities							
FX Futures	30	483	180	56	-	-	749
Cross-Currency Swap	-	-	6	-	-	-	6
Put Options	966	534	-	-	-	-	1,501
	996	1,018	186	56	-	-	2,256
Derivative assets							
FX Futures	167	834	258.70	90.50	-	-	1,350
Put Options	1,098	627	-	240	-	-	1,965
Forward Contract	1,302	2,458	1,522	-	-	-	5,282
	2,567	3,919	1,781	330	-	-	8,597
	3,563	4,937	1,967	386	-	-	10,853

(b) Derivatives settled on a gross basis.

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

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2020 (N' million)							
Assets held for trading							
FX Swap - Payable	(66,400)	(193,274)	(21,986)	-	-	-	(281,659)
FX Swap - Receivable	80,065	228,554	22,714	-	-	-	331,333
Forward Contract - Payment	(13,792)	(46,317)	(34,187)	-	-	-	(94,295)
Forward Contract - Receipt	104,702	125,070	130,310	5,468	-	-	365,551
	104,575	114,034	96,852	5,468	-	-	320,929

3.3.5 Derivative liabilities continued

Liabilities held for trading							
FX Swap - Payable	(110)	(406)	-	-	-	-	(516)
FX Swap - Receivable	110	403	-	-	-	-	513
Forward Contract - Payment	(11,838)	(36,852)	(33,975)	-	-	-	(82,666)
Forward Contract - Receipt	102,108	113,521	128,572	5,468	-	-	349,669
Put option	-	-	-	-	-	-	-
	90,269	76,666	94,596	5,468	-	-	266,999

At 31 December 2019 (N' million)							
Assets held for trading							
FX Swap - Payable	(530)	(18)	-	(99,600)	-	-	(100,148)
FX Swap - Receivable	533	6,372	-	121,535	-	-	128,439
Forward Contract - Payment	(49,600)	(33,134)	(28,554)	(3,584)	-	-	(114,871)
Forward Contract - Receipt	52,302	36,616	32,544	4,162	-	-	125,624
	2,705	9,836	3,990	22,513	-	-	39,043
Liabilities held for trading							
FX Swap - Payable	(110)	(406)	-	-	-	-	(516)
FX Swap - Receivable	110	403	-	-	-	-	513
Forward Contract - Payment	(31,996)	(13,546)	(15,065)	(1,172)	-	-	(61,780)
Forward Contract - Receipt	31,110	12,464	13,301	1,011	-	-	57,885
Put option	-	-	-	-	-	-	
	(887)	(1,083)	(1,764)	(161)	-	-	(3,899)

3.4 Market risk

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

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

3.4.1 Management of market risk

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

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

3.4.2 Market risk measurement techniques

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

(a) Value at risk (VAR)

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level.
VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the bank) is subject to the VaR methodology. The Group measures interest rate risk and foreign exchange risk using sensitivity analysis, see note 3.4.6 and 3.4.3 respectively.

The Bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors.

The Bank uses the parametric method as its VaR methodology with an observation period of two years obtained from published data from pre-approved sources. VaR is calculated on the Bank's positions at close of business daily.

The table below shows the trading VaR of the Bank. The major contributors to the trading VaR are Treasury Bills and Foreign Exchange due to volatility in those instruments impacting positions held by the Bank during the period.

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

The Fixed Income portfolio (Interest Rate Risk) trading VaR is NGN1.1 billion as at 31 December 2020 and reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was N3.2 million as at 31st December 2020, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

VAR summary

	12 months to 31 December 2020		
	Average	**High**	**Low**
Foreign exchange risk	11	32	0
Interest rate risk	2,314	4,603	17
Total VAR	**2,325**	**4,636**	**17**

VAR summary

	12 months to 31 December 2019		
	Average	**High**	**Low**
Foreign exchange risk	4	87	0
Interest rate risk	117	1,211	17
Total VAR	**121**	**1,298**	**17**

3.4.2 Market risk measurement techniques continued

(b) Stress tests

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

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

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

Non-trading portfolio

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

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

The Group uses a variety of tools to measure non-tradable interest rate risk such as:
• interest rate gap analysis (which allows the Group to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
• forecasting and simulating interest rate margins;
• market value sensitivity;
• calculating earnings at risk (EaR) using various interest rate forecasts; and
• re-pricing risk in various portfolios and yield curve analysis.
See note 3.4.5 for interest rate sensitivity disclosures.

Hedged non-trading market risk exposures

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

3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2020						
Financial assets						
Cash and balances with Central Banks	1,521,833	38,069	6,694	27,446	37,687	1,631,730
Loans and advances to banks	531,918	223,823	214,272	27,778	19,032	1,016,823
Loans and advances to customers: Retail portfolio						
- Overdrafts	7,583	3,878	3	82	1,283	12,829
- Term loans	98,443	15,579	9	-	7,069	121,099
- Credit cards	1,406	516	-	-	-	1,922
- Mortgage	4,414	22	36,112	-	14	40,562
Loans and advances to customers: Corporate portfolio						
- Overdrafts	78,609	218,866	27	522	12,945	310,968
- Term loans	539,099	754,154	17,440	16,562	58,006	1,385,260
- Project finance	192,533	152,096	-	-	-	344,628
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI Investments	391,179	82,427	-	-	-	473,606
- Amortised cost investments	374,432	591,903	-	8	109,341	1,075,684
Asset pledged as collateral	622,536	-	-	-	13,376	635,913
Financial assets at fair value through profit or loss	47,146	72,322	385	747	107	120,707
Other assets	203,188	17,041	241	55	732	221,257
	4,614,319	2,170,695	275,183	73,199	259,591	7,392,988
Financial liabilities						
Customer deposits	3,593,152	744,207	373,376	31,052	152,927	4,894,715
Deposits from banks	122,306	871,697	14,418	18,401	12,398	1,039,220
Derivative liabilities	-	7,494	-	69	56	7,464
Borrowings	62,632	307,106	-	-	9,745	379,484
Other liabilities	371,175	134,317	4,373	14,345	4,853	529,062
	4,149,265	2,064,822	392,167	63,867	179,979	6,849,945

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2019						
Financial assets						
Cash and balances with Central Banks	927,665	47,678	4,438	15,362	30,182	1,025,325
Loans and advances to banks	419,582	163,531	144,667	18,990	8,140	754,910
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,748	4,708	61	55	1,301	11,872
- Term loans	79,950	8,687	23	-	6,097	94,758
- Credit cards	1,446	283	-	-	-	1,730
- Mortgage	4,501	65	30,029	-	15	34,611
Loans and advances to customers: Corporate portfolio						
- Overdrafts	110,103	81,698	2	-	6,279	198,082
- Term loans	502,828	353,660	19,152	10,668	17,611	903,920
- Project finance	105,762	501,675	-	-	-	607,438
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI Investments	475,197	79,469	-	-	-	554,666
- Amortised cost investments	114,669	683,650	-	7	61,538	859,864
Asset pledged as collateral	444,393	-	-	-	20,529	464,922
Financial assets at fair value through profit or loss	236,692	45,730	124	40	73	282,659
Other assets	103,524	17,041	241	55	732	121,593
	3,532,060	1,987,876	198,738	45,177	152,498	5,916,349
Financial liabilities						
Customer deposits	2,771,289	839,074	294,984	29,434	85,054	4,019,836
Deposits from banks	199,631	622,915	18,252	5,887	13,801	860,486
Derivative liabilities	-	6,039	7	-	-	6,046
Borrowings	83,001	166,716	81	798	-	250,596
Other liabilities	108,440	134,317	4,373	14,345	4,853	266,328
Investment contracts	24,676	-	-	-	-	24,676
	3,187,038	1,769,060	317,698	50,464	103,708	5,427,968

COMPANY

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2020						
Financial assets						
Loans and advances to banks	11,140	99	-	-	-	11,240
Loans and advances to customers: Retail portfolio						
- Term loans	61	-	-	-	-	61
Investment securities						
- FVOCI Investments	9,863	-	-	-	-	9,863
Financial assets at fair value through profit or loss	2,116	-	-	-	-	2,116
Other assets	14,214	-	-	-	-	14,214
	37,395	99	-	-	-	37,494
Financial liabilities						
Other liabilities	13,544					13,544
	13,544	-	-	-	-	13,544

COMPANY

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2019						
Financial assets						
Loans and advances to banks	5,607	99	-	-	-	5,706
Loans and advances to customers:						
Retail portfolio						
- Term loans	94	-	-	-	-	94
Investment securities						
- FVOCI Investments	11,393	-	-	-	-	11,393
Financial assets at fair value through profit or loss	3,057	-	-	-	-	3,057
Other assets	15,729	-	-	-	-	15,729
	35,879	99	-	-	-	35,978
Financial liabilities						
Other liabilities	9,321					9,321
	9,321	-	-	-	-	9,321

The Company and Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalue amounts of assets of assets and liabilities denominated in US Dollars.

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

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

	GROUP	
	31 Dec 2020	31 Dec 2019
Naira strengthens by 10% against the US dollar (2019:10%) Profit/(loss)	(10,587)	(21,882)
Naira weakens by 10% against the US dollar (2019:10%) Profit/(loss)	10,587	21,882
Naira strengthens by 10% against the EURO (2019:10%) Profit/(loss)	(933)	529
Naira weakens by 10% against the EURO (2019:10%) Profit/(loss)	933	(529)
Naira strengthens by 10% against the GBP (2019:10%) Profit/(loss)	11,698	11,896
Naira weakens by 10% against the GBP (2019:10%) Profit/(loss)	(11,698)	(11,896)

3.4.4 Interest rate risk

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

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

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2020				
Financial assets				
Cash and balances with central banks	1,631,730	-	3,930	1,631,730
Loans and advances to banks	1,016,823	445,461	11,990	522,610
Loans and advances to customers:				
Retail portfolio				
- Overdrafts	12,829	12,648	181	0
- Term loans	121,099	108,714	12,714	(0)
- Credit cards	1,922	1,921	-	0
- Mortgage	40,562	39,901	662	-
Loans and advances to customers:				
Corporate portfolio				
- Overdrafts	310,968	299,872	11,096	0
- Term loans	1,385,260	1,285,662	82,032	8,457
- Project finance	344,628	343,070	-	-
- Advances under finance lease	-	-	-	-
Financial assets at fair value through profit or loss	126,354	-	15,417	110,937
Investment securities:				
- FVOCI Investments	473,606	-	265,729	190,047
- Amortised cost investments	1,075,684	59,287	1,075,684	-
Assets pledged as collateral	635,913	-	658,554	-
Other assets	221,257	-	-	221,257
	7,398,635	**2,596,537**	**2,137,988**	**2,685,039**
Financial liabilities				
Deposits from customers	4,894,715	2,348,098	1,142,338	1,332,531
Deposits from banks	1,039,220	747,630	210,528	85,268
Derivative liabilities	7,464	-	-	7,549
Other liabilities	529,062	-	-	529,062
Borrowings	379,484	52,455	178,338	148,691
	6,849,945	**3,148,183**	**1,531,204**	**2,103,102**
Interest rate mismatch		**(551,646)**	**606,784**	**581,938**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2019				
Financial assets				
Cash and balances with central banks	1,025,325	-	-	1,025,325
Loans and advances to banks	754,910	484,295	121,406	149,208
Loans and advances to customers:				
Retail portfolio				
- Overdrafts	11,872	11,871	-	-
- Term loans	94,758	84,267	10,541	-
- Credit cards	1,730	1,731	-	-
- Mortgage	34,611	34,612	-	-
Loans and advances to customers:				
Corporate portfolio				
- Overdrafts	198,082	198,088	-	-
- Term loans	903,920	857,977	39,764	6,172
- Project finance	607,438	607,440	-	-
- Advances under finance lease	-	-	-	-
Financial assets at fair value through profit or loss	282,659	-	208,591	74,068
Investment securities:				
- FVOCI Investments	554,666	-	395,626	159,041
- Amortised cost investments	859,864	-	859,864	-
Assets pledged as collateral	464,922	-	464,923	-
Other assets	121,593	-	1	121,593
	5,916,348	**2,280,282**	**2,100,715**	**1,535,407**
Financial liabilities				
Deposits from customers	4,019,836	1,775,779	1,391,530	852,526
Deposits from banks	860,486	542,766	316,514	1,207
Derivative liabilities	6,046	-	-	6,046
Other liabilities	266,328	-	-	266,328
Liability on investment contracts	24,676	-	-	24,676
Borrowings	250,596	72,258	178,338	(0)
	5,427,969	**2,390,803**	**1,886,381**	**1,150,783**
Interest rate mismatch		**(110,522)**	**214,334**	**384,626**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2020				
Financial assets				
Loans and advances to banks	11,240		11,240	
Loans and advances to customers:				
Retail portfolio				
- Term loans	61		61	
Financial assets at fair value through profit or loss	2,116			2,116
Investment securities:				
- FVOCI Investments	9,863		9,863	
Other assets	87			87
	23,367	**-**	**21,164**	**2,203**
Financial liabilities				
Other liabilities	13,544			13,544
	13,543	**-**	**-**	**13,544**
Interest rate mismatch		**-**	**21,164**	**(11,340)**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2019				
Financial assets				
Loans and advances to banks	5,706		5,706	
Loans and advances to customers:				
Retail portfolio				
- Term loans	94		94	
Financial assets at fair value through profit or loss	3,057			3,057
Investment securities:				
- FVOCI Investments	11,393		11,393	
Other assets	87			87
	20,336	**-**	**17,193**	**3,144**
Financial liabilities				
Other liabilities	9,321			9,321
	9,320	**-**	**-**	**9,321**
Interest rate mismatch		**-**	**17,193**	**(6,176)**

3.4.6 Interest rate sensitivity showing fair value interest rate risk

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

	GROUP		COMPANY	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss				
Treasury bills	9,825	131,426	-	-
Bonds	5,593	77,482	-	-
Total	15,418	208,907	-	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	(308)	(4,178)	-	-
Favourable change @ 2% increase in interest rates	308	4,178	-	-
Investment securities - FVOCI				
Treasury bills	221,497	280,778	935	10,336
Bonds	60,888	114,847	8,928	810
Total	282,386	395,626	9,863	11,146
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	(5,648)	(7,913)	(197)	(223)
Favourable change @ 2% increase in interest rates	5,648	7,913	197	223

3.5 Equity risk (Market risk)

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

As at 31 December 2020, the market value of quoted securities held by the Group is N2.92 billion (2019: N1.06 billion). If the all share index of the NSE moves by 4,827 basis points from the 40,270 position at 31 December 2020, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N1.41 billion.

The Group holds a number of investments in unquoted securities with a market value of N227 billion (2019: N193.37 billion) of which investments in Airtel Nigeria Ltd and African Finance Corporation (AFC) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. See fair value hierarchy of these investments and sensitivity analysis in note 3.6.

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

3.6 Fair value of financial assets and liabilities

3.6.1 Financial instruments measured at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	15,418	-	-	15,418
Equity	3,699	-	35,004	38,702
Derivatives	4,194	68,040	-	72,234
Assets pledged as collateral	273,437	-	-	273,437
FVOCI Investments				
Investment securities - debt	286,822	612	-	278,861
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	82,153	108,140	190,293
Investment securities - listed equity	927	-	-	927
Assets pledged as collateral	240,335	-	-	240,335
Derivative liabilities				
Derivatives	-	6,766	-	6,766

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial assets at fair value through profit or loss				
Debt Securities	98,415	110,177	-	208,592
Equity	234	315	35,146	35,696
Derivatives	240	38,132	-	38,372
FVOCI Investments				
Investment securities - debt	164,561	227,540	-	392,101
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	63,206	95,013	158,220
Investment securities - listed equity	821	-	-	821
Assets pledged as collateral	269,542	174,851	-	444,393
Derivative liabilities				
Derivatives	-	5,805	-	5,805

COMPANY

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2020				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	2,116	2,116
FVOCI Investments				
Investment securities - debt	9,863	-	-	9,863
31 December 2019				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,057	3,057
FVOCI Investments				
Investment securities - debt	11,146	-	-	11,146

3.6.1 Financial instruments measured at fair value continued

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

(c) Financial instruments in level 3

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

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

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

GROUP	
At 1 January 2019	171,488
Acquisitions	6,417
Matured/redeemed	(29,108)
Total losses recognised through profit/loss	(349)
Total Gains recognised through OCI	38,718
Transfer into Level 2 due to change in observability of market data	(53,970)
At 31 December 2019	133,196
Acquisitions	7,057
Matured/redeemed	(7,774)
Total Gains recognised through profit/loss	4,022
Total Gains recognised through OCI	9,680
At 31 December 2020	146,180

During the year ended 31 December 2020, there was transfer between level 3 and 2 fair value measurements based on availability of observable inputs.

COMPANY	
At 1 January 2019	3,428
Total gains recognised through profit/loss	(371)
At 31 December 2019	3,057
Total losses recognised through profit/loss	(941)
At 31 December 2020	**2,116**

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

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

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples, EBITDA, cost of capital, illiquidity discount and transaction price as at 31st December, 2020 is as shown in the below table:

Description	Valuation technique	Assumption	
AIRTEL NIGERIA	EV/EBITDA	Base	88,290
		Sensitivity of +2.5%	90,258
		Sensitivity of -2.5%	85,621
NIBSS PLC	P/E multiples	Base	5,265
		Sensitivity of +2.5%	5,397
		Sensitivity of -2.5%	5,133
AFREXIM BANK LTD	P/B multiples	Base	623
		Sensitivity of +2.5%	639
		Sensitivity of -2.5%	607
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	NET ASSET VALUATION	Base	2,116
		Sensitivity of +2.5%	2,169
		Sensitivity of -2.5%	2,063
TIDE AFRICAN FUND	TRANSACTION PRICE	Base	819
		Sensitivity of +2.5%	839
		Sensitivity of -2.5%	798
RESOURCERY PLC (Ordinary shares)	MARKET APPROACH	Base	189
		Sensitivity of +2.5%	193
		Sensitivity of -2.5%	184
VT LEASING LIMITED (Ordinary shares & Convertible notes)	EV/EBITDA, DCF	Base	195
		Sensitivity of +2.5%	199
		Sensitivity of -2.5%	190
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Base	1,982
		Sensitivity of +2.5%	2,031
		Sensitivity of -2.5%	1,932
ECHO VC PAN AFRICA	NET ASSET VALUATION	Base	1,361
		Sensitivity of +2.5%	1,395
		Sensitivity of -2.5%	1,327
LEKKY BUDGET HOTEL	MARKET APPROACH	Base	240
		Sensitivity of +2.5%	246
		Sensitivity of -2.5%	234

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

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

3.6.2 Group's valuation process

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

3.6.3 Financial instruments not measured at fair value

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

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

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

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2020				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	12,829	12,829
- Term loans	-	-	121,099	121,099
- Credit cards	-	-	1,922	1,922
- Mortgage	-	-	40,562	40,562
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	310,968	310,968
- Term loans	-	-	1,385,261	1,385,261
- Project finance	-	-	344,628	344,628
Amortised cost investments	1,032,955	-	13,061	1,075,684
Asset pledged as collateral	122,141	-	-	122,141

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2020				
Financial liabilities				
Borrowing	-	-	379,484	379,484

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	11,871	11,871
- Term loans	-	-	94,757	94,757
- Credit cards	-	-	1,731	1,731
- Mortgage	-	-	34,612	34,612
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	198,088	198,088
- Term loans	-	-	903,914	903,914
- Project finance	-	-	607,439	607,439
- Advances under finance lease	-	-	-	-
Amortised cost investments	823,311	3,269	33,284	859,864
Asset pledged as collateral	20,529	-	-	20,529

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial liabilities				
Borrowing	-	-	250,596	250,596
COMPANY				
31 December 2020				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	-	-	61	61
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	-	-	94	94

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

	31 December 2020		31 December 2019	
	Carrying value N 'million	Fair value N 'million	Carrying value N 'million	Fair value N 'million
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	109,111	109,111	50,486	50,486
Variable rate loans	2,108,157	2,097,728	1,801,925	1,801,925
Investment securities (Amortised cost)	599,464	908,073	859,863	846,654
Asset pledged as collateral	106,303	108,605	20,529	20,529
Loan commitments	87,263	87,263	81,131	81,131
Financial liability				
Borrowings	379,484	379,484	250,596	250,596

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy.
Loans and advances to customers have been fair valued using average benchmarked lending rates which are adjusted to specific entity risks based on history of losses.
Borrowings which are listed on stock exchange are fair valued using market prices and are within level 1 of the fair value heirarchy while other borrowings are fair valued using valuation techniques and are within level 3 of the fair value heirarchy.

4. Capital management

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

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated minimum paid up capital of subsidiaries
First Bank of Nigeria Limited	Central Bank of Nigeria	N50billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	N15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: N150million; Broker-Dealer: N300million; Underwriter: N200million; and Fund Manager: N150million
FBNQuest Trustees Limited	Securities and Exchange Commission	Trustee: N300million
FBN Insurance Brokers Limited	National Insurance Commission	N5million Capital
FBN Insurance Limited	National Insurance Commission	N2billion Capital

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

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

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

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

The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraphs 7.1 and 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2020 and 2019 are as follows:

i. FBN Holdings Plc.

Subsidiary	**Proportion of shares held**		**FBN Holdings Plc.'s share of minimum paid up capital**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
		(%)	**N 'million**	**N 'million**
First Bank of Nigeria Limited	100	100	50,000	50,000
FBNQuest Merchant Bank Limited	100	100	15,000	15,000
FBNQuest Capital Limited	100	100	800	800
FBNQuest Trustees Limited	100	100	300	300
FBN Insurance Limited	-	65	-	1,300
FBN Insurance Brokers Limited	100	100	5	5
Rainbow Town Development Limited	55	55	-	-
Aggregated minimum paid up Capital of Subsidiaries			**66,105**	**67,405**
FBN Holdings Plc.'s Paid-up Capital			**251,340**	**251,340**

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

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

• Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, Tier 2 capital is restricted to Tier 1 capital based on CBN's guidelines.

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

The table below summarises the Basel II capital adequacy ratio for 2020 and 2019. It shows the composition of regulatory capital and ratios for the years. During those years, First Bank of Nigeria Limited and FBNQuest Merchant Bank complied with all the regulatory capital requirements to which they are subjected.

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted Impact	Full Impact	Adjusted Impact
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Tier 1 capital					
Share capital	4,302	4,302	17,948	17,948	16,316
Share premium	3,905	3,905	212,609	212,609	189,241
Statutory reserve	8,611	7,879	100,178	100,178	92,915
SMEEIS reserves	-	-	6,076	6,076	6,076
Retained earnings	13,910	11,261	98,272	98,272	78,679
IFRS 9 Transitional Adjustment	-	-	29,866	-	59,733
Less: Goodwill/Deferred Tax	(9,311)	(9,924)	(10,435)	(10,435)	(13,222)
Less: Investment in subsidiaries	(1,313)	(1,313)	(53,713)	(53,713)	(53,319)
Total qualifying for tier 1 capital	20,102	16,109	400,801	370,935	376,419
Tier 2 capital					
Fair value reserve	1,937	(316)	166,241	166,241	143,768
Other borrowings	4,929	-	78,078	78,078	70,934
Total tier 2 capital	6,866	(316)	244,319	244,319	214,702
Tier 2 Capital Restriction	6,866	(316)	197,912	187,956	143,246
Less: Investment in subsidiaries	-	-	(53,713)	(53,713)	(53,319)
Total qualifying for tier 2 capital	6,866	(316)	144,200	134,244	89,927
Total regulatory capital	26,968	15,793	545,001	505,179	466,346
Risk-weighted assets					
Credit Risk	78,423	68,329	2,522,018	2,481,188	2,237,521
Operational Risk	20,814	19,959	602,751	602,751	620,501
Market Risk	2,048	1,111	78,876	78,876	160,929
Total risk-weighted assets	101,284	89,400	3,203,644	3,162,814	3,018,951
Risk-weighted Capital Adequacy Ratio (CAR)	26.63%	17.67%	17.01%	15.97%	15.45%
Tier 1 CAR	19.85%	18.02%	12.51%	11.73%	12.47%

The Central Bank of Nigeria, in its circular on transitional arrangements on treatment of IFRS 9 expected credit loss for regulatory purposes by banks in Nigeria dated 18 October 2018, has recommended transitional arrangements to cushion the impact of IFRS 9 implementation on tier 1 regulatory capital. The regulator advised that the balance in regulatory risk reserve should be applied to retained earnings to reduce the additional ECL provisions on opening retained earnings. Where the additional ECL provision is higher than the regulatory risk reserve transfer, the excess shall be amortised in line with the transitional arrangements. The regulatory arrangement for amortization of the impact is as shown below:

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

iii. Other Regulated Subsidiaries

		31 December 2020		**31 December 2019**	
	Regulatory Capital	**Shareholders fund**	**Excess/ (Shortfall)**	**Shareholders fund**	**Excess/ (Shortfall)**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
FBNQuest Capital Limited	800	17,202	16,402	14,264	13,464
FBNQuest Trustees Limited	300	5,420	5,120	3,669	3,369
FBN Insurance Brokers Limited	5	118	113	213	208

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

5 Significant accounting judgements, estimates and assumptions

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

a Impairment of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Determination of definition of default
- Estimation of loss given default.

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

b Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly arm'slength transaction between market participants in the principal market under current market conditions (i.e., the exit price). Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3). Fair value is based on unadjusted quoted prices in an active market for the same instrument, where available (Level 1). If active market prices or quotes are not available for an instrument, fair value is then based on valuation models in which the significant inputs are observable (Level 2) or in which one or more of the significant inputs are non-observable (Level 3). Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available. For instruments valued using internally developed models that use significant non-observable market inputs and are therefore classified within Level 3 of the hierarchy, the judgment used to estimate fair value is more significant than when estimating the fair value of instruments classified within Levels 1 and 2. To ensure that valuations are appropriate, a number of policies and controls are in place. Valuation inputs are verified to external sources such as exchange quotes, broker quotes or other management-approved independent pricing sources.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.
Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.6 for additional sensitivity information for financial instruments.

5 Significant accounting judgements, estimates and assumptions continued

c Retirement benefit obligation

The Group recognises its obligations to its employees on the gratuity scheme at the period end, less the fair value of the plan assets after performing actuarial valuation of the obligation. The scheme's obligations are calculated using the projected unit credit method. Plan assets are stated at fair value as at the period end. Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

The measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 40, “Retirement benefits obligation,” for a description of the defined benefit pension plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

d Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See note 32 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2019: Nil)

e Determining the lease term : Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Group.

f Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognized and unrecognized deferred tax assets and liabilities are as disclosed in note 33.

6 Segment information

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

Prior to June 2020, the Group was divided into four business groups namely;
1. Commercial Banking Business Group
2. Merchant Banking and Asset Management Business Group
3. Insurance Business Group
4. Others

Following the divestment from FBN Insurance Limited in June 2020, the Board of Directors approved that the following be adopted as the new reportable business groups of FBN Holdings Plc.
1. Commercial Banking Business Group
2. Merchant Banking and Asset Management Business Group
3. Others

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

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

Others
Others, previously referred to as Other Financial Services, comprises of FBN Holdings Plc., the parent company, FBN Insurance Brokers Limited and Rainbow Town Development Limited.

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

As the Board of Directors reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The transactions between segments are carried out at arm's length, which is consistent with the basis of transacting with external parties.

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

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

Segment result of operations
Total revenue in the segment represents: Interest income, insurance premium revenue, fee and commission income, foreign exchange income, net gains/losses on sale of investment securities, net gains/losses from financial instruments at fair value through profit/loss, dividend income, other operating income and share of profit/loss of associates.

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2020 is as follows:

	Commercial Banking Group	MBAM Group	Others	Total
	N 'million	N 'million	N 'million	N 'million
At 31 December 2020				
Total segment revenue	539,048	38,865	19,141	**597,053**
Inter-segment revenue	(311)	(240)	(17,076)	**(17,626)**
Revenue from external customers	538,737	38,625	2,065	**579,427**
Interest income	364,766	18,940	1,093	**384,798**
Interest expense	(120,247)	(12,924)	(13)	**(133,184)**
Profit/(loss) before tax	75,168	11,576	(3,042)	**83,702**
Income tax expense	(5,814)	(1,929)	(369)	**(8,111)**
Profit/(loss) for the year from continuing operations	69,354	9,647	(3,410)	**75,591**
Impairment charge for losses	(49,307)	(1,287)	-	**(50,597)**
Profit for the year from discontinued operations	-		14,138	**14,138**
Depreciation	(17,804)	(589)	(241)	**(18,634)**

6 Segment information continued

	Commercial Banking Group N 'million	MBAM Group N 'million	Others N 'million	Total N 'million
At 31 December 2020				
Total assets	7,308,405	325,743	54,880	**7,689,028**
Other measures of assets:				
Loans and advances to customers	2,161,437	55,759	72	**2,217,268**
Expenditure on non-current assets	111,722	1,621	690	**114,034**
Investment securities	1,437,662	101,649	9,980	**1,549,290**
Total liabilities	6,630,775	276,204	16,878	**6,923,857**
At 31 December 2019				
Total segment revenue	553,554	35,907	18,714	**608,175**
Inter-segment revenue	(263)	(464)	(17,064)	**(17,790)**
Revenue from external customers	553,291	35,443	1,651	**590,385**
Interest income	408,527	21,680	1,728	**431,934**
Interest expense	(136,838)	(15,489)	(14)	**(152,342)**
Profit/(loss) before tax	71,188	7,487	(3,389)	**75,285**
Income tax expense	(8,088)	(1,080)	(74)	**(9,242)**
Profit/(loss) for the year from continuing operations	63,100	6,406	(3,463)	**66,043**
Impairment charge for losses	(50,821)	(272)	-	**(51,093)**
Loss for the year from discontinued operations	-		7,621	**7,621**
Depreciation	(15,365)	(743)	(719)	**(16,827)**
At 31 December 2019				
Total assets	5,807,301	227,577	168,648	**6,203,526**
Other measures of assets:				
Loans and advances to customers	1,805,404	46,479	528	**1,852,411**
Expenditure on non-current assets	107,854	1,751	3,335	**112,939**
Investment securities	1,323,045	52,631	38,855	**1,414,530**
Total liabilities	5,241,950	191,809	108,642	**5,542,401**

Geographical information

Revenues

	31 Dec 2020 N 'million	31 Dec 2019 N 'million
Nigeria	494,760	506,296
Outside Nigeria	84,667	84,089
Total	**579,427**	**590,385**

Non current asset

Property and equipment

	31 Dec 2020 N 'million	31 Dec 2019 N 'million
Nigeria	93,798	93,261
Outside Nigeria	20,236	19,678
Total	**114,034**	**112,939**

7 Interest income

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Loans and advances to customers	241,027	245,589	15	8
Investment securities at FVOCI	84,160	119,033	967	1,496
Investment securities at amortized cost	34,693	44,104	-	-
Loans and advances to banks	24,590	22,957	350	669
Total interest income calculated using effective interest incme	384,470	431,683	1,332	2,173
Investment securities at Fair value through profit or loss	328	251	-	-
	384,798	431,934	1,332	2,173

Interest income on loans and advances to customers includes interest income of N6.9 billion on (2019: N11.6 billion) stage 3 loans, for which effective interest rate is applied to the net carrying amount of the asset after deduction of the loss allowance.

8 Interest expense

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Deposit from customers	90,609	111,217	-	-
Deposit from banks	26,353	24,855	-	-
Borrowings	15,515	15,552	-	-
Lease liability	706	718	13	14
	133,183	152,342	13	14

9 Impairment charge for losses

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Loans and advances to banks (refer note 21)		
12- month ECL	1,895	(293)
	1,895	(293)
Investment securities (refer to note 24)		
Stage 1 - 12- month ECL	469	(1,049)
	469	(1,049)
Loans and advances to customers (refer to note 22)		
Stage 1 - 12- month ECL	654	3,729
Stage 2 - Lifetime ECL	570	884
Stage 3 - Lifetime ECL	52,291	54,169
	53,515	58,782
Net recoveries on loans previously written off	(11,234)	(7,493)
Write-off of loans	-	(1,851)
Other assets (refer to note 26)		
Other Assets ECL	7,286	1,261
	7,286	1,261
Off balance sheet		
Impairment (reversal)/charge	(1,334)	1,736
Net impairment charge	50,596	51,093

10a Fee and commission income

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Credit related fees	9,604	4,898
Letters of credit commissions and fees	11,894	6,382
Electronic banking fees	48,680	48,033
Money transfer commission	1,607	1,951
Commission on bonds and guarantees	675	620
Funds transfer and intermediation fees	9,179	7,799
Account maintenance	12,804	13,268
Brokerage and intermediations	4,438	3,190
Custodian fees	6,620	5,980
Financial advisory fees	327	2,571
Fund management fees	3,980	3,423
Trust fee income	1,243	1,180
Other fees and commissions	2,172	4,086
	113,222	103,381
Timing of revenue recognition		
At a point in time	83,115	79,640
Over time	30,107	23,741
	113,222	103,381

10b Fees and commission expense

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
	19,446	20,483

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

11 Foreign exchange income

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Revaluation gain/ (loss) on foreign currency balances (unrealised)	6,080	(1,186)	34	6
Foreign exchange trading (loss)/gain	(4,620)	10,726	-	-
	1,460	9,540	34	6

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

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Gain/(loss) on sale of investment securities	48,078	17,493	(10)	8
	48,078	17,493	(10)	8

This relates to gain/(loss) on sale of financial assets at fair value through other comprehensive income.

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

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Fair value gain on derivatives	3,865	10,475	-	-
Fair value gain/(loss) on equities	1,550	110	(941)	(371)
Fair value gain on debt securities	13,524	2,445	-	-
Fair value gain on financial instruments at FVTPL	18,939	13,030	(941)	(371)
Trading income on debt securities	4,835	7,532	-	-
Net gains from financial instruments at FVTPL	23,775	20,562	(941)	(371)

14 Dividend income

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
First Bank of Nigeria Limited	-	-	12,500	12,500
FBNQuest Capital Limited	-	-	600	1,200
FBNQuest Merchant Bank Limited	-	-	1,500	-
FBNQuest Trustees Limited	-	-	1,233	288
FBN Insurance Limited	-	-	2,584	2,602
FBN Insurance Brokers Limited	-	-	190	160
Entities outside the group	3,983	4,368	-	-
Withholding tax on dividend	-	-	(311)	(170)
	3,983	4,368	18,296	16,580

15 Other operating income

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Gain on sale of investment properties	-	273
Profit on sale of property and equipment	199	75
Other income	3,432	2,673
	3,631	3,021

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

16 Personnel expenses

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Wages and salaries	89,259	80,528	1,434	1,171
Pension costs:				
- Defined contribution plans	4,868	3,344	31	30
- Defined benefit cost (refer note 40)	222	66	-	-
Other staff benefits	6,235	11,935	-	-
	100,584	95,873	1,465	1,201

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

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

	GROUP		COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Executive directors	1	1	1	1
Management	768	488	7	6
Non-management	7,573	8,527	29	30
	8,342	9,016	37	37

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

Below N2,000,000	282	454	4	3
N2,000,001 - N2,800,000	64	1,631	-	-
N2,800,001 - N3,500,000	59	367	-	1
N3,500,001 - N4,000,000	1,385	155	-	1
N4,000,001 - N5,500,000	112	826	4	5
N5,500,001 - N6,500,000	920	1,846	1	2
N6,500,001 - N7,800,000	1,984	1,427	2	1
N7,800,001 - N9,000,000	62	800	1	2
N9,000,001 and above	3,473	1,509	24	21
	8,341	9,015	36	36

17 Other operating expenses

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Auditors' remuneration [1]	950	977	25	25
Directors' emoluments	3,852	3,491	984	977
Regulatory cost	44,820	38,532	-	-
Maintenance	29,617	27,815	132	140
Insurance premium	2,271	1,293	70	62
Rent and rates	3,503	1,648	-	-
Advert and corporate promotions	7,718	18,135	233	234
Legal and other professional fees	9,283	9,345	355	528
Donations & subscriptions	2,286	739	24	9
Stationery & printing	1,363	1,420	26	41
Communication, light and power	6,738	6,629	6	11
Cash handling charges	1,570	3,516	-	-
Operational and other losses	11,168	20,378	-	-
Passages and travels	3,511	6,783	291	377
Outsourced cost	17,824	19,535	26	22
Statutory fees	46	1,027	32	36
WHT on retained dividend	311	170	-	-
Fines and penalties	226	64	3	-
Other operating expenses [2]	18,986	11,214	620	526
	166,045	172,711	2,827	2,988

[1]Auditors' remuneration for the group represents the aggregate of the fees paid by the various entities in the group to their respective auditors.
[2]Other operating expenses majorly warehouses debt recovery expenses amounting to N11.3 bn as at 31 December 2020.

18 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
a Income tax expense				
Corporate tax	8,657	8,364	53	12
Education tax	160	150	-	-
Technology tax	440	795	158	-
Police trust fund levy	3	-	2	-
Over provision in prior years	(39)	(599)	-	-
Current income tax - current period	9,221	8,710	213	12
Origination and reversal of temporary deferred tax differences (see note 33)	(1,110)	532	-	-
Income tax expense	**8,111**	**9,242**	**213**	**12**

GROUP	2020		2019	
Profit before income tax	83,703		75,286	
Tax calculated using the domestic corporation tax rate of 30% (2019: 30%)	25,111	30%	22,586	30%
Effect of tax rates in foreign jurisdictions	62	0%	(302)	0%
Tax exempt income	(55,389)	-66%	(51,675)	-69%
Non-deductible expenses	33,328	40%	31,558	42%
Effect of education tax levy	155	0%	147	0%
Effect of Information technology	490	1%	823	1%
Effect of capital gains tax	-	0%	(18)	0%
Effect of minimum tax	1,286	2%	2,406	3%
Effect of change in tax rate	(334)	0%	(157)	0%
Effect of exchange rate	-	0%	(341)	0%
Origination and reversal of temporary deferred tax differences	-	0%	(2)	0%
Tax incentives	(2,990)	-4%	(134)	0%
Tax loss effect	6,347	8%	4,823	6%
Over/(under) provision in prior years	45	0%	(474)	-1%
Effect of police trust fund Levy	3	0%	2	0%
Total income tax expense in income statement	8,111	10%	9,242	12%
Income tax expense	8,111	10%	9,242	12%

COMPANY	2020		2019	
Profit before income tax	34,073		13,874	
Tax calculated using the domestic corporation tax rate of 30% (2019: 30%)	10,222	30%	4,162	12%
Tax exempt income	(11,793)	-35%	(5,427)	-16%
Non-deductible expenses	399	1%	412	1%
Effect of Information technology	158	0%	-	0%
Effect of minimum tax	53	0%	11	0%
Effect of police trust fund Levy	2	0%	1	0%
Tax loss effect	1,174	3%	853	3%
Total income tax expense in income statement	213	1%	12	0%
Income tax expense	213	1%	12	0%

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
b Current income tax liability				
The movement in the current income tax liability is as follows:				
At start of the period	13,778	15,656	12	102
Tax paid	(8,297)	(10,443)	-	(36)
Withholding tax credit utilised	(1,199)	(893)	(11)	(66)
Prior period under provision	(99)	(18)	-	-
Income tax charge	9,221	8,710	213	12
Effect of discontinued operations	(2,473)	541		
Effect of Changes in Exchange Rate	316	225	-	-
At 31 December	11,247	13,778	214	12
Current	11,247	13,778	214	12

19 Cash and balances with central banks

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Cash	122,602	125,929
Balances with central banks excluding mandatory reserve deposits	186,685	55,960
	309,287	181,889
Mandatory reserve deposits with Central Banks	1,322,443	843,436
	1,631,730	1,025,325

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited and FBNQuest Merchant Bank Limited had restricted balances of N1,271.81 billion and N39.37 billion respectively with Central Bank of Nigeria (CBN) as at 31 December 2020 (December 2019: N828.69 billion and N8.00 billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. FBN Bank Ghana and FBN Bank Guinea also had restricted balances of N4.870 billion and N4.992 billion (December 2019: N2.84 billion and N2.64 billion) respectively with their respective central banks.

20 Cash and cash equivalents

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

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Cash (Note 19)	122,602	125,929	-	-
Balances with central banks other than mandatory reserve deposits (Note 19)	186,685	55,960	-	-
Loans and advances to banks excluding long term placements (Note 21)	843,918	625,680	11,240	5,706
Treasury bills included in financial assets at FVTPL (Note 23)	1,929	8,641	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 24.1&24.2)	777,759	488,788	-	-
	1,932,893	1,304,998	11,240	5,706

21 Loans and advances to banks

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Current balances with banks within Nigeria	426,314	356,031	1,894	3,794
Current balances with banks outside Nigeria	315,377	242,382	-	-
Placements with banks and discount houses (short term)	102,227	27,267	9,346	1,912
	843,918	625,680	11,240	5,706
Long term placement/Cash collateral balance	175,491	129,959	-	-
Stage 1 : 12 month ECL on placements	(2,586)	(729)		
Carrying amount	1,016,823	754,910	11,240	5,706

Included in loans and advances to banks are long term (more than 3 months) placement/cash collateral balance of N175.49 billion balance for Group (31 December 2019: N129.96 billion) which do not qualify as cash and cash equivalent. Also included in the Group's Loans and advances to banks is the sum of N199.74 billion (2019: 67.33bn) in respect of trade finance and other short term financing advanced to banks on the back of their letters of credit/trade related transactions. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
At start of year	(729)	(985)	-	-
Impairment (charge)/writeback	(1,895)	256	-	-
Effect of discontinued operations	38	-	-	-
At end of year	(2,586)	(729)	-	-

22 Loans and advances to customers
GROUP

Corporate	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2020						
Overdrafts	323,250	(713)	(548)	(11,021)	(12,282)	310,968
Term loans	1,419,545	(5,203)	(7,396)	(21,686)	(34,285)	1,385,260
Project finance	360,530	(205)	(44)	(15,653)	(15,902)	344,628
	2,103,325	(6,121)	(7,988)	(48,360)	(62,469)	2,040,856

22 Loans and advances to customers continued

Retail	**Gross Amount N 'million**	**Stage 1 12 months ECL N 'million**	**Stage 2 Lifetime ECL N 'million**	**Stage 3 Lifetime ECL N 'million**	**Total Impairment N 'million**	**Carrying Amount N 'million**
31 December 2020						
Overdrafts	19,915	(2,313)	(75)	(4,698)	(7,086)	12,829
Term loans	125,311	(3,013)	(50)	(1,149)	(4,212)	121,099
Credit cards	1,948	(15)	(0)	(11)	(26)	1,922
Mortgage	41,046	(71)	(11)	(402)	(484)	40,562
	188,220	(5,412)	(136)	(6,260)	(11,808)	176,412
Total Loans and advances to customers	2,291,545	(11,533)	(8,124)	(54,621)	(74,277)	2,217,268

GROUP

Corporate	**Gross Amount N 'million**	**Stage 1 12 months ECL N 'million**	**Stage 2 Lifetime ECL N 'million**	**Stage 3 Lifetime ECL N 'million**	**Total Impairment N 'million**	**Carrying Amount N 'million**
31 December 2019						
Overdrafts	215,310	(625)	(123)	(16,480)	(17,229)	198,081
Term loans	945,954	(2,361)	(3,939)	(35,734)	(42,035)	903,919
Project finance	615,978	(947)	(2,075)	(5,517)	(8,539)	607,439
	1,777,242	(3,933)	(6,139)	(57,731)	(67,803)	1,709,439

Retail	**Gross Amount N 'million**	**Stage 1 12 months ECL N 'million**	**Stage 2 Lifetime ECL N 'million**	**Stage 3 Lifetime ECL N 'million**	**Total Impairment N 'million**	**Carrying Amount N 'million**
31 December 2019						
Overdrafts	15,901	(414)	(28)	(3,587)	(4,030)	11,872
Term loans	101,501	(4,927)	(21)	(1,795)	(6,743)	94,758
Credit cards	1,779	(6)	-	(43)	(49)	1,730
Mortgage	34,899	(44)	(2)	(242)	(288)	34,611
	154,080	(5,391)	(51)	(5,667)	(11,109)	142,971
Total Loans and advances to customers	1,931,321	(9,324)	(6,190)	(63,398)	(78,912)	1,852,411

COMPANY	**Gross Amount N 'million**	**Stage 1 12 months ECL N 'million**	**Stage 2 Lifetime ECL N 'million**	**Stage 3 Lifetime ECL N 'million**	**Total Impairment N 'million**	**Carrying Amount N 'million**
31 December 2020						
Term loans	61	-	-	-	-	61
	61	-	-	-	-	61

COMPANY	**Gross Amount N 'million**	**Stage 1 12 months ECL N 'million**	**Stage 2 Lifetime ECL N 'million**	**Stage 3 Lifetime ECL N 'million**	**Total Impairment N 'million**	**Carrying Amount N 'million**
31 December 2019						
Term loans	94	-	-	-	-	94
	94	-	-	-	-	94

	GROUP		**COMPANY**	
	31 December 2020 N 'million	**31 December 2019 N 'million**	**31 December 2020 N 'million**	**31 December 2019 N 'million**
Current	955,641	837,142	6	14
Non-current	1,261,627	1,015,269	55	80
	2,217,268	1,852,411	61	94

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

	Corporate N 'million	Retail N 'million	Total N 'million
At 1 January 2020			
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,138	51	6,189
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
	67,802	11,109	78,911
Additional allowance			
12 months ECL- Stage 1	627	27	654
Life time ECL not credit impaired - Stage 2	574	(4)	570
Life time ECL credit impaired - Stage 3	47,347	4,943	52,291
	48,549	4,967	53,515
Exchange difference			
12 months ECL- Stage 1	225	(6)	219
Life time ECL not credit impaired - Stage 2	249	88	336
Life time ECL credit impaired - Stage 3	1,844	(310)	1,534
Loan write off			
Life time ECL credit impaired - Stage 3	(56,199)	(4,039)	(60,239)
At 31 December 2020	62,469	11,809	74,277
12 months ECL- Stage 1	4,785	5,412	10,198
Life time ECL not credit impaired - Stage 2	6,960	136	7,096
Life time ECL credit impaired - Stage 3	50,723	6,261	56,983
At 31 December 2020	62,469	11,809	74,277

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

	Corporate N 'million	Retail N 'million	Total N 'million
At 1 January 2019			
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,581	32,655	375,236
	351,890	34,139	386,029
Additional allowance			
12 months ECL- Stage 1	(307)	4,036	3,729
Life time ECL not credit impaired - Stage 2	869	15	884
Life time ECL credit impaired - Stage 3	47,979	6,190	54,169
	48,541	10,241	58,782
Exchange difference			
12 months ECL- Stage 1	83	(95)	(12)
Life time ECL not credit impaired - Stage 2	117	3	120
Life time ECL credit impaired - Stage 3	536	(137)	399
Loan write off			
Life time ECL credit impaired - Stage 3	(333,366)	(33,041)	(366,407)
At 31 December 2019	67,803	11,109	78,910
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,138	51	6,189
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
At 31 December 2019	67,803	11,109	78,911

Nature of security in respect of loans and advances:

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,324,048	1,089,527	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	296,280	161,961	-	-
Domiciliation of receivables	293,712	321,776	-	-
Clean/Negative Pledge	228,147	182,846	-	-
Marketable Securities/Shares	25	466	-	-
Otherwise Secured	45,601	51,578	61	94
Cash/Government Securities	103,732	123,166	-	-
Unsecured	-	-		
	2,291,545	1,931,321	61	94

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

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

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Treasury bills with maturity of less than 90 days	1,929	8,641	-	-
Treasury bills with maturity over 90 days	7,896	122,785	-	-
Bonds	5,593	77,482	-	-
Total debt securities	15,418	208,908	-	-
Listed equity securities	1,993	234	-	-
Unlisted equity securities	36,709	35,146	2,116	3,057
Total equity securities	38,702	35,380	2,116	3,057
Derivative assets (refer note 23a)	72,234	38,372	-	-
Total assets at fair value through profit or loss	126,354	282,660	2,116	3,057
Current	15,418	208,907	-	-
Non Current	110,936	73,753	2,116	3,057
	126,354	282,660	2,116	3,057

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as ‘held for trading’ for accounting purposes and are accounted for at fair value through profit or

a Derivatives

	GROUP 31 Dec 2020		
	Notional contract amount	Fair values	
		Asset	Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	439,947	13,099	(2,048)
FX Futures	200,880	5,283	(5,416)
Currency swap	330,553	49,658	-
Put options	-	4,194	-
	971,380	72,234	(7,464)
Current	971,380	72,234	(7,464)
Non Current	-	-	-
	971,380	72,234	(7,464)

	GROUP 31 Dec 2019		
	Notional contract amount	Fair values	
		Asset	Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	384,353	15,752	(3,787)
FX Accumulator Contract	511,637	1,350	- 748.86
Currency swap	117,067	19,306	(10)
Put options	56,056	1,964	(1,501)
	1,069,113	38,372	(6,046)
Current	1,068,998	38,372	(6,046)
Non Current	114	-	-
	1,069,113	38,372	(6,046)

		GROUP		COMPANY	
24	**Investment Securities**	**31 December 2020 N 'million**	**31 December 2019 N 'million**	**31 December 2020 N 'million**	**31 December 2019 N 'million**
24.1	**Investment securities at FVOCI**				
	Debt securities – at fair value:				
	– Treasury bills with maturity of less than 90 days	178,295	5,249	-	-
	– Treasury bills with maturity of more than 90 days	43,202	275,529	935	10,336
	– Government bonds	44,675	91,997	8,928	1,057
	– Other bonds	16,214	22,850		
	Equity securities – at fair value:				
	– Listed	927	821	-	-
	– Unlisted	190,293	158,220	-	-
	Total securities classified as FVOCI	473,606	554,666	9,863	11,393
	Current	212,686	298,466	935	10,336
	Non current	260,920	256,200	8,928	1,057
		473,606	554,666	9,863	11,393

Reconciliation of impairment on investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2020 N 'million	**31 December 2019 N 'million**	**31 December 2020 N 'million**	**31 December 2019 N 'million**
At start of period	1,099	1,833	-	-
Increase in impairment	(90)	(734)	-	-
Effect of discontinued operations	(138)			
At end of period	871	1,099	-	-

		GROUP		COMPANY	
24.2	**Investment securities at amortised cost**				
	Debt securities – at amortised cost:				
	– Treasury bills with maturity of less than 90 days	599,464	483,539	-	-
	– Treasury bills with maturity of more than 90 days	89,769	33,397	-	-
	– Bonds	375,515	327,821	-	-
	– Unlisted debt	12,032	15,717		
	Impairment on Amortised Cost securities				
	- Stage 1: 12- month ECL	(1,096)	(610)	-	-
	Total securities at amortised cost	1,075,684	859,864	-	-
	Current	885,325	653,097	-	-
	Non Current	190,359	206,767	-	-
		1,075,684	859,864	-	-
	Total investment securities	1,549,290	1,414,530	9,863	11,393

Reconciliation of impairment on investment securities at amortised cost	GROUP		COMPANY	
	31 December 2020 N 'million	**31 December 2019 N 'million**	**31 December 2020 N 'million**	**31 December 2019 N 'million**
At start of year	610	835	-	-
Increase/(writeback) of impairment	486	(225)	-	-
At end of year	1,096	610	-	-

25 Asset pledged as collateral

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

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

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Debt securities at FVOCI (note 25.1)	240,335	444,393
Debt securities at amortised cost (note 25.2)	122,141	20,529
Debt securities at FVTPL (note 25.3)	273,437	-
	635,913	464,922
25.1 Debt securities at FVOCI		
– Treasury bills	240,335	417,667
– Bonds	-	26,726
	240,335	444,393
25.2 Debt securities at amortized cost		
– Treasury bills	42,114	19,416
– Bonds	80,027	1,113
	122,141	20,529
25.3 Debt securities at FVTPL		
– Treasury bills	273,437	-
	273,437	-

The related liability for assets held as collateral include:		
Bank of Industry	19,373	24,508
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	28,076	48,077
Due to Other Banks	344,284	199,834

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.
Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N64.8 billion for the Group in December 2020 (2019: N47.0 billion) for which there is no related liability.

Current	568,218	440,820
Non current	67,694	24,102
	635,913	464,922

All assets pledged as collateral are Stage 1 assets

26 Other assets

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Financial assets:				
Premium debtors	68	80	-	-
Accounts receivable	240,273	138,372	14,214	15,729
Reinsurance assets	-	3,081	-	-
	240,341	141,533	14,214	15,729
Impairment on other assets - Simplified Approach	(19,084)	(19,940)	-	-
	221,257	121,593	14,214	15,729
Non financial assets:				
Stock of consumables	2,485	1,762	6	-
Inventory- repossessed collateral	78,889	78,104	-	-
Prepayments	11,085	9,192	115	157
WHT receivable	2,561	1,838	25	36
Deferred expenses	-	355	-	-
Impairment on non financial other assets	(776)	(752)	-	-
	94,244	90,499	146	193
Net other assets balance	315,501	212,092	14,360	15,922

Inventory (repossessed collateral) of N78.89bn (2019: N78.10bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

31 December 2020

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable N'million	IBNR claims N'million	Unearned premium reserve N'million	Outstanding claims N'million	Prepaid Reinsurance N'million	Total N'million
At 1 January 2020	129	1,103	7	1,009	833	3,081
Effect of discontinued operations	(129)	(1,103)	(7)	(1,009)	(833)	(3,081)
At 31 December 2020	-	-	-	-	-	-

31 December 2019

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable N'million	IBNR claims N'million	Unearned premium reserve N'million	Outstanding claims N'million	Prepaid Reinsurance N'million	Total N'million
At 1 January 2019	274	408	62	1,312	647	2,703
Addition	0	-	-	-	3,483	3,483
Receipt from reinsurers	(1,872)	-	-	-	-	(1,872)
Amortisation for the year	-	-	-	-	(3,296)	(3,296)
Changes during the year	1,726	695	(55)	(303)	-	2,063
At 31 December 2019	129	1,103	7	1,009	833	**3,081**

Deferred insurance acquisition costs

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
At start of year	355	223
Effect of discontinued operations	(355)	132
At end of year	-	355

Reconciliation of impairment account

	GROUP		COMPANY	
	2019 N 'million	2018 N 'million	2019 N 'million	2018 N 'million
At start of year	20,692	19,645	-	-
Write off	(8,116)	(214)	-	-
Increase in impairment	7,285	1,261	-	-
At end of year	19,860	20,692	-	-

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

The information of the professional engaged by the entities within the Group for valuation of repossessed collateral are as follows:

Name of Professional Firm	FRC Number
Bode Adediji Partnership	FRC/2012/0000000000279
Udoetuk & Associates Estate Surveyors & Valuer	FRC/2013/NIESV/00000002389
Boye Komolafe & Co	FRC/2013/0000000000613
Jide Taiwo & Co	FRC/2012/0000000000254
Ubosi Eleh & Co	FRC/2014/NIESV/00000003997

27 Investment properties

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
At start of year	100	515
Effect of discontinued operations	(100)	(415)
Net gain from fair value adjustment	-	-
	-	100

Included in investment properties are mainly land acquired by the Group for capital appreciation. There are no investment properties as at the reporting period.

No rental income (2019: Nil) arose from the investment properties during the year. Fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

28 Investment in associates (equity method)

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

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital which are held directly by the Group; the country of incorporation or registration is also their principal place of business. SOSL is not publicly traded and there is no published price information.

In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business. The investment has been fully impaired.

ii. **FBN Balanced Fund**

FBN Balanced Fund (Formerly FBN Heritage Fund) is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. The fund manager publishes daily unit price of the fund on the memorandum listing section of the Nigerian Stock Exchange. The unit price of the fund as at reporting date was N187.68 (Cost: N100). FBN Balanced Fund's principal place of business is Nigeria while the its principal activity is Fund management. The Group's ownership interest in the Fund is 28.23%.

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
FBN Balanced Fund		
Balance at beginning of year	711	624
Share of profit	482	87
Share of other comprehensive income	(30)	-
At end of year	1,163	711

29 Investment in subsidiaries

29.1 Principal subsidiary undertakings

	COMPANY	
	31 December 2020 N 'million	**31 December 2019 N 'million**
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 29 (i))	230,557	205,557
FBNQuest Capital Limited (Note 29 (ii))	5,812	4,300
FBN Insurance Limited (Note 29 (iii))	-	4,724
FBN Insurance Brokers Limited (Note 29 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 29 (v))	-	-
FBNQuest Merchant Bank Limited (Note 29 (vi))	17,206	17,206
FBNQuest Trustees Limited (Note 29 (vii))	4,521	3,152
	258,121	234,964
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBNQuest Funds Limited (Note 29 (viii))	4,550	4,550
	4,550	4,550
	262,671	**239,514**

As at 31 December 2020, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: N5billion; Total Impairment: N5billion).

All shares in subsidiary undertakings are ordinary shares. For the year ended 31 December 2020, the group owned the total issued shares in all its subsidiary undertakings except New Villa Limited (Rainbow Town Development Limited) in which it owned 55%. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the group do not differ from the proportion of ordinary shares held. The total non-controlling interest as at the end of the year N9.09 billion (2019: N15.516 billion).

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

i First Bank of Nigeria Limited

The bank commenced operations in Nigeria in 1894 as a branch of Bank of British West Africa (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. The Bank was the parent company of the Group until 30 November 2012, when a business restructuring was effected in accordance with the directives of the Central Bank of Nigeria and FBN Holdings Plc became the parent company of the Group. In June 2020, FBN Holdings Plc. injected the sum of N25 billion as additional tier 1 equity.

ii FBNQuest Capital Limited

FBNQuest Capital Limited (formerly FBN Capital Limited) is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the Securities and Exchange Commission (SEC) to undertake issuing house business. It is also involved in the business of financial advisory. During the year, FBN Holdings increased investment in FBNQuest Capital Limited (FBNQC) by N1.52 billion through conversion of receivable from FBNQC to equity.

iii FBN Insurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc. (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank had a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment was transferred to FBN Holdings Plc. and the name of the company was changed to FBN Insurance Limited in 2014. Following the decision of the Board of Directors to divest from FBN Insurance Limited, the investment in this subsidiary was classified as discontinued operations. The divestment was completed on June1,2020 and FBNI ceased to be a subsidiary of FBNH. See note 30 for details.

iv FBN Insurance Brokers Limited

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

v New Villa Limited (Rainbow Town Development Limited)

New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include real estate investments and general trading.

vi FBNQuest Merchant Bank Limited

FBNQuest Merchant Bank Limited (formerly FBN Merchant Bank Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 originally known as Kakawa Discount House Limited.
The Company was granted a licensed to carry on the business of a discount house and commenced operations on 16 November 1995. FBN Holdings Plc. acquired the shares of the Company and converted the business to a merchant bank having obtained the Central Bank of Nigeria for merchant banking operations in May 2015.

vii FBNQuest Trustees Limited

FBNQuest Trustees Limited (formerly FBN Trustees Limited) was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The company was established to engage in the business of trusteeship as well as portfolio management, and financial/ investment advisory services. During the year,FBN Holdings increased investment in FBNQuest Trustees Limited (FBNQT) by N1.36 billion through conversion of receivable from FBNQT to equity.

viii FBNQuest Funds Limited

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

29.2 Condensed results of consolidated entities from continuing operations

31 December 2020	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Trustees Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement											
Operating income	18,698	399,128	3,476	4,254	17,452	-	571	-	443,578	76,515	520,094
Operating expenses	(4,515)	(274,569)	(1,170)	(1,210)	(10,488)	-	(326)	-	(292,279)	(221)	(292,501)
Impairment charge for credit losses	-	(50,995)	(828)	(120)	(339)	-	(2)	-	(52,284)	1,688	(50,596)
Operating profit	14,183	73,564	1,477	2,924	6,625	-	242	-	99,015	77,982	176,997
Associate	-	-	482	-	-	-	-	-	482	-	482
Profit before tax	14,183	73,564	1,959	2,924	6,625	-	242	-	99,497	(15,794)	83,703
Tax	(213)	(5,814)	(23)	(1,022)	(885)	-	(156)	-	(8,111)	-	(8,111)
Profit/(Loss) for the year from continuing operations	13,970	67,750	1,937	1,902	5,741	-	86	-	91,385	(15,793)	75,592
Profit/(Loss) for the year from discontinued operations	19,890	-	288	-	-	3,381	-	(175)	23,384	(9,246)	14,138
Other comprehensive income	(198)	34,070	(10)	(286)	2,346	450	9	-	36,381	-	36,381
Total comprehensive income	33,661	101,820	2,214	1,616	8,087	3,831	95	(175)	151,150	(25,039)	126,111
Total comprehensive income allocated to non controlling interest	-	826	-	-	-	-	-	(79)	747	1,244	1,991
Dividends paid to non controlling interest	-	-	-	-	-	598	-	-	598	-	598
Summarized Financial Position											
Assets											
Cash and balances with central bank	0	1,588,039	0	0	43,691	-	0	-	1,631,730	-	1,631,730
Loans and advances to banks	11,240	970,335	36,769	2,036	25,718	-	661	-	1,046,760	(29,937)	1,016,823
Loans and advances to customers	61	2,220,497	44	26	55,689	-	11	-	2,276,328	(59,061)	2,217,268
Financial assets at fair value through profit or loss	2,116	81,292	40,618	-	2,328	-	-	-	126,354	-	126,354
Investment securities	9,863	1,437,662	59,852	5,171	36,625	-	117	-	1,549,290	(0)	1,549,290
Assets pledged as collateral	-	619,171	-	-	16,742	-	-	-	635,913	(0)	635,913
Other assets	14,360	306,025	2,652	636	6,629	-	81	-	330,383	(14,882)	315,501
Investment in associates accounted for using the equity method	-	-	1,308	-	-	-	-	-	1,308	(144)	1,163
Investment in subsidiaries	262,672	-	-	-	-	-	-	-	262,672	(262,672)	-
Property, plant and equipment	312	111,722	61	155	1,406	-	29	-	113,684	349	114,034
Intangible assets	-	15,114	2	4	219	-	1	-	15,340	-	15,340
Deferred tax assets	-	17,272	918	-	9,429	-	-	-	27,619	-	27,619
Assets held for sale	-	337	-	-	-	-	-	-	337	37,656	37,993
	300,623	7,367,465	142,225	8,029	198,476	-	900	-	8,017,717	(328,689)	7,689,028
Financed by											
Deposits from banks	-	1,017,077	-	-	28,476	-	-	-	1,045,553	-	1,039,220
Deposits from customers	-	4,715,026	103,165	-	100,137	-	-	-	4,918,327	(23,612)	4,894,715
Derivative liabilities	-	7,080	-	-	384	-	-	-	7,464	-	7,464
Current income tax liability	213	8,390	553	1,053	946	-	91	-	11,247	-	11,247
Other liabilities	13,542	527,558	21,304	1,483	31,904	-	663	-	596,454	(14,734)	581,720
Borrowings	-	379,484	-	-	-	-	-	-	379,484	-	379,484
Retirement benefit obligations	-	7,527	-	-	-	-	-	-	7,527	-	7,527
Deferred tax liabilities	-	-	0	73	-	-	28	-	101	-	101
Liabilities held for sale	-	-	-	-	-	-	-	-	-	2,379	2,379
	13,755	6,662,142	125,023	2,609	161,846	-	782	-	6,966,156	(42,299)	6,923,857
Equity and reserves	286,868	705,324	17,202	5,420	36,631	-	118	-	1,051,562	(286,392)	765,171
Summarized Cash Flows											
Operating activities											
Interest received	1,576	349,301	4,751	2,586	12,129	-	13	-	370,355	215	370,570
Interest paid	-	(117,599)	(6,509)	0	(6,681)	-	-	-	(130,789)	26,856	(103,933)
Income tax paid	-	(6,731)	(104)	(705)	(705)	-	(52)	-	(8,297)	0	(8,297)
Cash flow generated from operations	14	681,744	13,505	(294)	(22,551)	-	505	(42)	672,882	(557,534)	115,348
Net cash generated from operating activities	1,590	906,715	11,643	1,587	(17,808)	-	466	(42)	904,151	(530,463)	373,688
Net cash used in investing activities	17,610	(672,748)	(6,246)	227	13,909	-	3	0	(647,244)	766,482	119,238
Net cash used in financing activities	(13,700)	140,961	(1,050)	(1,266)	0	-	(61)	0	124,884	(36,545)	88,339
Increase in cash and cash equivalents	5,500	374,928	4,347	548	(3,899)	-	408	(42)	381,790	199,474	581,265
Cash and cash equivalents at start of year	5,705	1,280,243	23,640	123	27,199	11,415	791	243	1,349,360	(44,362)	1,304,998
Effect of exchange rate fluctuations on cash held	34	46,441	79	55	22	-	-	-	46,630	0	46,630
Cash and cash equivalents at end of year	11,240	1,701,613	28,065	727	23,322	11,415	1,199	201	1,777,781	155,112	1,932,893

29.2 Condensed results of consolidated entities from continuing operations

31 December 2019	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Trustees Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement											
Operating income	18,382	395,926	1,709	1,306	14,045	32,369	613	-	464,349	36,023	500,370
Operating expenses	(4,508)	(274,350)	(1,192)	(682)	(9,843)	(23,776)	(403)	-	(314,754)	23,572	(291,182)
Impairment charge for credit losses	-	(50,821)	(121)	(100)	(51)	(41)	-	-	(51,133)	40	(51,093)
Operating profit	13,874	70,755	396	524	4,150	8,552	210	-	98,462	59,634	158,096
Associate	-	-	87	-	-	-	-	-	87	-	87
Profit before tax	13,874	70,755	482	524	4,150	8,552	210	-	98,548	(23,262)	75,286
Tax	(12)	(8,088)	281	(203)	(557)	(542)	(62)	-	(9,182)	(60)	(9,242)
Profit/(Loss) for the year from continuing operations	13,863	62,667	763	321	3,593	8,011	148	-	89,365	(23,322)	66,044
Profit/(Loss) for the year from discontinued operations	-	-	1,341	-	-	-	-	(404)	938	6,684	7,621
Other comprehensive income	127	64,370	3	428	1,818	2,517	(19)	-	69,244	12	69,256
Total comprehensive income	13,990	127,037	2,107	749	5,411	10,527	128	(404)	159,547	(16,626)	142,921
Total comprehensive income allocated to non controlling interest	-	1,124	-	-	-	3,685	-	(182)	4,627	-	4,627
Dividends paid to non controlling interest	-	-	-	-	-	1,401	-	-	1,401	-	1,401
Summarized Financial Position											
Assets											
Cash and balances with central bank	0	1,016,522	0	0	8,302	500	0	-	1,025,325	0	1,025,325
Loans and advances to banks	5,706	741,304	22,688	1,982	7,378	3,879	815	-	783,751	(28,841)	754,910
Loans and advances to customers	94	1,866,023	11	20	46,448	427	7	-	1,913,029	(60,619)	1,852,411
Financial assets at fair value through profit or loss	3,057	165,379	33,922	-	3,377	76,925	-	-	282,660	0	282,660
Investment securities	11,393	1,323,045	28,736	4,295	19,599	27,354	108	-	1,414,530	(0)	1,414,530
Assets pledged as collateral	-	425,540	-	-	39,383	-	-	-	464,923	(1)	464,922
Other assets	15,922	190,919	8,105	979	8,470	4,031	39	-	228,466	(16,374)	212,092
Inventory	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	100	-	-	100	-	100
Investment in associates accounted for using the equity method	-	-	855	-	-	-	-	-	855	(144)	711
Investment in subsidiaries	239,514	-	-	-	-	-	-	-	239,514	(239,514)	-
Property, plant and equipment	491	107,854	57	130	1,564	2,460	34	-	112,590	349	112,939
Intangible assets	-	17,716	38	10	863	333	1	-	18,961	(0)	18,961
Deferred tax assets	-	14,640	918	-	9,427	-	25	-	25,009	(0)	25,009
Assets held for sale	-	278	1,021	-	-	-	-	45,534	46,834	(7,878)	38,956
	276,177	5,869,219	96,352	7,416	144,810	116,010	1,029	45,534	6,556,547	(353,021)	6,203,526
Financed by											
Deposits from banks	-	834,138	-	-	27,649	-	-	-	861,787	-	860,486
Deposits from customers	-	3,911,893	59,819	-	75,676	-	-	-	4,047,388	(27,552)	4,019,836
Derivative liabilities	-	5,571	-	-	469	6	-	-	6,046	(0)	6,046
Current income tax liability	12	8,873	617	925	767	2,473	112	-	13,778	(0)	13,778
Other liabilities	9,321	263,794	21,280	2,809	10,206	5,248	705	-	313,363	(16,223)	297,140
Liability on investment contracts	-	-	-	-	-	24,676	-	-	24,676	0	24,676
Liability on insurance contracts	-	-	-	-	-	63,748	-	-	63,748	(0)	63,748
Borrowings	-	250,596	-	-	-	-	-	-	250,596	(0)	250,596
Retirement benefit obligations	-	3,352	-	-	-	-	-	-	3,352	(0)	3,352
Deferred tax liabilities	-	-	-	14	-	236	-	-	250	0	250
Liabilities held for sale	-	-	372	-	-	-	-	67,025	67,397	(64,903)	2,493
	9,332	5,278,219	82,088	3,747	114,766	96,387	817	67,025	5,652,381	(109,980)	5,542,401
Equity and reserves	266,845	591,000	14,264	3,669	30,044	19,623	213	(21,491)	904,166	(243,041)	661,125
Summarized Cash Flows											
Operating activities											
Interest received	1,806	486,345	5,077	1,991	13,759	10,352	47	-	519,376	0	519,376
Interest paid	-	(146,506)	(3,713)	0	(10,843)	-	0	-	(161,062)	34,921	(126,141)
Income tax paid	(36)	(5,713)	(3,449)	(537)	(610)	(70)	(29)	-	(10,444)	0	(10,443)
Cash flow generated from operations	(3,330)	(655,223)	13,505	(294)	(22,551)	15,799	505	(42)	(651,630)	14,060	(637,571)
Net cash generated from operating activities	(1,117)	(321,097)	11,419	1,160	(20,245)	26,082	523	(42)	(303,317)	48,539	(254,779)
Net cash used in investing activities	(489)	289,366	(6,246)	227	13,909	(23,689)	3	0	273,081	(48,190)	224,891
Net cash used in financing activities	(9,333)	(92,075)	(1,050)	(1,266)	0	(3,739)	(61)	0	(107,523)	(10,385)	(117,908)
Increase in cash and cash equivalents	(10,939)	(123,806)	4,123	122	(6,335)	(1,345)	464	(42)	(137,759)	(10,036)	(147,795)
Cash and cash equivalents at start of year	16,639	1,371,458	19,535	0	33,211	12,760	327	285	1,454,215	(34,326)	1,419,889
Effect of exchange rate fluctuations on cash held	6	32,591	(18)	2	323	-	-	-	32,903	(0)	32,903
Cash and cash equivalents at end of year	5,705	1,280,243	23,640	123	27,199	11,415	791	243	1,349,360	(44,362)	1,304,998

30 Asset Held for Sale

Discontinued operations:

The assets classified as held for sale in 2020 includes FBN Insurance Limited, Rainbow Town Development Limited and Twin Peaks Nigeria Limited.

(i) FBN Insurance Limited

During the year ended December 31, 2020, the Group disposed its investment in FBN Insurance Limited in line with the earlier disclosure in the accounts and notification given to the market.

(ii) Rainbow Town Development Limited

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

(iii) Twin Peaks Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited ("Twin Peaks") were classified as held for sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited ("FBNQ CP"), the Fund Manager, to dispose the Group's interest in TwinPeaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020).

The buyer has fulfilled its obligation as stipulated in the SPA and has acquired 100% as at March 2020.

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

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

	GROUP	
	31 December 2020	**31 December 2019**
	N 'million	**N 'million**
Assets classified as held for sale		
Other assets	1,310	1,323
Inventory	36,337	36,337
Investment property	-	1,008
Property, plant and equipment	5	5
Intangible assets	5	5
	37,657	38,678
Liabilities classified as held for sale		
Company income tax liability	6	6
Other liabilities	2,373	2,487
	2,379	2,493
Net Asset	35,278	36,185

30.2 The operating results of the discontinued operations are as follows.

	GROUP	
	31 December 2020	**31 December 2019**
	N 'million	**N 'million**
Revenue	13,507	31,829
Expenses	(9,508)	(23,667)
Profit before tax from discontinuing operations	3,999	8,162
Income tax expense	(654)	(541)
Profit from discontinued operations after tax	3,345	7,621
Gain on disposal of investment in subsidiary (see note 30.3)	10,793	-
Profit from discontinued operations	14,138	7,621
Profit from discontinued operations is attributable to:		
Owners of the parent	12,978	4,954
Non-controlling interests	1,160	2,667
	14,138	7,621

30.3 The Group disposed its investment in FBN Insurance Limited on June 1, 2020 and also finalised the disposal of Twin Peaks Limited

	GROUP	COMPANY
	31 December 2020	31 December 2020
	N 'million	N 'million
FBN Insurance Limited		
Investment in subsidiary	-	4,724
Total assets	135,818	
Total liabilities	(114,072)	
Net assets	21,746	4,724
Non controlling interest disposed	(7,637)	-
Net assets and non-controlling interests disposed	14,108	4,724
Net sale proceeds on disposal	24,614	24,614
Carrying amount	(14,108)	(4,724)
Profit on sale of FBN Insurance Limited	10,506	19,890
Twin Peaks Nigeria Limited		
Total assets	1,021	
Total liabilities	(371)	
Net assets	650	-
Non controlling interest disposed	(187)	-
Net assets and non-controlling interests disposed	463	-
Net sale proceeds on disposal	750	-
Carrying amount	(463)	-
Profit on disposal of Twin Peaks Limited	287	-
Total profit on sale of FBN Insurance Ltd. and Twin Peaks Nig. Ltd.	10,793	-
The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	17,514	(43)
Net cash flow generated from/(used in) investing activities	11,943	-
Net cash flow used in financing activities	(1,708)	-
	27,749	(43)

30.4 Non current asset held for sale

FBN Senegal has classified a building from its property and equipment as Asset held for sale. This is following management's decision to dispose the asset.

The Board of Directors is commited to the sale in line with the requirements of IFRS 5 and as such the sales is expected to be completed within the next 12 months. The entity is recognised as a cash generating unit (CGU) and forms part of the segment shown as "commercial banking group".

	GROUP	
	31 December 2020	31 December 2019
	N 'million	N 'million
Property, plant and equipment	337	278
Total Assets classified as held for sale	37,993	38,956

31 Property and equipment

GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Machinery N million	Work in progress* N million	Right of Use Asset N million	Total N million
Cost										
At 1 January 2019	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,957
IFRS 16 Transition Impact	-	-	-	-	-	-	-		18,502	18,502
Additions	767	-	3,028	3,912	3,853	370	82	7,993	496	20,502
Reclassifications	(720)	860	42	2,735	2,444	11	-	(5,328)	-	45
Disposals	(271)	-	(1,917)	(783)	(64)	(73)	-	(10)	-	(3,119)
Transfers	13	-	14	1	220	5	-	(478)	-	(225)
Exchange difference	(143)	(9)	(80)	(135)	(144)	(21)	45	(13)	-	(501)
At 31 December 2019	49,604	22,144	14,125	56,461	32,193	11,069	380	9,187	18,998	214,161
Accumulated depreciation										
At 1 January 2019	12,330	(0)	9,286	40,075	16,748	8,821	182	-	-	87,443
Charge for the year	761	-	2,003	4,727	5,158	743	51	-	2,958	16,401
Disposals	(198)	-	(1,670)	(749)	(58)	(69)	-	-	-	(2,744)
Write Offs	427	-	-	44	-	-	-	-	-	471
Exchange differences	(80)	-	(45)	(52)	(144)	(49)	20	-	-	(349)
At 31 December 2019	13,240	(0)	9,573	44,046	21,705	9,447	253	-	2,958	101,222
Net book amount at 31 December 2019	**36,364**	**22,145**	**4,552**	**12,417**	**10,488**	**1,623**	**127**	**9,187**	**16,040**	**112,939**
Cost										
At 1 January 2020	49,604	22,144	14,125	56,461	32,193	11,069	380	9,187	18,998	214,161
Additions	1,200	30	5,154	4,731	5,466	702	15	3,173	1,608	22,079
Reclassifications	284	-	-	2,351	22	9	-	(2,629)	(136)	(99)
Disposals	(26)	-	(1,481)	(1,081)	(14)	(22)	-	(2)	-	(2,625)
Write Offs	-	-	-	-	-	-	-	-	(86)	(86)
Transfers	(15)	(59)	(42)	(4)	(67)	84	-	(306)	-	(409)
Discontinued Operations	(845)	(941)	(1,208)	(185)	(215)	(166)	(90)	-	-	(3,651)
Exchange difference	(3,863)	3,069	7	99	(73)	191	(284)	(1)	871	15
At 31 December 2020	46,339	24,243	16,555	62,373	37,312	11,866	21	9,420	21,255	229,384
Accumulated depreciation										
At 1 January 2020	13,240	(0)	9,573	44,046	21,705	9,447	253	-	2,958	101,222
Charge for the year	1,057	2	2,206	5,110	6,635	632	5	-	2,987	18,634
Reclassifications	(235)	-	(0)	(13)	(67)	245	-	-	-	(70)
Disposals	(26)	-	(1,449)	(1,037)	(46)	(110)	-	-	-	(2,669)
Write Offs	-	-	-	-	-	-	-	-	(46)	(46)
Discontinued Operations	(144)	-	(627)	(104)	(167)	(108)	(41)	-	-	(1,191)
Exchange differences	(1,155)	469	(18)	83	(50)	165	(175)	-	152	(529)
At 31 December 2020	12,737	471	9,685	48,086	28,010	10,269	42	-	6,052	115,352
Net book amount at 31 December 2020	**33,602**	**23,772**	**6,870**	**14,287**	**9,302**	**1,597**	**(21)**	**9,420**	**15,203**	**114,034**

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

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

Exchange Difference on Property and Equipment

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

Right of Use Asset

See note 31b for additional disclosure on right of use assets

31 Property and equipment

COMPANY

	Improvement & buildings N million	Motor vehicles N million	Machinery N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Right of Use Asset N million	Total N million
Cost								
At 1 January 2019	615	533	42	450	18	419	-	2,077
IFRS 16 Transition Impact							206	206
Additions	-	212	-	1	3	4	-	220
Disposal	-	(63)		-	-	-	-	(63)
At 31 December 2019	615	682	42	451	21	423	206	2,440
Accumulated depreciation								
At 1 January 2019	553	294	39	403	10	397	-	1,695
Charge for the year	61	114	2	44	4	21	72	319
Disposal	-	(63)		-		-	-	(63)
At 31 December 2019	614	344	41	447	14	418	72	1,950
Net book amount at 31 December 2019	**1**	**338**	**1**	**4**	**7**	**5**	**134**	**490**
Cost								
At 1 January 2020	615	682	42	451	21	423	206	2,440
Additions	-	23	15	2	3	1	-	44
Reclassification			4			(4)		-
Disposal	-	(13)		-	-	-		(13)
At 31 December 2020	615	692	61	453	24	420	206	2,471
Accumulated depreciation								
At 1 January 2020	614	344	41	447	14	418	72	1,950
Charge for the year	-	140	5	1	4	1	72	223
Disposal	-	(13)	-	-	-	-		(13)
At 31 December 2020	614	470	46	448	18	419	144	2,160
Net book amount at 31 December 2020	**1**	**221**	**15**	**5**	**7**	**1**	**62**	**312**

Right of Use Asset

See note 31b for additional disclosure on right of use assets

31 b) Leases

This note provides information for leases where the Group is a lessee.

(i) *Right-of-use assets*

	GROUP			COMPANY	
	Buildings N'million	**Land N'million**	**Total N'million**	**Buildings N'million**	**Total N'million**
Opening balance at 1 January 2020	18,540	252	18,792	206	206
Additions for the year	1,777	37	1,814	-	-
Derecognition	(222)	-	(222)	-	-
Exchange difference	871	-	871	-	-
Closing balance as at 31 December 2020	20,966	289	21,255	206	206
Depreciation					
Opening balance at 1 January 2020	2,907	51	2,958	72	72
Charge for the year	2,890	25	2,916	72	72
Exchange difference	152	-	152	-	-
Derecognition	(46)	-	(46)	-	-
Closing balance as at 31 December 2020	5,903	76	5,980	144	144
Net book value as at 31 December 2020	15,063	213	15,275	62	62

	GROUP			COMPANY	
	Buildings N'million	**Land N'million**	**Total N'million**	**Buildings N'million**	**Total N'million**
Impact of adoption of IFRS 16	18,250	252	18,502	206	206
Additions for the year	496	-	496	-	-
Closing balance as at 31 December 2019	18,746	252	18,998	206	206
Depreciation					
Impact of adoption of IFRS 16	-	-	-	-	-
Charge for the year	2,907	51	2,958	72	72
Closing balance as at 31 December 2019	2,907	51	2,958	72	72
Net book value as at 31 December 2019	15,839	201	16,040	134	134

(ii) *Lease liabilities*

	GROUP N'million	**COMPANY N'million**
Opening balance at 1 January 2020	12,013	137
Additions	1,128	-
Interest expense	707	13
Payments made during the year	(1,777)	(60)
Exchange difference	35	-
Closing balance as at 31 December 2020	12,106	90
Current lease liabilities	1,910	90
Non-current lease liabilities	10,471	-
	12,380	90

	N'million	**N'million**
Impact of adoption of IFRS 16	13,894	123
Additions	213	-
Interest expense	718	14
Payments made during the year	(2,812)	-
Closing balance as at 31 December 2019	12,013	137
Current lease liabilities	2,661	86
Non-current lease liabilities	9,352	51
	12,013	137

(iii) *Amounts recognised in the statement of profit or loss*

31 December 2020	**GROUP N'million**	**COMPANY N'million**
Depreciation charge of right-of-use assets	2,916	72
Interest expense	707	13
Lease expense (short term)	11	

31 December 2019	**N'million**	**N'million**
Depreciation charge of right-of-use assets	2,958	72
Interest expense	718	14

(iv) *Amounts recognised in the statement of cashflow*

31 December 2020	**GROUP N'million**	**COMPANY N'million**
Total cash outflow for leases	1,261	60

31 December 2019	**N'million**	**N'million**
Total cash outflow for leases	1,396	-

Liquidity risk (maturity analysis of lease liabilities)

GROUP

31 December 2020	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	256	845	418	1,459	3,380	5,712	12,071

31 December 2019	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	240	830	531	1,459	3,474	5,712	12,246

COMPANY

31 December 2020	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	75	15	-	-	-	-	90

31 December 2019	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	29	-	57	-	51	-	137

32 Intangible assets

	GROUP			
	Goodwill	Computer Software	Work in Progress	Total
Cost				
At 1 January 2019	6,633	27,622	1,736	35,992
Additions	-	6,112	2,189	8,300
Reclassification	-	641	(898)	(257)
Write off	-	(25)	-	(25)
Transfers	-	236	(246)	(10)
Exchange difference	(405)	70	-	(335)
At 31 December 2019	**6,228**	**34,657**	**2,780**	**43,665**
Additions	-	1,979	1,618	3,597
Reclassification	-	3,162	(3,162)	-
Write off	-	29	-	29
Transfers	-	58	(45)	13
Disposals		(22)		(22)
Discontinued operations	(262)	(395)	-	(658)
Exchange difference	153	280	-	433
At 31 December 2020	**6,118**	**39,749**	**1,191**	**47,058**
Amortisation and impairment				
At 1 January 2019	1,925	17,933	-	19,858
Amortisation charge	-	6,197	-	6,197
Other changes	-	(1,389)	-	(1,389)
Exchange difference	-	38	-	38
At 31 December 2019	**1,925**	**22,779**	**-**	**24,704**
Amortisation charge	-	7,238	-	7,238
Transfers		(47)		(47)
Discontinued operations	-	(325)	-	(325)
Exchange difference	-	148	-	148
At 31 December 2020	**1,925**	**29,793**	**-**	**31,718**
Net book value				
At 31 December 2020	4,193	9,955	1,191	15,340
At 31 December 2019	4,303	11,877	2,780	18,961

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

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognized as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business, see analysis by segment below.
Each CGU to which goodwill is allocated for impairment testing purposes reflects the lowest level at which goodwill is monitored for internal management purposes.The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

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

There was no impairment identified in the year ended 31 December, 2020.

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

The discount rate used to discount the cash flows is based on the cost of capital assigned to each CGU, which is derived using a Capital Asset Pricing Model (CAPM). The CAPM depends on inputs reflecting a number of financial and economic variables including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market’s assessment of the economic variables and management’s judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates.

32 Intangible assets continued

Impairment testing on cash generating units containing goodwill

Analysis of Goodwill balances

	31 December 2020 N'million	31 December 2019 N'million
Commercial banking group segment		
FBNBank Ghana	3,104	2,943
FBNBank DRC	552	552
FBNBank Sierra-Leone	316	324
FBNBank Guinea	221	222
	4,193	4,041
Insurance group segment		
FBN General Insurance	-	262
	4,193	4,303

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

	2020		2019	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Terminal growth rate: %	17.1%	22.3%	4.27%	5.33%
Discount rate: %	38%	31%	32.72%	32.70%
Deposit growth rate: %	26%	85%	3.90%	17.00%
Recoverable amount of the CGU: (N' million)	20,677	65,942	15,783	39,067

The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information.

Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate.

Management determined deposits to be the key value driver in each of the entities. Deposits are considered by Management as the most important source of funds for the banks' subsidiaries to finance their assets. Deposit growth rate was determined using historical trend of deposit growth in the last 5 years.

Goodwill Sensitivity Analysis

FBNBank DRC	% Change	Recoverable amount	Excess of recoverable amount over carrying amount
Terminal growth rate:	+0.5%	21,052	7,023
	-0.5%	20,322	6,293
WACC	+0.5%	20,203	6,174
	-0.5%	21,192	7,163
FBNBank Ghana			
Terminal growth rate:	+0.5%	69,809	31,731
	-0.5%	62,490	24,412
WACC	+0.5%	60,423	22,345
	-0.5%	72,842	34,764

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

	2020		2019	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (N' million)	552	3,104	552	2,943
Net Asset (N' million)	15,734	35,799	13,022	31,649
Total carrying amount (N' million)	16,286	38,903	13,574	34,592
Excess of recoverable amount over carrying amount	6,649	27,864	2,209	4,475

33 Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2019: 30%).

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	(16)	67
Allowance for loan losses	5,545	5,604
Tax losses carried forward	19,845	18,716
Other assets	260	272
Other liabilities	624	277
Defined benefit obligation	488	488
Effect of changes in exchange rate	873	(415)
	27,619	25,009
Deferred tax liabilities		
Property and equipment	62	211
Other assets	39	39
	101	250
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	27,619	24,776
- Deferred tax asset to be recovered within 12 months	-	234
	27,619	25,009
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	101	226
- Deferred tax liability to be recovered within 12 months	-	23
	101	250

Group	**1 Jan 2020 N 'million**	**Recognised in P&L N 'million**	**Recognised in OCI N 'million**	**31 Dec 2020 N 'million**
Movements in Deferred tax assets during the year:				
Property and equipment	67	(83)		(16)
Allowance for loan losses	5,604	(59)		5,545
Tax losses carried forward	18,716	1,129		19,845
Other assets	272	(12)		260
Other liabilities	277	347		624
Defined benefit obligation	488	(1,413)	1,413	488
Effect of changes in exchange rate	(415)	1,288		873
	25,010	1,196	1,413	27,619

Group	**1 Jan 2019 N 'million**	**Recognised in P&L N 'million**	**31 Dec 2019 N 'million**
Movements in Deferred tax assets during the year:			
Property and equipment	(79)	147	67
Allowance for loan losses	5,902	(298)	5,604
Tax losses carried forward	24,305	(5,589)	18,716
Other assets	525	(253)	272
Other liabilities	115	162	277
Defined benefit obligation	488	-	488
Effect of changes in exchange rate	(5,698)	5,283	(415)
	25,558	(548)	25,009

	1 Jan 2020 N 'million	Recognised in P&L N 'million	Effect of discontinued operations N 'million	31 Dec 2020 N 'million
Movements in Deferred tax liabilities during the year:				
Property and equipment	211	87	(236)	62
Other assets	39	-	-	39
	250	87	(236)	101

	1 Jan 2019 N 'million	Recognised in P&L N 'million	31 Dec 2019 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	227	(16)	211
Other assets	39	-	39
	266	(16)	250

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of N77.20billion (2019: N59.96 billion).

Temporary difference relating to the Group's investment in subsidiaries is N123.4billion (2019: N109.5 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

The group has assessed that based on the group's profit forecast, it is probable that there will be future taxable profits against which the tax losses, from which deferred tax asset has been recognised, can be utilised.

34 Deposits from banks

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Due to banks within Nigeria	587,104	604,950
Due to banks outside Nigeria	452,116	255,536
	1,039,220	860,486
Current	1,039,220	676,921
Non-current	-	183,565
	1,039,220	860,486

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

35 Deposits from customers

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Current	1,507,398	1,047,534
Savings	1,791,202	1,316,132
Term	938,916	895,647
Domiciliary	644,615	748,751
Electronic purse	12,583	11,772
	4,894,715	4,019,836
Current	4,713,848	3,339,725
Non-current	180,867	680,111
	4,894,715	4,019,836

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

36 Other liabilities

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Financial liabilities:				
Customer deposits for letters of credit	233,872	126,469	-	-
Accounts payable	178,550	60,788	-	-
Lease liability	12,106	12,013	90	137
Creditors	49,173	13,343	295	250
Bank cheques	23,544	20,270	-	-
Collection on behalf of third parties	14,683	18,690	-	-
Unclaimed dividend	9,618	8,093	9,618	8,093
Accruals	7,516	6,662	3,541	841
	529,062	266,328	13,544	9,321
Non financial liabilities:				
Allowance for credit losses on off-balance sheet items	3,486	4,820	-	-
Provisions	28,445	2,817	-	-
Other credit balance	20,727	23,175	-	-
	52,658	30,812	-	-
Other liabilities balance	581,720	297,140	13,544	9,321

Other Credit balances include transactional taxes and unearned income.

Current	571,978	287,398	13,544	9,321
Non-current	9,742	9,742	-	-
	581,720	297,140	13,544	9,321

The unclaimed dividend balance represents the aggregate amounts of dividends that remained unclaimed after 15months or more which the Registrars returned to the Company in line with current regulations. In 2020, an additional sum of N1.525billion was returned to FBN Holdings Plc. by the Registrars.

The provision for litigations is recognised in income statement within ‘other operating expenses’. In the directors’ opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2020.

Reconciliation of impairment on Off Balance Sheet account

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Opening balance at 1 January	4,820	3,084
Impairment (writeback)/charge	(1,334)	1,736
Closing balance at 31 December	3,486	4,820

The movement in provision during the year is as follows:

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Opening balance at 1 January	2,817	2,817
Additional provisions	25,628	-
Closing balance at 31 December	28,445	2,817
Analysis of total provisions:		
Current	410	410
Non Current	28,035	2,407
	28,445	2,817

36a Long service awards

Included in other credit balances is long service award. Long service award amounted to N 3.49bn (December 2019: N1.69bn). The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurments are recognised in profit or loss in the period in which they arise.

The movement in the long service awards over the year is as follows:

GROUP	Present value of the obligation	Fair value of plan assets	Total
	N 'millions	N 'millions	N 'millions
Defined benefit pension obligations at 1 January 2019	1,512	-	1,512
Current service cost	159	-	159
Interest cost on defined benefit obligation	218	-	218
Curtailment gains	(237)	-	(237)
Employer Contribution made within the year	-	203	203
Benefit paid by employer	(203)	(203)	(406)
Acturial (Gains)/Losses due to change in:			0
- Financial assumption	166	-	166
- Experience adjustments	76	0	76
Defined benefit pension obligations at 31 December 2019	**1,691**	**-**	**1,691**
Current service cost	184	-	184
Interest cost on defined benefit obligation	214	-	214
Employer Contribution made within the year	-	294	294
Benefit paid by employer	(294)	(294)	- 588
Acturial (Gains)/Losses due to change in:			-
- Financial assumption	667	-	667
- Experience adjustments	1,030	-	1,030
Defined benefit pension obligations at 31 December 2020	**3,492**	**-**	**3,492**

The table below shows the funded status of the Group's long service award;

	GROUP	
	31 December 2020	31 December 2019
	N 'millions	N 'millions
Defined Benefit Obligation (DBO)	3,492	1,691
Fair value of plan assets	-	-
Funded Status	3,492	1,691

37 Liability on investment contracts

The Liability on investment contracts comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	GROUP	
	31 December 2020	31 December 2019
	N 'million	N 'million
Balance at beginning of period	24,676	19,766
Additions during the period	-	16,583
Withdrawals during the period	-	(12,758)
Guaranteed interest	-	1,085
Discontinued operations	(24,676)	-
Balance at end of period	-	24,676
Non-current	-	24,676
	-	24,676

38 Liability on insurance contracts

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Outstanding claims	-	2,435
Unearned premium	-	2,258
Short term insurance contract - Claims incurred but not reported (IBNR)	-	3,666
Liability on annuity fund	-	25,227
Liability on long term insurance contract - Life fund	-	30,162
	-	63,748
Current	-	8,359
Non-current	-	55,389
	-	63,748

Reconciliation of changes in liability on insurance contracts

2020	Outstanding claims	Unearned premium	IBNR claims on short term insurance	Annuity fund	Life fund	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2020	2,435	2,258	3,666	25,227	30,162	63,748
Discontinued operations	(2,435)	(2,258)	(3,666)	(25,227)	(30,162)	(63,748)
As at 31 December 2020	-	-	-	-	-	-

2019	Outstanding claims	Unearned premium	IBNR claims on short term insurance	Annuity fund	Life fund	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2019	2,063	1,470	1,729	13,486	15,443	34,191
Claims incurred	10,287	-	-	-	-	10,287
Claims paid	(9,915)	-	-	-	-	(9,915)
Change in the year	-	788	1,936	11,741	14,719	29,184
As at 31 December 2019	2,435	2,258	3,665	25,227	30,162	63,748

39 Borrowings

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	139,170	-
Subordinated Debt (ii)	78,078	71,023
Proparco (iii)	14,115	16,553
Africa Development Bank (iv)	-	55,705
International Finance Corporation (v)	49,682	-
On-lending facilities from financial institutions (vi)	57,322	83,001
Borrowing from correspondence banks (vii)	41,117	24,314
	379,484	250,596
Current	94,268	94,268
Non-current	285,216	156,328
	379,484	250,596
At start of the year	250,596	338,214
Proceeds of new borrowings	262,782	129,653
Finance cost	13,981	15,552
Foreign exchange losses	11,068	2,608
Repayment of borrowings	(145,620)	(220,514)
Interest paid	(13,324)	(14,917)
At end of year	379,484	250,596

(i) FBN Eurobond:
Facilities represent Senior Note Participation Notes due 2025 issued by FBN Finance Company B.V, Netherlands on 27 October 2020 for a period of 5 years. The notes has interest at 8.625% per annum with coupon payable every six month. This facility is unsecured.

(ii) Surbodinated debt:
The amount of N78.08 billion (US $194.5 million) relates to subordinated debt of $194.5 million. Interest is payable at the rate of 9% (Fixed) per annum. The tenor of the debt is for a period of 5 years to mature in December 2024. Interest on the Subordinated debt is payable semiannually. This facility is unsecured.

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

(iv) Africa Development Bank:
Facility represents the outstanding balance of the credit facility of US200 million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum, the facility matured in December 2020.

(v) International Finance Corporation:
The amount of N49.6bn (USD124m) represents the outstanding balance of the credit facility of USD125 million granted by International Finance Corporation (IFC) in December 2020. Interest is payable bi-annually at the rate of LIBOR +4.5% per annum and will mature December 2021. This facility is unsecured.

(vi) On-lending Facilities:
Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by First Bank of Nigeria Limited for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN/BOI facilities
The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of 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 additional disbursement of N102 million (2019: N256 million) 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 N12.6 billion (2019: N30.3 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.

During the year, the CBN granted a moratorium and a reduction in interest rate on intervention funds. These was in response to the impact of Covid-19 on businesses. The rate was reduced to 5% for a period of one year starting March 2020.

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

(vii) Compliance with covenants
The Group had a loan with a carrying amount of N14.1 billion at 31 December 2020 (31 Dec 2019: N16.6 billion) which was obtained in 2016 and repayable in May 2024. The credit facility agreement (“Agreement”) contains seven financial covenants that, among other things, require the Group to maintain ratios within defined thresholds. These covenants relate to capital adequacy, open assets exposure ratio, aggregate large exposures ratio, related party lending ratio, liquidity coverage ratio, individual and aggregate unhedged open foreign currency. During the period, there were no defaults on principal, interest or redemption terms of loan payable

As at 31 December 2020, the First Bank of Nigeria Ltd. was in breach of two of the seven financial covenants comprising the open asset exposure ratio [Actual of 18%: Threshold of 15%] and the related party lending ratio [Actual of 22%: Threshold of 20%] (31 December 2019: Nil). Consequently, the loan has been reclassified as a current liability

40 Retirement benefit obligations

	GROUP	
	31 December 2020 N 'million	31 December 2019 N 'million
Defined Benefits Plan		
Defined Benefits - Pension (i)	6,164	2,413
Gratuity Scheme (ii)	1,363	939
	7,527	3,352

Plan liabilities are based upon independent actuarial valuation performed by Ernst & Young using the projected unit credit basis. This valuation was carried out as at 31 December 2020 and 31 December 2019.

40 Retirement benefit obligations continued

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

In addition, First Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years.

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

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2019	8,571	(7,574)	997
Interest expense/(income)	1,192	(1,138)	54
Service cost	(13)	-	(13)
Past service cost	916	-	916
Acturial (Gains)/Losses due to change in:			0
- Financial Assumptions	819	49	868
- Experience Adjustment	(409)	-	(409)
Payments:			0
- Benefit payment	(1,533)	1,533	-
Defined benefit pension obligations at 31 December 2019	**9,543**	**(7,130)**	**2,413**
Interest expense/(income)	1,247	(1,025)	222
Return on plan asset excluding interest	-	(183)	(183)
Acturial (Gains)/Losses due to change in:			
- Financial Assumptions	3,718	-	3,718
- Experience Adjustment	(6)	-	(6)
Payments:			
- Benefit payment	(1,072)	1,072	-
Defined benefit pension obligations at 31 December 2020	**13,430**	**(7,266)**	**6,164**

The actual return on plan assets was N183 million (2019: N1.09 billion)

	GROUP					
Composition of Plan assets		**2020**			**2019**	
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Equity Instruments						
Banking	656	-	656	537	-	537
Oil Service	-	-	-	-	-	-
Real Estate	-	-	-	0	-	-
Manufacturing	-	-	-	57	-	57
Debt Instruments						
Government	4,456	-	4,456	5,249	-	5,249
Corporate Bond	342	-	342	699	-	699
Money market investments	929	-	929	-	562	562
Money on call	938	-	938	-	26	26
Others	(55)	-	(55)	-	-	-
Total	**7,266**	**-**	**7,266**	**6,542**	**588**	**7,130**

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

Gratuity scheme (ii)
This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:
FBNBank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

40 Retirement benefit obligations continued

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

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2019	973	(29)	944
Foreign exchange difference	15	6	21
Interest expense/(income)	172	(5)	167
Service cost	126		126
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	4	4
Net actuarial gain or loss	30	-	30
Contributions:			
- Employer	-	(353)	(353)
Payments:			
- Benefit payment	(355)	355	-
Defined benefit pension obligations at 31 December 2019	**961**	**(22)**	**939**
Foreign exchange difference	230	2	232
Interest expense/(income)	110	0	110
Service cost	148		148
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(4)	(4)
Net actuarial gain or loss	46	(4)	42
Contributions:			
- Employer	-	103	103
Payments:			
- Benefit payment	(104)	(104)	(208)
Defined benefit pension obligations at 31 December 2020	**1,391**	**(29)**	**1,363**

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

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

Inflation Risk: The plan benefit obligations are linked to inflation, and higher inflation lead to higher liabilities. However, majority of the plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life Expectancy : The majority of the plans' obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan which is currently 6.09 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation. There is no regulatory framework guiding the

	31 Dec 2020 N 'million	**31 Dec 2019 N 'million**
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	7.5%	13.5%
Inflation rate	12%	12%
Life expectancy	20yrs	20yrs

40 Retirement benefit obligations continued

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

	Assumption	Benefit Obligation N'm	Impact on Liability
	7.5%	13,392	0.0%
Discount rate	8.5%	12,581	-6.1%
	6.5%	14,314	6.9%
	12%	13,392	0.0%
Inflation rate	13%	13,392	0.0%
	11%	13,392	0.0%
	Base	13,392	0.0%
Mortality experience	Improved by 1 year	13,712	2.4%
	Decreased by 1 year	13,068	-2.4%

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

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

Maturity Profile on Defined Benefit Obligation

Years	Amount (N'000
2021	1,522,470
2022	1,473,396
2023	1,424,008
2024	1,375,646
2025	1,325,895
2026 - 2030	5,846,768

Defined benefit cost, charged to income statement (refer note 16)	GROUP 31 Dec 2020 N 'million	GROUP 31 Dec 2019 N 'million
Defined Benefits - Pension (i)	222	66
Defined benefit cost, charged to other comprehensive income		
Defined Benefits - Pension (i)	3,712	458
Gratuity Scheme (ii)	(48)	(29)
Long service award	1,697	0
	5,360	429

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

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm/ entity:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738

41 Share capital

Authorised	31 December 2020	31 December 2019
50 billion ordinary shares of 50k each (2019: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	Number of shares In millions	Ordinary shares N 'million
At 31 December 2019	35,895	17,948
At 31 December 2020	35,895	17,948

42 Share premium and reserves

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

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

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

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 2020(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Capital reserve: Reserve arising from business restructuring

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

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

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

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

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

43 Non-controlling interests

The movement in non-controlling interest for the year is shown below.

	31 December 2020 N 'millions	31 December 2019 N 'millions
Opening balance	15,516	12,289
Share of profit	1,744	3,747
Share of other comprehensive income	247	881
Non-controlling interests disposed (see note 30.3)	(7,824)	-
Dividends	(598)	(1,401)
	9,085	15,516

44 Cashflow workings

a Reconciliation of profit before tax to cash generated from operations

	Notes	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
Profit before tax from continuing operations		83,221	75,199	34,073	13,874
Profit before tax from discontinued operations		14,792	8,162	-	-
Profit before tax including discontinued operations		98,013	83,361	34,073	13,874
Adjustments for:					
– Depreciation	31	18,634	16,401	223	319
– Amortisation	32	7,238	6,197	-	-
– Profit from disposal of investment in subsidiary	30.3	-	-	(19,890)	-
– Profit from disposal of property and equipment	15	(199)	(75)	-	-
– Profit from disposal of investment properties	15	-	(273)	-	-
– Foreign exchange gains	11	6,080	(1,186)	(34)	(6)
– (Profit)/ loss from investment securities	12	(48,078)	(17,493)	-	(8)
– Net (gains)/losses from financial assets at fair value through profit or loss	13	(18,939)	(13,030)	941	371
– Impairment on loans and advances	9	53,515	58,782	-	-
– Impairment on other financial assets		-	580	-	-
– Impairment on other assets	9	7,286	1,261	-	-
– Change in retirement benefit obligations		-	981	-	-
– Share of profit from associates	28	482	87	-	-
– Dividend income	14	(3,983)	(4,368)	(18,296)	(16,580)
– Interest income	7	(384,798)	(431,934)	(1,332)	(2,173)
– Interest expense	8	133,183	152,342	13	14
(Increase)/decrease in operating assets:					
– Cash and balances with the Central Bank (restricted cash)	(i)	(479,007)	(318,545)	-	-
– Loans and advances to banks	(ii)	(45,532)	(19,009)	-	-
– Loans and advances to customers	(iii)	(360,223)	(295,087)	33	16
– Financial assets at fair value through profit or loss	(iv)	156,306	(177,734)	-	-
– Other assets	(v)	(103,409)	(99,730)	61	0
– Asset pledged as collateral	(vi)	(170,991)	(155,871)	-	-
Increase/(decrease) in operating liabilities:					
– Deposits from banks	(vii)	178,734	116,171	-	-
– Deposits from customers	(viii)	874,879	533,152	-	-
– Liability on investment contracts	(ix)	(24,676)	4,910	-	-
– Liability on insurance contracts	(x)	(63,748)	29,556	-	-
– Other liabilities	(xi)	284,580	(107,017)	4,223	1,287
Cash flow (used in)/generated from operations		115,348	(637,571)	14	(2,888)

b Cashflow workings

	Note	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
(i) Cash and balances with the Central Bank (restricted cash)					
Opening balance		843,436	524,891	-	-
Movement during the year		479,007	318,545	-	-
Closing balance	19	1,322,443	843,436	-	-
(ii) Loans and advances to banks (Long term placement)					
Opening balance		129,959	110,950	-	-
Movement during the year		45,532	19,009	-	-
Closing balance	21	175,491	129,959	-	-
(iii) Loans and advances to customers					
Opening balance	22	1,852,411	1,709,440	94	110
ECL allowance on loan and advances to customers	22	74,277	78,912	-	-
Interest income	7	241,027	245,589	15	8
Interest received		(310,670)	(476,617)	(15)	(8)
Movement during the year		360,223	295,087	(33)	(16)
Closing balance	22	2,217,268	1,852,411	61	94

		Note	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
(iv)	**Financial assets at fair value through profit or loss**					
	Opening balance		282,660	110,950	3,057	3,427
	Interest income	7	328	251	-	-
	Interest received		(19,267)	(19,305)	-	-
	Fair value changes at FVTPL	13	18,939	13,030	(941)	(371)
	Movement during the year		(156,306)	177,734	-	-
	Closing balance	23	126,354	282,660	2,116	3,057
(v)	**Other assets**					
	Opening balance	26	212,092	112,362	15,922	292
	Dividend receivable - current year	(xiv)	-	-	14,190	12,810
	Dividend receivable - prior year	(xiv)	-	-	(12,810)	(61)
	Reclassification (to)/from investment subsidiary		-	-	(2,881)	2,881
	Movement during the year		103,409	99,730	(61)	(0)
	Closing balance	26	315,501	212,092	14,360	15,922
(vi)	**Asset pledged as collateral**					
	Opening balance	25	464,922	309,051	-	-
	Movement during the year		170,991	155,871	-	-
	Closing balance	25	635,913	464,922	-	-
(vii)	**Deposit from banks**					
	Opening balance	34	860,486	749,315	-	-
	Interest expense	8	26,353	24,855	-	-
	Interest paid		(26,353)	(29,855)	-	-
	Movement during the year		178,734	116,171	-	-
	Closing balance	34	1,039,220	860,486	-	-
(viii)	**Deposit from customers**					
	Opening balance		4,019,836	3,486,691	-	-
	Interest expense	8	90,609	111,217	-	-
	Interest paid		(90,609)	(111,224)	-	-
	Movement during the year		874,879	533,152	-	-
	Closing balance	35	4,894,715	4,019,836	-	-
(ix)	**Liability on investment contracts**					
	Opening balance	37	24,676	19,766	-	-
	Movement during the year		(24,676)	4,910	-	-
	Closing balance	37	-	24,676	-	-
(x)	**Liability on insurance contracts**					
	Opening balance	38	63,748	34,192	-	-
	Movement during the year		(63,748)	29,556	-	-
	Closing balance	38	-	63,748	-	-
(xi)	**Other liabilities**					
	Opening balance	36	297,140	373,345	9,321	8,034
	Provisions	36	28,445	2,817	-	-
	Other credit balances	36	20,727	23,175	-	-
	Allowance for off balance sheet items	36	3,486	4,820	-	-
	Movement during the year		284,580	(107,017)	4,223	1,287
	Closing balance	36	581,720	297,140	13,544	9,321
(xii)	**Disposal of property and equipment**					
	Cost	31	2,625	3,119	13	63
	Accumulated depreciation	31	(2,669)	(2,744)	(13)	(63)
	Net book value of disposed properties		(43)	375	-	-
	Gain or loss on disposed properties	15	199	75	-	-
	Sales proceed		155	450	-	-
(xiii)	**Interest paid**					
	Interest paid on borrowings	39	13,324	14,917	-	-
	Interest paid on deposit from customers	(viii)	90,609	111,224	-	-
	Interest paid on deposit from banks	(vii)	26,353	29,855	-	-
			130,286	155,996	-	-

		Note	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million	COMPANY 31 December 2020 N 'million	COMPANY 31 December 2019 N 'million
(xiv)	**Dividend received**					
	Opening dividend receivable		-	-	12,810	61
	Dividend income	14	3,983	4,368	18,296	16,580
	WHT on dividend retained	14	-	-	311	170
	Dividend received		(3,983)	(4,368)	(17,227)	(4,001)
	Closing dividend receivable		-	-	14,190	12,810
(xv)	**Additional investment in subsidiary**					
	Opening balance	29	-	-	239,514	242,395
	Additional investment		-	-	25,000	-
	Disposal	30.3			(4,724)	-
	Reclassification from/(to) accounts receivable		-	-	2,881	(2,881)
	Closing dividend receivable	29	-	-	262,671	239,514

45 Commitments and Contingencies

45.1 Capital commitments

The Group's capital commitment in respect of authorized and contracted capital projects are disclosed below.

	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million
Authorised and contracted		
Property and Equipment	1,510	713
Intangible Assets	2,074	4,218
	3,584	4,931

45.2 Legal proceedings

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

The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements

	GROUP 31 December 2020 N 'millions	GROUP 31 December 2019 N 'millions
At start of the year	376	376
Provisions	25,598	-
At end of year	25,974	376

45.3 Other contingent commitments

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

	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million
Performance bonds and guarantees	345,198	441,774
Letters of credit	489,314	419,329
	834,513	861,103

45.4 Loan Commitments

	GROUP 31 December 2020 N 'million	GROUP 31 December 2019 N 'million
Undrawn irrevocable loan commitments	87,263	81,131
	87,263	81,131

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is disclosed in note 3.6
The group cannot separately identify the expected credit loss on the undrawn commitment. Thus, the expected credit loss on the undrawn commitments have been recognised together with the loss allowance for the loan. See Note 22 on expected credit loss on Loans and advances to customers.

46 Offsetting Financial Assets and Financial Liabilities

The information shown for 31 December 2020 relates to First Bank of Nigeria Limited, as no other entity within the Group has an offsetting arrangement.
Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

GROUP	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
31 December 2020	N'million	N'million	N'million	N'million	N'million	N'million
ASSETS						
Financial assets at fair value through profit or loss	56,863	-	56,863	-	1,509	55,354
Total Assets subject to offsetting, master netting and similar arrangements	56,863	-	56,863	-	1,509	55,354
LIABILITIES						
Financial derivatives	(7,080)	-	(7,080)	-	-	(7,080)
Total Liabilities subject to offsetting, master netting and similar arrangements	(7,080)	-	(7,080)	-	-	(7,080)

GROUP	Gross amount before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amounts after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure
				Financial instruments	Cash collaterals received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)-(d)-(e)
31 December 2019	N'million	N'million	N'million	N'million	N'million	N'million
ASSETS						
Financial assets at fair value through profit or loss	24,621	-	24,621	-	11,492	13,129
Reinsurance receivables	3,081	-	3,081	34	-	3,047
Total Assets subject to offsetting, master netting and similar arrangements	27,702	-	27,702	34	11,492	16,176
LIABILITIES						
Financial derivatives	(5,571)	-	(5,571)	-	(1,873)	(3,698)
Trade payables	(34)	-	(34)	(34)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(5,605)	-	(5,605)	(34)	(1,873)	(3,698)

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

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

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

47 Related party transactions

The Group is controlled by FBN Holdings Plc. which is the parent company, whose shares are widely held. FBN Holdings Plc, is a non-operating financial holding company licensed by the Central Bank of Nigeria. (See note 29 for the list of all subsidiaries of the Group).

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

47.1 Transactions with related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2020 N 'million	31 December 2019 N 'million
First Bank of Nigeria Limited	Subsidiary	Placement	2,500	74
First Bank of Nigeria Limited	Subsidiary	Current account balance	2,156	3,791
First Bank of Nigeria Limited	Subsidiary	Bank charges	11	7
First Bank of Nigeria Limited	Subsidiary	Interest Income	211	174
FBNQuest Merchant Bank Limited	Subsidiary	Current account balance	1	2
FBNQuest Merchant Bank Limited	Subsidiary	Placement	2,941	545
FBNQuest Merchant Bank Limited	Subsidiary	Interest Income	43	311
FBNQuest Capital Limited	Subsidiary	Receivable	-	1,512
FBNQuest Trustees Limited	Subsidiary	Receivable	-	1,369
FBN Insurance Limited	Subsidiary	Premium	-	44

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 0.25% to 3%. Current account balances are balances in transactional operating accounts with related parties as at December 31, 2020.

47.2 Key management compensation

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

	GROUP		COMPANY	
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2020 N 'million	31 December 2019 N 'million
Salaries and other short-term employee benefits	1,948	1,699	403	392
Post-employment benefits	33	30	16	15
	1,982	1,729	419	407

47.3 Insider related credits

In compliance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits, the company had no insider related credits during the year. Insider related credits relating to the banking subsidiaries have been appropriately disclosed in the component financial statements.

48 Directors' emoluments

Remuneration paid to the directors was:

	31 December 2020 N 'million	31 December 2019 N 'million
Fees	396	414
Sitting allowances	18	18
Executive compensation	122	120
Other directors' costs and expenses	447	425
	983	977
Included in the fees above are amounts paid to:		
Chairman	64	64
Highest paid director	122	120

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

	Number	
	31 December 2020	31 December 2019
N30,000,000 - N40,000,000	1	-
N40,000,001 and above	8	10
	9	10

49 Compliance with regulations

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

(a) First Bank of Nigeria Limited

(i) The bank paid a penalty of N52 million in February 2020 for involvement in Textile-importation using FX sourced from Nigerian Market
(ii) The bank paid a penalty of N2 million in February 2020 for non-implementation of 2-Factor Authentication on FirstConsole as at June 2018
(iii) Additional penalty of N40 million was paid in February 2020 inrespect to FX market in textile importation in the period Oct 16-Nov 30 2019
(iv) Additional penalty of N45 million was paid in February 2020 inrespect to FX market in textile importation in the period Oct 16-Nov 30 2019
(v) A penalty of N20 million was paid in October 2020 by the Bank for allowing customers transfer accumulated cash deposits in excess of USD10,000 in contravention of Memorandum 25b of FOREX manual.
(v) Additional penalty 0f N61.4 million was paid in December 2020 for allowing customer transfer accumulated cash deposits in excess of USD10,000 in contravention of Memorandum 25(b) of FOREX manual.

(b) FBN Holdings Plc

(i) The Company paid a penalty of N2.5 million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

(c) FBNQuest Capital Limited

(i) The Company paid a penalty of N1 million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

(d) FBNQuest Trustees Limited

(i) The Company paid a penalty of N1 million to Financial Reporting Council for certification of financial statements with expired FRC numbers.

50 Events after statement of financial position date

The Company has no events after the financial position date that will materially affect the financial position shown in these financial statements.

51 Dividends per share

A cash dividend of N13.64 billion at N0.38 per share (2019: N9.33 billion) that relates to the period to 31 December 2019 was paid in May 2020.

52 Earnings per share

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

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

	GROUP		COMPANY	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit from continuing operations attributable to owners of the parent (N'million)	73,848	62,297	33,860	13,862
Profit from discontinued operations attributable to owners of the parent (N'millior	14,138	7,621	0	0
Weighted average number of ordinary shares in issue (in million)	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	2.06	1.74	0.94	0.39
- from discontinued operations	0.39	0.21	-	-
	2.45	1.95	0.94	0.39

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares.

Other National Disclosures and Other Information

EVALUATION OF THE IMPACT OF COVID-19

In 2020, there was a global outbreak of the Corona virus Disease (COVID-19) which was declared a pandemic by the World Health Organisation (WHO). The disease caused disruptions of monumental proportions to social and economic activities all over the World as countries and businesses were forced to shut down and restrict movement of persons, goods and services in a bid to contain the spread of COVID-19.

FBN Holdings responded by activating Business Continuity Plans across the Group to ensure safety of all personnel, customers and other counterparties. An incident management team was created was created to monitor, report and deal with any occurrence across the Group. This ensured that while staff worked remotely, service delivery continued unabated via various platforms supported by the very robust technology already deployed by the Group even before the pandemic. Therefore, the impact of the pandemic on the Company's and Group's results of operation was effectively minimised in 2020.

Going forward in 2021, the Group has reviewed the current situation including but not limited to the current rate of infection, development and deployment of vaccines with gradual and careful re-opening of businesses and rebound of crude oil prices in the first quarter of 2021.
Based on this review, nothing has come to the attention of the Directors to indicate that the Group will not continue to operate into the foreseeable future. The Group has also assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement.

OTHER NATIONAL DISCLOSURES
At 31 December 2020
Statement of Value Added - Group

	31 December 2020 N'million	%	31 December 2019 N'million	%
Gross income	**579,429**		590,386	
Interest and fee expense	**(152,629)**		(172,825)	
	426,800		**417,561**	
Administrative overheads	**(151,906)**		(165,090)	
Value added	**274,894**	**100**	**252,471**	100
Distribution				
Employees				
- Salaries and benefits	**100,584**	**37**	95,873	38
Government				
- Taxation	**8,111**	**3**	9,242	4
The future				
- Asset replacement (depreciation)	**18,634**	**7**	16,401	6
- Asset replacement (amortisation)	**7,238**	**3**	6,197	2
- Asset replacement (provision for losses)	**50,596**	**18**	51,093	20
- Expansion (transfers to reserves)	**89,730**	**33**	73,665	29
	274,894	**100**	**252,471**	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2020
Statement of Value Added - Company

	31 December 2020 N'million	%	31 December 2019 N'million	%
Gross income	**38,602**		18,396	
Interest and fee expense	**(13)**		(14)	
	38,590		**18,382**	
Administrative overheads	**(2,827)**		(2,988)	
Value added	**35,763**	**100**	**15,394**	100
Distribution				
Employees				
- Salaries and benefits	**1,465**	**4**	1,201	8
Government				
- Company income tax	**213**	**1**	12	0
The future				
- Asset replacement (depreciation)	**223**	**1**	319	2
- Asset replacement (amortisation)	**-**	**-**	-	-
- Asset replacement (provision for losses)	**-**	**-**	-	-
- Expansion (transfers to reserves)	**33,860**	**95**	13,862	90
	35,762	**100**	**15,393**	100

FBN Holdings Plc.

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

	31 December 2020 N'million	31 December 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Assets:					
Cash and balances with central bank	1,631,730	1,025,325	653,335	641,881	690,165
Loans and advances to banks	1,016,823	754,910	863,435	742,929	444,871
Loans and advances to customers	2,217,268	1,852,411	1,670,476	2,001,223	2,083,894
Financial assets at fair value through profit or loss	126,354	282,660	109,162	83,713	46,711
Investment securities	1,549,290	1,414,530	1,663,821	1,248,608	1,050,588
Assets pledged as collateral	635,913	464,922	309,051	208,925	197,420
Other assets	315,501	212,092	126,292	132,731	47,786
Investment in associates	1,163	711	625	1,357	1,114
Investment properties	-	100	515	1,993	3,003
Property, plant and equipment	114,034	112,939	91,515	88,263	88,315
Intangible assets	15,340	18,961	16,134	16,211	15,328
Deferred tax	27,619	25,009	25,558	18,554	17,278
Assets held for sale	37,993	38,956	38,990	50,149	50,332
	7,689,028	6,203,526	5,568,909	5,236,537	4,736,806
Financed by:					
Share capital	17,948	17,948	17,948	17,948	17,948
Share premium	233,392	233,392	233,392	233,392	233,392
Reserves	504,746	394,269	265,314	427,874	331,783
Non controlling interest	9,085	15,516	12,289	(5,494)	(548)
Deposits from banks	1,039,220	860,486	749,315	665,366	416,078
Deposits from customers	4,894,715	4,019,836	3,486,691	3,143,338	3,104,221
Derivative liabilities	7,464	6,046	15,791	9,404	37,137
Liabilities on investment contracts	-	24,676	19,766	13,399	9,440
Liabilities on insurance contracts	-	63,748	34,192	21,734	10,287
Borrowings	379,484	250,596	338,214	420,919	316,792
Retirement benefit obligations	7,527	3,352	1,940	2,203	2,662
Current income tax	11,247	13,778	15,656	10,194	8,897
Other liabilities	581,720	297,140	375,642	266,198	235,388
Deferred income tax liabilities	101	250	266	606	813
Liabilities held for sale	2,379	2,493	2,493	9,457	12,515
	7,689,028	6,203,526	5,568,908	5,236,539	4,736,805

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 Dec 2020 N'million	12 months ended 31 Dec 2019 N'million	12 months ended 31 Dec 2018 N'million	12 months ended 31 Dec 2017 N'million	12 months ended 31 Dec 2016 N'million
Gross Earnings	579,429	590,386	587,406	598,184	583,006
Net operating income	520,094	500,370	417,317	444,835	469,926
(Loss)/Gain from disposal of subsidiary	-	-	-	-	(8)
Insurance claims	-	-	(4,717)	(4,041)	(2,190)
Operating expenses	(292,501)	(291,182)	(261,305)	(4,508)	(218,744)
Group's share of associate's results	482	87	23	430	-
Impairment charge for credit losses	(50,596)	(51,093)	(87,465)	(150,424)	(226,037)
Profit before taxation	83,703	75,286	63,853	54,522	22,948
Taxation	(8,111)	(9,242)	(5,544)	(9,040)	(5,807)
Profit from continuing operations	75,592	66,044	58,309	45,482	17,141
Profit/(loss) from discontinuing operations	14,138	7,621	(77)	(7,774)	(4,898)
Profit for the year	89,730	73,665	58,232	37,708	12,243
Profit attributable to:					
Owners of the parent	87,986	69,918	57,692	41,328	14,122
Non controlling interest	1,744	3,747	540	(3,620)	(1,879)
	89,730	73,665	58,232	37,708	12,243
Earnings per share in kobo (basic/diluted)	245	195	161	115	39

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2020 N'million	31 December 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Assets:					
Loans and advances to banks	11,240	5,706	16,639	7,585	4,792
Loans and advances to customers	61	94	110	108	63
Financial assets at fair value through profit	2,116	3,057	3,427	-	-
Investment securities	9,863	11,393	7,079	9,842	7019
Investment in associates	-	-	-	-	1500
Investment in subsidiaries	262,671	239,514	242,395	242,395	263,595
Other assets	14,360	15,922	292	9,011	4,670
Property, plant and equipment	312	490	382	680	1,192
	300,623	276,176	270,324	269,621	282,831
Financed by:					
Share capital	17,948	17,948	17,948	17,948	17,948
Share premium	233,392	233,392	233,392	233,392	252,892
Reserves	35,525	15,503	10,848	10,624	6,242
Current income tax	214	12	102	104	-
Other liabilities	13,544	9,321	8,034	7,553	5,751
	300,623	276,176	270,324	269,619	282,833

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2020 N'million	12 month ended 31 Dec 2019 N'million	12 month ended 31 Dec 2018 N'million	12 month ended 31 Dec 2017 N'million	12 month ended 31 Dec 2016 N'million
Gross Earnings	38,602	18,396	13,649	13,715	12,715
Net operating income	18,699	18,396	13,649	13,715	12,571
Gain from disposal of subsidiary/associate	19,890	-	-	-	144
Operating expenses	(4,515)	(4,508)	(4,209)	(4,333)	(5,104)
Profit before taxation	34,073	13,874	9,440	9,382	7,611
Taxation	(213)	(12)	(98)	(107)	(104)
Profit after taxation	33,860	13,862	9,342	9,275	7,507
Earnings per share in kobo (basic)	94	39	26	26	21