First Bank of Nigeria Limited Financial Statements for the year ended 31 December 2013

First Bank of Nigeria Limited
Index to the consolidated financial statements
for the year ended 31 December 2013

First Bank of Nigeria Limited

DIRECTORS AND ADVISORS

DIRECTORS	DATE OF APPOINTMENT
Prince Ajibola A. Afonja (Chairman)	
Stephen Olabisi Onansanya (Group Managing Director/CEO)	
Remi Odulami (Mrs)	Resigned May 31, 2013
Ibiai Ani (Mrs)	
Kehinde Lawanson	Retired May 31, 2013
Ambrose Feese	
Tunde Hassan-Odukale	
Lawal K. Ibrahim	
Obafemi A. Otudeko	
Urum.K. Eke	
Ibukun Awosika (Mrs)	
Mahey Rasheed	
Ebenezer Jolaoso	
Khadijah Alao Straub (Mrs)	
Ibrahim Dahiru Waziri	
Dauda Lawal	
Francis Shobo	
Adebayo Adelabu	
Bello Maccido	
Abiodun Odubola	January 16, 2014
Adetokunbo Abiru	August 1, 2013

COMPANY SECRETARY: Mr Olayiwola Yahaya

REGISTERED OFFICE:
Samuel Asabia House
35, Marina
Lagos

AUDITORS:
Price Waterhouse Coopers
(Chartered Accountants)
252E Muri Okunola Street,
Victoria Island
Lagos

PKF Professional Services
(Chartered Accountants)
PKF House
205A, Ikorodu Road
Obanikoro
Lagos.

STATEMENT OF FINANCIAL POSITION

		GROUP			BANK	
			Restated	**Restated**		
		31 December	**31 December**	**1 January**	**31 December**	**31 December**
	Note	**2013**	**2012**	**2012**	**2013**	**2012**
		N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
ASSETS						
Cash and balances with central banks	17	593,973	298,024	199,228	541,221	288,125
Loans and advances to banks	19	415,210	394,173	463,328	367,571	329,120
Loans and advances to customers	20	1,797,935	1,562,695	1,252,153	1,473,840	1,316,407
Financial assets at fair value through profit or loss	21	4,743	2,565	5,964	2,225	1,942
Investment securities						
-Available-for-sale investments	22	451,423	353,499	359,665	359,052	300,351
-Held to maturity investments	22	283,266	330,860	337,336	278,875	330,860
Asset pledged as collateral	23	53,650	50,109	72,129	52,405	50,109
Other assets	31	40,496	33,984	63,061	36,068	32,459
Inventory		-	-	25,609	-	-
Investment properties		-	-	4,055	-	-
Investments in associates accounted for using the equity method	27	6,225	5,609	7,489	2,224	2,224
Investment in subsidiaries	24	-	-	-	56,307	40,348
Property, plant and equipment	28	78,490	74,474	65,889	71,893	70,724
Intangible assets	29	8,594	3,417	1,008	1,242	1,302
Deferred tax	30	4,586	7,954	6,954	3,654	6,703
		3,738,591	3,117,363	2,863,868	3,246,577	2,770,674
Asset held for sale	26	10,784	12,978	-	-	-
Total assets		**3,749,375**	**3,130,341**	**2,863,868**	**3,246,577**	**2,770,675**
LIABILITIES						
Deposits from banks	32	77,481	87,551	183,500	10,155	18,463
Deposits from customers	33	2,942,782	2,405,035	1,951,011	2,570,719	2,171,807
Financial liabilities held for trading	21	1,701	1,796	2,857	1,697	1,278
Current income tax liability	16	31,633	22,536	24,328	29,836	19,768
Other liabilities	36	182,793	118,289	159,325	156,987	87,039
Liability on investment contracts		-	-	49,440	-	-
Liability on insurance contracts		-	-	824	-	-
Borrowings	34	126,302	75,541	106,204	125,363	81,987
Retirement benefit obligations	35	1,776	18,648	15,081	1,111	18,156
Deferred tax	30	10	9	1,069	-	-
		3,364,478	2,729,405	2,493,639	2,895,868	2,398,498
Liabilities held for sale	26	1,747	2,836	-	-	-
Total liabilities		**3,366,225**	**2,732,241**	**2,493,639**	**2,895,868**	**2,398,498**
EQUITY						
Share capital	37	16,316	16,316	16,316	16,316	16,316
Share premium	38	189,241	189,241	254,524	189,241	189,241
Retained earnings	38	93,585	97,437	43,161	67,167	77,342
Other reserves						
Statutory reserve	38	51,988	42,972	32,144	51,328	42,422
SSI Reserve	38	6,076	6,076	6,076	6,076	6,076
AFS Fair value reserve	38	14,229	26,936	8,600	13,063	24,678
Contingency Reserve	38	-	-	13	-	-
Statutory credit reserve	38	7,987	16,101	9,766	7,518	16,101
Treasury share reserve	38	-	-	(1,941)	-	-
Foreign currency translation reserve	38	2,102	1,668	606	-	-
		381,524	396,747	369,265	350,709	372,176
Non-controlling interest		1,626	1,353	964	-	-
Total equity		**383,150**	**398,100**	**370,229**	**350,709**	**372,176**
Total equity and liabilities		**3,749,375**	**3,130,341**	**2,863,868**	**3,246,577**	**2,770,675**

The financial statements on pages 11 to 121 were approved by the Board of Directors on 20 March 2014 and signed on its behalf by:

Prince Ajibola Afonja	**Bisi Onasanya**	**Adebayo Adelabu**
Chairman	Group Managing Director / CEO	Executive Director / Group CFO
FRC/2013/ICAN/00000002304	FRC/2013/ICAN/00000001962	FRC/2012/ICAN/00000002303

First Bank of Nigeria Limited

INCOME STATEMENT

	Note	GROUP 31 December 2013 N 'millions	GROUP Restated 31 December 2012 N 'millions	BANK 31 December 2013 N 'millions	BANK 31 December 2012 N 'millions
Continuing operations					
Interest income	7	310,224	276,909	284,438	257,325
Interest expense	8	(86,409)	(58,586)	(77,729)	(51,779)
Net interest income		**223,815**	**218,323**	**206,709**	**205,546**
Impairment charge for credit losses	9	(20,521)	(12,912)	(19,838)	(9,847)
Net interest income after impairment charge for credit losses		**203,294**	**205,411**	**186,871**	**195,699**
Fee and commission income	10	53,247	56,005	45,847	48,702
Fee and commission expense	10	(5,448)	(1,131)	(5,479)	(1,131)
Net gains/(losses) on Foreign exchange income	11	6,625	2,456	4,750	924
Net gains/(losses) on investment securities	12	1,383	(408)	2,931	(957)
Net gains/(losses) from financial assets classified as held for trading	13	(1,386)	1,752	(1,386)	168
Gain from disposal of subsidiary		-	-	-	3,490
Dividend income		905	719	2,079	3,766
Other operating income	14	683	3,522	359	1,535
Personnel Expenses	15b	(61,790)	(65,883)	(54,621)	(60,447)
Amortisation of Intagible assets	29	(1,517)	(645)	(662)	(556)
Depreciation of Property,plant & equipment	28	(9,823)	(9,895)	(9,164)	(9,169)
Operating expenses	15	(99,588)	(105,773)	(94,672)	(98,736)
Operating profit		86,585	86,130	76,853	83,288
Share of profit of associates	27	875	1,008	-	-
Profit before tax		**87,460**	**87,138**	**76,853**	**83,288**
Income tax expense	16	(21,009)	(15,006)	(17,488)	(12,145)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**66,451**	**72,132**	**59,365**	**71,143**
Discontinued operations					
Profit for the year from discontinued operations	26	-	3,838	-	-
PROFIT FOR THE YEAR		**66,451**	**75,970**	**59,365**	**71,143**
Profit attributable to:					
Owners of the parent		66,344	75,913	59,365	71,143
Non-controlling interests		107	57	-	-
		66,451	**75,970**	**59,365**	**71,143**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings per share:	47				
From continuing operations		2.04	2.21	1.82	2.18
From discontinued operations		-	0.12	-	-
		2.04	2.33	1.82	2.18

First Bank of Nigeria Limited

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 2013	GROUP Restated 2012	BANK 2013	BANK 2012
		31 December		31 December	
		N 'millions	N 'millions	N 'millions	N 'millions
PROFIT FOR THE YEAR		**66,451**	**75,970**	**59,365**	**71,143**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net gains /(loss) on available-for-sale financial assets					
-Unrealised net gains arising during the period, before tax		(15,217)	16,890	(14,104)	13,588
-Net reclassification adjustments for realised net gains /(losses), before tax		2,487	1,930	2,487	1,930
Share of other comprehensive income of associates		(259)	-	-	-
Exchange difference on translation of foreign operations		434	1,827	-	-
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on defined benefit pension scheme	35	1,644	(485)	1,719	(485)
Return on plan assets not included in net interest cost on pension scheme	35	216	-	216	
Income tax relating to components of other comprehensive income		917	146	635	146
Other comprehensive income for the year, net of tax		**(9,778)**	**20,308**	**(9,047)**	**15,179**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**56,673**	**96,278**	**50,318**	**86,322**
Total comprehensive income attributable to:					
Owners of the parent		56,566	96,221	50,318	86,322
Non-controlling interests		107	57	-	-
		56,673	**96,278**	**50,318**	**86,322**
Total comprehensive income attributable to owners of the parent arises from :					
Continuing operations		56,566	92,383	50,318	86,322
Discontinued operations	26	-	3,838	-	-
		56,566	**96,221**	**50,318**	**86,322**

First Bank of Nigeria Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	AFS Fair value reserve	Contingency reserve	Statutory credit reserve	Treasury share reserve	FCTR	Total	Non-controlling interest	Total equity
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balance at 1 January 2012 (as previously reported)	16,316	254,524	41,586	32,144	6,076	8,524	13	9,766	(1,941)	606	367,614	964	368,578
Effect of changes in accounting policies (Note 48)	-	-	1,575	-	-	76	-	-	-	-	1,651	-	1,651
Balance at 1 January 2012 (restated)	16,316	254,524	43,161	32,144	6,076	8,600	13	9,766	(1,941)	606	369,265	964	370,229
Profit for the year	-	-	75,913	-	-	-	-	-	-	-	75,913	57	75,970
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	1,062	1,062	-	1,062
Fair value movements on equity financial assets						18,820					18,820	-	18,820
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(340)	-	-	-	-	-	-	-	(340)	-	(340)
Total comprehensive income	-	-	75,573	-	-	18,820	-	-	-	1,062	95,455	57	95,512
Transactions with owners													
Dividends	-	-	(26,105)	-	-	-	-	-	-	-	(26,105)	-	(26,105)
Acquisition of subsidiary					-	-	-	-	-	-	-	1,286	1,286
Transfer between reserves	-	-	(17,246)	10,884		-	27	6,335	-	-	-	-	-
Transfer resulting from Business Restructuring (Note 26)		(65,283)	22,054	(56)	-	(484)	(40)		1,941		(41,868)	(953)	(42,821)
Total transactions with Owners	-	(65,283)	(21,297)	10,828	-	(484)	(13)	6,335	1,941	-	(67,973)	333	(67,640)
At 31 December 2012	16,316	189,241	97,437	42,972	6,076	26,936	-	16,101	-	1,668	396,747	1,353	398,100
Profit for the year	-	-	66,344	-	-	-	-	-	-	-	66,344	107	66,452
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	434	434	-	434
Tax effects on revaluation of financial assets	-	-	635	-	-	282	-	-	-	-	917	-	917
Fair value movements on equity financial assets						(12,730)					(12,730)	-	(12,730)
Return on plan assets			216								216	-	216
Actuarial gains/(losses) on defined benefit pension scheme	-	-	1,644	-	-	-	-	-	-	-	1,644	-	1,644
Share of OCI of associates, net of tax	-	-	-	-	-	(259)	-	-	-	-	(259)	-	(259)
Total comprehensive income	-	-	68,839	-	-	(12,707)	-	-	-	434	56,566	107	56,674
Transactions with owners													
Remeasurement of goodwill	-	-	-	-	-	-	-	-	-	-		181	181
Dividends	-	-	(71,791)		-	-	-	-	-		(71,791)	(16)	(71,807)
Transfer between reserves	-	-	(901)	9,015	-	-	-	(8,114)	-	-	-	-	-
Total transactions with Owners	-	-	(72,691)	9,015	-	-	-	(8,114)	-	-	(71,791)	165	(71,626)
At 31 December 2013	16,316	189,241	93,585	51,988	6,076	14,229	-	7,987	-	2,102	381,524	1,626	383,150

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BANK STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	AFS Fair value reserve	Statutory credit reserve	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balance at 1 January 2012	16,316	254,524	49,649	31,752	6,076	9,160	9,766	377,243
Profit for the year	-	-	71,143	-	-	-	-	71,143
Other comprehensive income								
Fair value movements on equity financial assets						15,518		15,518
scheme	-	-	(340)	-	-	-	-	(340)
Total comprehensive income	-	-	70,803	-	-	15,518	-	86,322
Transactions with owners								
Dividends	-	-	(26,105)	-	-	-	-	(26,105)
Transfer between reserves			(17,005)	10,670	-	-	6,335	0
Transfer resulting from Business Restructuring (Note 26)	-	(65,283)	-	-	-	-	-	(65,283)
Total transactions with Owners	-	(65,283)	(43,110)	10,670	-	-	6,335	(91,388)
At 31 December 2012	16,316	189,241	77,342	42,422	6,076	24,678	16,101	372,176
Profit for the year	-	-	59,365	-	-	-	-	59,365
Other comprehensive income								
Fair value movements on equity financial assets						(11,617)		(11,617)
scheme	-	-	1,719	-	-		-	1,719
Return on plan assets			216					216
Share of OCI of associates, net of tax	-	-	635	-	-	-	-	635
Total comprehensive income	-	-	61,935	-	-	(11,617)	-	50,318
Transactions with owners								
Dividends	-	-	(71,790)	-	-	-	-	(71,790)
Transfer between reserves	-	-	(322)	8,906	-	-	(8,583)	-
Total transactions with Owners	-	-	(72,110)	8,906	-	-	(8,583)	(71,790)
At 31 December 2013	16,316	189,241	67,167	51,328	6,076	13,063	7,518	350,709

First Bank of Nigeria Limited

STATEMENT OF CASH FLOWS

		GROUP		BANK	
			Restated		
	Note	**31 December**		**31 December**	
		2013	**2012**	**2013**	**2012**
		N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Operating activities					
Cash flow (used in)/generated from operations	39	(107,079)	(162,047)	(6,371)	(55,502)
Income taxes paid		(6,059)	(21,447)	(3,734)	(17,637)
Interest received		316,263	308,673	293,197	269,479
Interest paid		(83,705)	(65,750)	(73,323)	(51,073)
Net cash flow generated from operating activities		119,420	59,429	209,769	145,267
Investing activities					
Purchase of investment securities		(294,552)	(51,777)	(279,439)	(24,774)
Proceeds from the sale of investment securities		304,489	19,620	294,343	17,012
Net cash flow from disposal of subsidiaries		-	(30,619)	-	-
Net cash flow from business restructuring		-	(24,885)	-	-
Cash and cash equivalent acquired from subsidiary	25	9,172	11,463	-	-
Additional investment in subsidiaries		-	-	(15,959)	(17,307)
Dividends received		905	718	2,079	539
Purchase of property, plant and equipment		(12,827)	(18,645)	(12,699)	(16,881)
Purchase of intangible assets		(1,160)	(1,494)	(603)	(1,124)
Proceeds on disposal of property, plant and equipment		396	2,862	886	2,808
Net cash used in investing activities		6,423	(92,757)	(11,392)	(39,727)
Financing activities					
Proceeds from sale of treasury shares		-	-	-	-
Dividend paid		(32,632)	(26,105)	(32,632)	(26,105)
Proceeds from new borrowings		99,723	57,832	96,892	57,832
Repayment of borrowings		(51,647)	(85,805)	(55,410)	(79,356)
Net cash (used in)/generated from financing activities		15,444	(54,078)	8,850	(47,629)
Increase in cash and cash equivalents		141,288	(87,408)	207,227	57,912
Cash and cash equivalents at start of year	18	621,422	709,288	500,389	442,601
Effect of exchange rate fluctuations on cash held		(289)	(458)	(326)	(124)
Cash and cash equivalents at end of year	18	762,421	621,422	707,290	500,389

1 General information

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

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

The consolidated financial statements for the year ended 31 December 2013 were approved for issue by the Board of Directors on 20 March 2014.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

Changes in accounting policy and disclosures

New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

(i) **Amendment to IAS 1, 'Financial statement presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income'
(OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).The amendment affected presentation only and had no impact on the Group's financial position or performance. The group has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(ii) **IAS 19, 'Employee benefits'** was revised in June 2011. The changes on the group's accounting policies has been as follows: to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. See note 35 for the impact on the financial statements.

(iii) **IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7**
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group Financial Statements.

2.2 Changes in accounting policy and disclosures
New and amended standards adopted by the group

IFRS 10, 'Consolidated financial statements' supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities and establishes the principles for when the Group controls another entity when 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 the exercise of power. As a result, the Group consolidates certain entities that were not previously consolidated. The Group has applied IFRS 10 retrospectively and restated its comparatives in accordance with the transitional provisions included in the standard. These provisions require the Group to re-assess its control conclusions as at 1 January 2013 and restate its comparative information, applying the revised assessment in 2012 to the extent that the relevant investments were held in that year. Details of the impact of these restatements are provided in note 48 to the financial statements.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard had no material impact on the group

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates,structured entities and other off balance sheet vehicles.

The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (See note 24 for details) .

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

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2013.

(i) IFRS 9, 'Financial Instruments

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and

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

measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB tentatively decided at its February 2014 meeting to to select an effective date of 1 January 2018 as the effective date for mandatory application of IFRS 9.
The Group is yet to assess the full effect of IFRS 9.

(ii) Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting
These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 Consolidation

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

a. Subsidiaries

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

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

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

2.3 Consolidation

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

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

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

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

(a) *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.

(b) *Disposal of subsidiaries*

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

2.3 Consolidation

b. *Disposal of subsidiaries*

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

c. Associates

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

The group's investment in associates includes goodwill identified on acquisition.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

2.4 Segment reporting

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

2.5 Common control transactions

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

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

Accordingly, the Bank's policy is that the assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS.

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

2.6 Foreign currency translation

a. *Functional and presentation currency*

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

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

b. *Transactions and balances*

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

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

2.6 Foreign currency translation

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

c. Group companies

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

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

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

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

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

2.7 Income taxation

Current income tax

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

Deferred income tax

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

2.7 Income taxation

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

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

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

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

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

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

2.8 Inventories

The Mortgage subsidiary of the group purchases and constructs properties for resale.

Thus the Group recognises Property as inventory under the following circumstances:

(i) property purchased for the specific purpose of resale.

(ii) property constructed for the specific purpose of resale (work in progress under the scope of IAS 18, 'Revenue')

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

2.8 Inventories

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

2.9 Financial assets and liabilities

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

2.9.1 Financial assets

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

a. *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading.

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

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

2.9.1 ***Financial assets***

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

b. *Loans and receivables*

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

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

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

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

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

c. *Held-to-maturity financial assets*

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

(i) those that the Group upon initial recognition designates as at fair value through profit or loss;

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

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

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

2.9.1 ***Financial assets continued***

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

d. Available-for-sale financial assets

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

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

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

e. *Recognition*

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

2.9.2 **Financial liabilities**

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost . Financial liabilities are derecognised when extinguished.

2.9.2 **Financial liabilities**

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

Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

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

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

b. *Other liabilities measured at amortised cost*

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

2.9.3 **Derivative financial instruments**

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

2.9.4 **Embedded derivatives**

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

2.9.5 **Determination of fair value**

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

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

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

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

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

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

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.7

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

2.9.5 Determination of fair value

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

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

2.9.6 De-recognition of financial instruments

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

2.10 Reclassification of financial assets

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The group may reclassify a financial instrument when its intentions and the characteristics of the financial instrument changes.

2. 11 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.

2. 12 Revenue recognition

a. Interest income and expense

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

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

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

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

b. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate,the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised

2.13 Impairment of financial assets

(b) Assets classified as available for sale

in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss,the impairment loss is reversed through the consolidated income statement.

2. 14 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. 15 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.

2. 15 Collateral

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. 16 Discontinued operations

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

2.17 Leases

Leases are divided into finance leases and operating leases.

a. *The group is the lessee*

(i) *Operating lease*

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

(ii) *Finance lease*

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

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

2.17 Leases

(ii) *Finance lease*

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

b *The group is the lessor*

(i) *Operating lease*

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

(ii) *Finance lease*

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

2. 18 Property, Plant and Equipment

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

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

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

2. 18 Property, Plant and Equipment

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33 1/3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for under 50 years

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

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

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

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

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

2. 19 Intangible assets

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

2. 19 Intangible assets

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:
It is technically feasible to complete the software product so that it will be available for use;
Management intends to complete the software product and use or sell it;
There is an ability to use or sell the software product;

It can be demonstrated how the software product will generate probable future economic benefits;

adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
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.

2.20 Cash and cash equivalents

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

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

2. 21 Employee 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.

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.

2. 21 Employee benefits

Actuarial gains and losses arising from change in demographic assumptions and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

2. 22 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. 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 Bank. The components of issued financial instruments that contain both liability and\ equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

2.25 Share capital

a. *Share issue costs*

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

b. *Dividends on ordinary shares*

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

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

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

2.25 Share capital continued

c. *Treasury shares*

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

d. *Statutory credit reserve*

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

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

A more accelerated provision may be done using the subjective criteria. A 1%provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.
Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in income statement.
Following an examination, the regulator may also require more amounts be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

3. Financial risk management

3.1 Introduction and overview

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

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

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

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

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

3.2 Credit risk

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

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

3.2.1 **Credit risk measurement**

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

• The character and capacity to pay of the client or counterparty on its contractual obligations;
• Current exposures to the counterparty and its likely future development;
• Credit history of the counterparty; and
• The likely recovery ratio in case of default obligations – value of collateral and other ways out. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

(a) Obligor Risk Rating (ORR system)

The obligor risk rating grids have a minimum of ten risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that has been incurred. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket		Range of scores		Grade
Extremely low risk	AAA	1	1.00-1.99	90 - 100%	Investment
very low risk	AA	2	2.00-2.99	80 - 89%	
Low risk	A	3	3.00-3.99	70 - 79%	
Low risk	BBB	4	4.00-4.99	60 - 69%	
Acceptable - moderately high risk	BB	5	5.00-5.99	50 - 59%	Non - investment
High risk	B	6	6.00-6.99	40 - 49%	
very high risk	CCC	7	7.00-7.99	30 - 39%	
Extremely high risk	CC	8	8.00-8.99	10 - 29%	
High likelihood of default	C	9	9.00-9.99	0 - 9%	
Default risk	D	10	10		Default

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

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

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

• The Collateral Risk Rating grid indicates the acceptable collateral types rated 1–8 from best to worst in order of liquidity.

Collateral risk rating	Collateral type
1	Cash/Treasury bills
2	Marketable securities, guarantee/receivables of investment grade banks and corporates
3	Enforceable Lien on fast moving inventory in bonded warehouses
4	Legal mortgage on residential business real estate in prime locations A and B
5	Legal mortgage or debenture on business premise, factory assets or commercial real estates in locations A and B
6	Equitable mortgages on real estate in any location
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Hypothecation, negative pledge, personal guarantee, clean

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 Executive Director/Chief Risk Officer.

3.2.2 **Risk limit control and mitigation policies continued**

(a) **Portfolio limits**

The process of setting the limits is as follows:

• The Group engages in a detailed portfolio plan annually. In drawing up the plan, the Group reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The target loan portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.
• Aggregate large exposure limit of not more than 400% of Bank's shareholders' funds.
• Public sector exposure limit of not more than 10% (including contingent liability) of the Bank's loan portfolio.

• Industry/economic sector limits are imposed on the Bank's lending portfolio, in line with the following policies:
– The target market is companies operating in industries rated 'BB' or better unless on an exception basis.
– The Group would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g., oil exploration and oil service, tyre manufacturing and tyre distribution, etc.).
– The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
– No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
-No more than 10% of the Group's portfolio in any single industry rated 'B' or worse

(b) **Geographical limits**

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

(c) **Single obligor limits**

• Limits are imposed on loans to individual borrowers. The Group as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 18% of SHF to create a prudent buffer.
• Also, the Group will not ordinarily advance beyond 50% of customers' shareholders' fund/net worth in cases of loans offered under individual assessment.
• Product programmes contain guidelines on single obligor limits.
• Except with the approval of the Board of Directors, the Group shall not lend more than:
– 20% of the shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure.
– No single retail loan should amount to more than 0.2% of total retail portfolio.
– No single retail loan should amount to more than 0.5% of the related retail product portfolio.

The Group also sets internal credit approval limits for various levels in the credit process and these are shown in the table below.

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

STANDARD CREDIT APPROVAL GRID FOR WHOLESALE AND RETAIL LENDING

	Approval levels	Investment grade (N'000)	Non - investment grade (N'000)
1	Board of Directors	>58,000,000	>58,000,000
2	Board Credit Committee	58,000,000	58,000,000
3	Management Credit Committee	30,000,000	15,000,000
4	Group Managing Director + Chief Risk Officer + Business Senior Credit Officer	10,000,000	3,000,000
5	Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	8,000,000	2,500,000
6	Business Senior Credit Officer 1 + Risk Senior Credit Officer 2	5,000,000	1,000,000
7	Risk Senior Credit Officer 3 + Business Senior Credit Officer 2	500,000	250,000
8	Risk Senior Credit Officer 4 + Business Development Manager/ Group Head	100,000	100,000

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

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

Longer-term finance and lending to corporate entities are generally secured, while revolving individual credit facilities on the other hand are generally unsecured. In addition, to minimise the credit loss, the Group would seek additional collateral from the counterparty even before impairment indicators are identified for the relevant individual loans and advances.

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

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

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

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

Repossessed collateral

During 2013, the Group obtained assets by taking possession of collateral held as security as follows:

GROUP

Nature of assets	Fair value of asset	Carrying amount
	N 'millions	N 'millions
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	3,378	1,157
Others	14	-

BANK

Nature of assets	Fair value of asset	Carrying amount
	N 'millions	N 'millions
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	3,378	1,157
Others	14	-

A record of all repossessed collateral is maintained centrally to ensure an orderly disposal and appropriate monitoring of the sales proceeds realized.The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers.

3.2.4 Exposure Management

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

3.2.5 Delinquency Management/Loan Workout

In the undesired event of decline in quality of assets, timely management of such delinquency significantly reduces credit loss to the group. This covers loan workout where all activities are geared towards resuscitating non-performing loans including restructuring and the recognition of possible credit loss i.e. loan loss provisioning

3.2.6 Credit Recovery

Credit recovery commences after a facility has been deemed lost and involves managing such facilities to ensure the loss to the Bank is minimized. This includes winding down the Bank's exposure, credit write-off and/or interest waivers and reinstatement of previously written-off credit amounts on recovery of cash from the customers.

3.2.7 **Management of concentration risk**

The Group manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties, groups, 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 a quarterly 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 Executive Director/Chief Risk Officer and are reviewed from time to time as the circumstances of the Group demand.

3.2.8 **Impairment and provisioning policies**

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

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

GROUP

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2013				
Financial assets				
Cash and balances with Central Banks	-	-	593,973	593,973
Loans and advances to banks	-	-	415,210	415,210
Loans and advances to customers				
- Overdrafts	-	-	340,054	340,054
- Term loans	-	-	1,388,912	1,388,912
- Staff loans	-	-	6,071	6,071
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Investment securities:				
Available-for-sale investments	-	451,423	-	451,423
Held to maturity investments	-	-	283,266	283,266
Asset pledged as collateral	-	20,381	33,269	53,650
Financial assets held for trading	4,743	-	-	4,743
Other assets	-	-	28,546	28,546
Asset held for sale	10,784			10,784
Total Financial Assets	15,527	471,804	3,152,199	3,639,530
Financial liabilities				
Customer deposits	-	-	2,942,782	2,942,782
Deposits from banks	-	-	77,481	77,481
Financial liabilities held for trading	1,701	-		1,701
Borrowings	-	-	126,302	126,302
Other liabilities	-	-	181,985	181,985
Total Financial Liabilities	1,701	-	3,328,550	3,330,251
31 December 2012				
Financial assets				
Cash and balances with Central Banks	-	-	298,024	298,024
Loans and advances to banks	-	-	394,173	394,173
Loans and advances to customers				
- Overdrafts	-	-	266,242	266,242
- Term loans	-	-	1,228,396	1,228,396
- Staff loans	-	-	5,349	5,349
- Project finance	-	-	59,014	59,014
- Advances under finance lease	-	-	3,694	3,694
Investment securities:				
Available-for-sale investments	-	353,499	-	353,499
Held to maturity investments	-	-	330,860	330,860
Asset pledged as collateral	-	19,046	31,063	50,109
Financial assets held for trading	2,565	-	-	2,565
Other assets	-	-	25,516	25,516
Total Financial Assets	2,565	372,545	2,642,331	3,017,441
Financial liabilities				
Customer deposits	-	-	2,405,035	2,405,035
Deposits from banks	-	-	87,551	87,551
Financial liabilities held for trading	1,796	-	-	1,796
Borrowings	-	-	75,541	75,541
Other liabilities	-	-	118,289	118,289
Total Financial Liabilities	1,796	-	2,686,416	2,688,212

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

	Fair Value through P/L	Fair Value through OCI		
	Held for trading	Available for sale	Amortised Cost	Total
	N'million	*N'million*	*N'million*	*N'million*
BANK				
31 December 2013				
Financial assets				
Cash and balances with Central Banks	-	-	541,221	541,221
Loans and advances to banks	-	-	367,571	367,571
Loans and advances to customers				
- Overdrafts	-	-	327,210	327,210
- Term loans	-	-	1,078,200	1,078,200
- Staff loans	-	-	5,532	5,532
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Financial assets held for trading	2,225	-	-	2,225
Investment securities:				
Available-for-sale investments	-	359,052	-	359,052
Held to maturity investments	-	-	278,875	278,875
Asset pledged as collateral	-	19,137	33,268	52,405
Other assets	-	-	25,096	25,096
Total Financial Assets	2,225	378,189	2,719,872	3,100,287
Financial liabilities				
Customer deposits	-	-	2,570,719	2,570,719
Deposits from banks	-	-	10,155	10,155
Financial liabilities held for trading	1,697	-	-	1,697
Borrowings	-	-	125,363	125,363
Other liabilities	-	-	156,819	156,819
Total Financial Liabilities	1,697	-	2,863,056	2,864,753
31 December 2012				
Financial assets				
Cash and balances with Central Banks	-	-	240,887	240,887
Loans and advances to banks	-	-	329,120	329,120
Loans and advances to customers				
- Overdrafts	-	-	259,065	259,065
- Term loans	-	-	989,809	989,809
- Staff loans	-	-	5,144	5,144
- Project finance	-	-	58,695	58,695
- Advances under finance lease	-	-	3,694	3,694
Investment securities:				
Available-for-sale investments	-	300,351	-	300,351
Held to maturity investments	-		330,860	330,860
Asset pledged as collateral	-	19,046	31,063	50,109
Financial assets held for trading	1,278	-	-	1,278
Other assets	-	-	25,108	25,108
Total Financial Assets	1,278	319,397	2,273,446	2,594,120
Financial liabilities				
Customer deposits	-	-	2,405,035	2,405,035
Deposits from banks	-	-	87,551	87,551
Financial liabilities held for trading	1,796	-	-	1,796
Borrowings	-	-	75,541	75,541
Other liabilities	-	-	156,819	156,819
Total Financial Liabilities	1,796	-	2,724,946	2,726,742

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

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

	31 Dec 2013 N'millions	31 Dec 2012 N'millions
GROUP		
Balances with central banks	522,292	244,941
Loans and advances to banks	415,210	394,173
Loans and advances to customers		
- Overdrafts	340,054	266,242
- Term loans	1,388,912	1,228,396
- Staff loans	6,071	5,349
- Project finance	60,803	59,014
- Advances under finance lease	2,095	3,694
Financial assets held for trading	4,743	2,565
Investment securities - Debt		
-Available-for-sale investments	416,013	303,886
-Held to maturity investments	283,266	330,860
Asset pledged as collateral	53,650	50,109
Assets classified as held for sale	6,235	7,341
Other assets excluding prepayments	28,546	25,516
	3,527,890	2,922,085
Credit risk exposures relating to off balance sheet assets are as follows:		
Loan commitments	408,008	239,445
Letter of credit and other credit related obligations	693,615	534,361
	1,101,624	773,806
TOTAL MAXIMUM EXPOSURE	4,629,513	3,695,892
BANK		
Balances with central banks	502,249	240,887
Loans and advances to banks	367,571	329,120
Loans and advances to customers		
- Overdrafts	327,210	259,065
- Term loans	1,078,200	989,809
- Staff loans	5,532	5,144
- Project finance	60,803	58,695
- Advances under finance lease	2,095	3,694
Financial assets held for trading	2,225	1,942
Investment securities		
-Available-for-sale investments	325,839	252,911
-Held to maturity investments	278,875	330,860
Asset pledged as collateral	52,405	50,109
Other assets excluding prepayments	25,096	25,108
	3,028,101	2,547,344
Loan commitments	352,008	212,331
Letter of credit and other credit related obligations	672,545	516,922
	1,024,553	729,253
TOTAL MAXIMUM EXPOSURE	**3,700,646**	**3,064,266**

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

(a) Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2013 and 31 December 2012 . For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets held for trading analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balances with central bank	502,252	-	-	6,569	13,471	-	522,292
Loans and advances to banks	113,615	-	440	37,220	135,824	128,111	415,210
Loans and advances to customers							-
- Overdrafts	258,027	43,577	25,609	12,402	439		340,054
- Term loans	835,666	179,725	92,626	105,245	124,964	50,686	1,388,912
- Staff loans	5,526	-	-	513	32	-	6,071
- Project finance	20,865	30,742	9,196	-	-	-	60,803
- Advances under finance lease	1,587	482	26	-	-	-	2,095
Financial assets held for trading	2,213	-	-	-	2,530	-	4,743
Investment securities							
Available-for-sale investments	342,228	2,690	3,008	14,504	50,467	3,116	416,013
Held to maturity investments	273,063	9,276	927				283,266
Asset pledged as collateral	52,405	-	-	1,245	-	-	53,650
Assets classified as held for sale	6,235	-	-	-	-	-	6,235
Other assets	11,719	11,791	1,404	2,587	328	718	28,546
31 December 2013	2,425,402	278,283	133,235	180,284	328,055	182,631	3,527,890

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

Loan commitments	286,761	30,345	34,902	49,353	6,647	-	408,008
Letters of credit and other credit related obligations	440,762	88,555	92,032	1,078	71,188	-	693,615
31 December 2013	727,524	118,900	126,934	50,431	77,835.00	-	1,101,624
Balances with central bank	235,046	-	-	9,857	38	-	244,941
Loans and advances to banks	62,997	-	-	11,059	320,117	-	394,173
Loans and advances to customers							
- Overdrafts	199,560	40,972	18,220	7,489	-	-	266,242
- Term loans	630,646	282,460	78,410	11,232	225,649	-	1,228,396
- Staff loans	5,332	-	-	17	-	-	5,349
- Project finance	45,460	3,794	9,761	-	-	-	59,014
- Advances under finance lease	1,993	1,199	502	-	-	-	3,694
Financial assets held for trading	1,888	-	-	-	677	-	2,565
Investment securities							
Available-for-sale investments	233,736	17,554	1,632	574	50,390	-	303,886
Held to maturity investments	318,826	10,874	1,160				330,860
Asset pledged as collateral	50,109	-	-	-	-	-	50,109
Assets classified as held for sale	5,139	1,101	1,101	-	-	-	7,341
Other assets	15,256	7,030	1,506	1,490	233	-	25,516
31 December 2012	1,805,987	364,984	112,292	41,719	597,103	-	2,922,085

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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Loan commitments	212,334	-	-	-	27,111	-	239,445
Letters of credit and other credit related obligations	426,527	29,984	30,305	-	47,545	-	534,361
31 December 2012	638,861	29,984	30,305	-	74,656	-	773,806

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

BANK

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Balances with central bank	502,249	-	-	-	-	-	502,249
Loans and advances to banks	12,149	-	440	16,164	216,672	122,146	367,571
Loans and advances to customers							
- Overdrafts	258,025	43,577	25,609	-	-	-	327,210
- Term loans	805,849	179,725	92,626	-	-	-	1,078,200
- Staff loans	5,532	-	-	-	-	-	5,532
- Project finance	20,865	30,742	9,196	-	-	-	60,803
- Advances under finance lease	1,587	482	26	-	-	-	2,095
Financial assets held for trading	2,213	-	-	-	12	-	2,225
Investment securities							
Available-for-sale investments	320,141	2,690	3,008	-	-	-	325,839
Held to maturity investments	268,672	9,276	927				278,875
Asset pledged as collateral	52,405	-	-	-	-	-	52,405
Other assets	14,280	9,008	1,090	-	-	718	25,096
31 December 2013	2,263,968	275,500	132,921	16,164	216,684	122,864	3,028,101

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

Loan commitments	286,761	30,345	34,902	-	-	-	352,008
Letters of credit and other credit related obligations	491,958	88,555	92,032	-	-	-	672,545
31 December 2013	778,719	118,899	126,934	-	-	-	1,024,553

Balances with central bank	240,887	-	-	-	-	-	240,887
Loans and advances to banks	42,858	-	-	563	285,699	-	329,120
Loans and advances to customers							
- Overdrafts	199,873	40,972	18,220	-	-	-	259,065
- Term loans	628,939	282,461	78,409	-	-	-	989,809
- Staff loans	5,144	-	-	-	-	-	5,144
- Project finance	45,140	3,794	9,761	-	-	-	58,695
- Advances under finance lease	1,993	1,199	502	-	-	-	3,694
Financial assets held for trading	1,887	-	-	-	55	-	1,942
Investment securities							
Available-for-sale investments	233,725	17,554	1,632	-	-	-	252,911
Held to maturity investments	318,826	10,874	1,160				330,860
Asset pledged as collateral	50,109	-	-	-	-	-	50,109
Other assets	16,571	7,030	1,506	-	-	-	25,108
31 December 2012	1,785,953	363,884	111,191	563	285,754	-	2,547,344

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

Loan commitment	212,331	-	-	-	-	-	212,331
Letters of credit and other credit related obligations	456,633	29,984	30,305	-	-	-	516,922
31 December 2012	668,964	29,984	30,305	-	-	-	729,253

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

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

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for sale	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	-	- 0	-	-	-	-
Oil and gas	-	-	1,626	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,923	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	522,292	415,210	2,530	33,610	5,170	-	-
Transportation	-	-	4	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	28,546
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	584	382,403	276,173	53,650	-
Total at 31 December 2013	522,292	415,210	4,743	416,013	283,266	53,650	28,546

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	550	64,456	0	-	-	65,006
Oil and gas	173,008	445,678	-	2,697	47	621,430
Consumer credit	4,649	134,933	3,682	-	23	143,287
Manufacturing	63,144	207,958	-	-	113	271,215
Real estate	9,752	104,140	2,237	45,755	-	161,884
Construction	10,875	24,758	-	12,351	-	47,984
Finance and insurance	1,689	9,817	117	-	-	11,623
Transportation	5,171	2,972	-	-	142	8,285
Communication	4,936	90,623	-	-	-	95,559
General commerce	31,868	61,114	3	-	-	92,985
Utilities	5,738	27,537	-	-	18	33,293
Retail services	22,842	78,400	32	-	1,720	102,995
Public sector	5,833	136,525	-	-	31	142,389
Total at 31 December 2013	340,054	1,388,912	6,071	60,803	2,095	1,797,935

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets N 'millions
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	1,048	-	-	-	-	1,851
Oil and gas	-	-	1,205	-		-	-
Consumer credit	-	-	-	-	2,000	-	-
Manufacturing	-	-	-	-	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	500	-	-
Finance and insurance	244,941	393,125	678	3,565	5,000	-	23,665
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	2	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	680	300,321	323,360	50,109	-
Total at 31 December 2012	244,941	394,173	2,565	303,886	330,860	50,109	25,516

The industrial sector for the credit exposure in the Assets held for sale balance is general commerce.

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

b) Industry sectors

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	9,830	263,129	205	319	0	273,483
Oil and gas	121,777	354,589	-	15,495	157	492,019
Consumer credit	374	141,262	-	-	1	141,637
Manufacturing	55,142	102,730	-	-	304	158,175
Real estate	1,727	54,818	1,746	25,398	-	83,689
Construction	5,079	15,897	-	13,434	101	34,512
Finance and insurance	2,078	15,964	-	-	48	18,091
Transportation	3,700	886	-	-	338	4,924
Communication	6,021	72,949	-	-	-	78,970
General commerce	26,123	36,426	-	-	54	62,603
Utilities	4,327	939	-	-	42	5,308
Retail services	24,072	55,410	3,398	4,368	2,594	89,842
Public sector	5,992	113,396	-	-	53	119,441
Total at 31 December 2012	266,242	1,228,396	5,349	59,014	3,694	1,562,695

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities-Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets N 'millions
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
BANK							
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	1,626	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,923	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	502,249	367,571	12	4,866	5,170	-	-
Transportation	-	-	4	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	25,096
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	584	320,973	271,782	52,405	-
Total at 31 December 2013	502,249	367,571	2,225	325,839	278,875	52,405	25,096

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	437	25,175	-	-	-	25,612
Oil and gas	171,668	383,384	-	2,697	47	557,797
Consumer credit	3,742	131,620	3,295	-	23	138,681
Manufacturing	58,482	114,584	-	-	113	173,179
Real estate	9,685	38,356	2,237	45,755	-	96,033
Construction	10,774	24,535	-	12,351	-	47,660
Finance and insurance	1,646	12,938	-	-	-	14,584
Transportation	2,690	600	-	-	142	3,432
Communication	4,804	90,434	-	-	-	95,238
General commerce	30,850	21,390	-	-	-	52,239
Utilities	5,669	27,537	-	-	18	33,224
Retail services	22,252	77,587	-	-	1,720	101,559
Public sector	4,511	130,060	-	-	31	134,602
Total at 31 December 2013	327,210	1,078,200	5,532	60,803	2,095	1,473,840

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

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	1,885	-	-	-	-
Consumer credit	-	-	-	-	2,000	-	-
Manufacturing	-	-	-	-	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	500	-	-
Finance and insurance	240,887	329,120	55	3,555	5,000	-	25,108
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	2	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	-	249,356	323,360	50,109	-
Total at 31 December 2012	240,887	329,120	1,942	252,911	330,860	50,109	25,108

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Agriculture	2,654	24,543	-	-	-	27,196
Oil and gas	121,777	354,589	-	15,495	157	492,019
Consumer credit	374	141,262	-	-	1	141,637
Manufacturing	55,142	102,730	-	-	304	158,175
Real estate	1,727	54,818	1,746	25,398	-	83,689
Construction	5,079	15,897	-	13,434	101	34,512
Finance and insurance	2,078	15,964	-	-	48	18,091
Transportation	3,700	886	-	-	338	4,924
Communication	6,021	72,949	-	-	-	78,970
General commerce	26,123	36,426	-	-	54	62,603
Utilities	4,327	939	-	-	42	5,308
Retail services	24,072	55,410	3,398	4,368	2,594	89,842
Public sector	5,992	113,396	-	-	53	119,441
Total at 31 December 2012	259,065	989,809	5,144	58,695	3,694	1,316,408

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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2013	31 Dec 2013	31 Dec 2012	31 Dec 2012
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
		GROUP		
Agriculture	2,443	3,662	-	-
Oil and gas	169,100	115,457	157,755	170,311
Consumer credit	15,427	484	-	-
Manufacturing	79,175	11,976	29,862	137,629
Real estate	10,005	27,944	-	25,654
Construction	18,357	205,450	1,853	147,070
Finance and insurance	1,911	99,042	22,564	2,575
Transportation	1,240	1,786	138	1,151
Communication	54,962	7,062	249	6,729
General commerce	27,464	147,327	25,730	7,571
Utilities	2,364	457	33	13,726
Retail services	22,640	66,890	1,261	15,155
Public sector	2,920	6,078	-	6,789
TOTAL	408,008	693,615	239,445	534,361

3.2.11

Concentration of risks of financial assets with credit risk exposure continued

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

	Loan commitments 31 Dec 2013 N 'millions	Letter of credit and other related obligations 31 Dec 2013 N 'millions	Loan commitments 31 Dec 2012 N 'millions	Letter of credit and other related obligations 31 Dec 2012 N 'millions
		BANK		
Agriculture	432	3,662	-	-
Oil and gas	165,777	115,457	103,530	91,112
Consumer credit	2,144	484	-	-
Manufacturing	75,798	11,976	56,973	199,390
Real estate	8,948	27,944	-	25,654
Construction	17,261	128,859	1,853	147,070
Finance and insurance	1,483	99,042	22,564	2,575
Transportation	150	1,786	138	1,151
Communication	53,189	7,062	249	6,729
General commerce	7,157	202,848	25,730	7,571
Utilities	1,370	457	33	13,726
Retail services	18,126	66,890	1,261	15,155
Public sector	172	6,078	-	6,789
TOTAL	352,008	672,545	212,331	516,922

3.2.12 **Loans and advances to customers**

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

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
GROUP						
December 2013						
Neither past due nor impaired	321,174	1,248,568	6,124	59,425	1,616	1,636,907
Past due but not impaired	14,771	135,055	122	2,109	490	152,547
Individually impaired	14,889	16,545	38	-	696	32,169
Collectively impaired	3,744	17,724	3	-	60	21,531
Gross	354,578	1,417,892	6,287	61,534	2,862	1,843,154
Less: allowance for impairment (note 20)	(14,524)	(28,981)	(216)	(731)	(768)	(45,220)
Net	340,054	1,388,912	6,071	60,803	2,095	1,797,935
Individually impaired (see note 20)	10,465	9,393	31	-	696	20,586
Portfolio allowance (see note 20)	4,060	19,587	185	731	71	24,634
Total	14,524	28,981	216	731	768	45,220
December 2012						
Neither past due nor impaired	254,444	1,067,199	5,949	55,967	2,520	1,386,079
Past due but not impaired	10,745	159,301	-	3,779	673	174,498
Individually impaired	8,184	13,067	-	-	560	21,811
Collectively impaired	3,153	16,452	-	-	28	19,633
Gross	276,526	1,256,019	5,949	59,746	3,781	1,602,021
Less: allowance for impairment (note 20)	(10,284)	(27,623)	(600)	(732)	(87)	(39,326)
Net	266,242	1,228,396	5,349	59,014	3,694	1,562,695
Individually impaired (see note 20)	6,882	10,251	-	-	-	17,133
Portfolio allowance (see note 20)	3,402	17,372	600	732	87	22,193
Total	10,284	27,623	600	732	87	39,326

3.2.12 **Loans and advances to customers**

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

BANK	Overdraft	Term loans	Staff loans	Loans to customers project finance	Advances under finance lease	**Total**
December 2013	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Neither past due nor impaired	312,639	943,411	5,702	59,425	1,616	1,322,793
Past due but not impaired	11,930	131,063	-	2,109	490	145,591
Individually impaired	13,433	12,388	-	-	696	26,518
Collectively impaired	2,854	17,473			60	20,387
Gross	340,855	1,104,336	5,702	61,534	2,862	1,515,289
Less: allowance for impairment (note 20)	(13,645)	(26,135)	(170)	(731)	(768)	(41,449)
Net	327,210	1,078,200	5,532	60,803	2,095	1,473,841
Individually impaired (see note 20)	10,022	7,297	-	-	696	18,016
Portfolio allowance (see note 20)	3,623	18,838	170	731	71	23,433
Total	13,645	26,135	170	731	768	41,449
December 2012						
Neither past due nor impaired	247,170	831,282	5,744	55,649	2,520	1,142,365
Past due but not impaired	10,745	158,526	-	3,779	673	173,723
Individually impaired	8,184	12,893	-	-	560	21,637
Collectively impaired	3,153	12,480	-	-	28	15,660
Gross	269,252	1,015,181	5,744	59,427	3,781	1,353,386
Less: allowance for impairment (note 20)	(10,187)	(25,372)	(600)	(732)	(87)	(36,978)
Net	259,065	989,809	5,144	58,695	3,694	1,316,408
Individually impaired (see note 20)	6,585	8,222	-	-	-	14,807
Portfolio allowance (see note 20)	3,602	17,150	600	732	87	22,171
Total	10,187	25,372	600	732	87	36,978

GROUP

December 2013

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

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Grades:						
AAA	939	8,271	133	0	-	9,343
AA	6,189	10,816	-	-	-	17,005
A	6,224	50,110	-	2,580	-	58,914
BBB	20,318	91,007	2,311	1,051	56	114,743
BB	205,461	509,398	7	21,566	623	737,055
B	82,042	578,967	3,580	34,227	938	699,755
CCC	-	-	92	-	-	92
	321,174	1,248,568	6,124	59,425	1,616	1,636,907

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

Past due up to 30 days	12,397	62,668	110	1,467	484	77,126
Past due by 30 - 60 days	2,220	64,035	3	642	5	66,905
Past due 60-90 days	154	8,353	8	-	-	8,515
Gross amount	14,771	135,055	122	2,109	490	152,547

(c) **Collectively impaired loans**

	3,744	17,724	3	-	60	21,531

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

Gross amount	14,889	16,545	38	-	696	32,169
Specific impairment	10,465	9,393	31	-	696	20,586
Net amount	4,424	7,152	7	-	-	11,583

3.2.12 **Loans and advances to customers continued**

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
GROUP						
December 2012						
(a) **Loans and advances to customers - neither past due nor impaired**						
Grades:						
AAA	-	-	-	-	-	-
AA	4,829	41,874	-	-	-	46,703
A	4,466	10,001	1,584	-	86	16,138
BBB	64,048	67,134	-	26,306	557	158,045
BB	162,336	452,230	4,162	29,257	1,877	649,862
B	18,764	485,196	203	405	-	504,568
CCC	-	10,587	-	-	-	10,587
CC	-	-	-	-	-	-
C	-	177	-	-	-	177
	254,444	1,067,199	5,949	55,967	2,520	1,386,079
(b) **Loans and advances past due but not impaired**						
Past due up to 30 days	8,564	86,349	-	3,137	668	98,718
Past due by 30 - 60 days	2,163	64,928	-	642	5	67,738
Past due 60-90 days	18	8,024	-	-	-	8,042
Gross amount	10,745	159,301	-	3,779	673	174,498
(c) **Collectively impaired loans**						
These represent insignificant impaired loans which are assessed on a collective basis.	3,153	16,452	-	-	28	19,633
(d) **Loans and advances individually impaired**						
Gross amount	8,184	13,067	-	-	560	21,811
Specific impairment	6,882	10,251	-	-	-	17,133
Net amount	1,302	2,816	-	-	560	4,678

BANK

December 2013

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

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
Grades:						
AA	5,406	-	-	-	-	5,406
A	5,659	49,945	-	2,580	-	58,184
BBB	18,573	80,313	2,311	1,051	56	102,304
BB	203,910	503,833	-	21,566	623	729,932
B	79,090	309,321	3,391	34,227	938	426,967
	312,639	943,411	5,702	59,425	1,616	1,322,793
(b) **Loans and advances past due but not impaired**						
Past due up to 30 days	9,749	59,602	-	1,467	484	71,303
Past due by 30 - 60 days	2,163	63,708	-	642	5	66,518
Past due 60-90 days	18	7,753	-	-	-	7,771
Gross amount	11,930	131,063	-	2,109	490	145,591
(c) **Collectively impaired loans**						
	2,854	17,473	-	-	60	20,387

3.2.12 **Loans and advances to customers continued**

BANK	Overdraft N 'millions	Term loans N 'millions	Staff loans N 'millions	project finance N 'millions	Advances under finance lease N 'millions	**Total** N 'millions
(d) **Loans and advances individually impaired**						
Gross amount	13,433	12,388	-	-	696	26,518
Specific impairment	10,022	7,297	-	-	696	18,016
Net amount	3,411	5,091	-	-	-	8,502

December 2012

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

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

Grades:	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
AAA	-	-	-	-	0	0
AA	4,829	41,874	-	-	-	46,703
A	4,466	10,001	1,582	-	86	16,135
BBB	64,048	67,134	-	26,305	557	158,044
BB	166,562	216,313	4,162	29,257	1,877	418,171
B	7,264.75	485,197	-	87	-	492,548
CCC	-	10,587	-	-	-	10,587
CC	-	-	-	-	-	-
C	-	177	-	-	-	177
	247,170	831,282	5,744	55,649	2,520	1,142,365

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
Past due up to 30 days	9,670	83,712	-	2,422	445	96,249
Past due by 30 - 60 days	271	10,958	-	1,356	227	12,813
Past due 60-90 days	804	63,856	-	-	1	64,661
Gross amount	10,745	158,526	-	3,779	673	173,723

(c) **Collectively impaired loans**

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

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
Gross amount	8,184	12,893	-	-	560	21,637
Specific impairment	6,585	8,222	-	-	-	14,807
Net amount	1,599	4,671	-	-	560	6,830

(e) **Sensitivity analysis on impairment**

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

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

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

Approach to sensitivity analysis

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

Scenario 1

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

Scenario 2

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

3.2.12 **Loans and advances to customers continued**

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

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

	Impairment charge in profit or loss		
	Current year	**Scenario 1**	**Scenario 2**
	N'millions	**N'millions**	**N'millions**
31 December 2013			
- Overdrafts	11,806	12,350	12,350
- Term loans	7,521	10,792	10,792
- Staff loans	(430)	(396)	(396)
- Project finance	(1)	145	145
- Advances under finance lease	681	691	691
Total	19,577	23,582	23,582
31 December 2012			
- Overdrafts	5,368	6,163	6,372
- Term loans	5,016	10,956	11,909
- Staff loans	(1,164)	(952)	(952)
- Project finance	626	813	893
- Advances under finance lease	1	16	18
Total	9,847	16,996	18,240

3.2.13 **Loans and advances to banks**

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

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Agusto's rating (credit rating agency) and the bank's internal rating system at 31 December 2013 and 31 December 2012.

	Group	**Bank**
31 December 2013	**Loans to banks**	**Loans to banks**
	N'millions	**N'millions**
A+ to A-	220,663	170,615
B+ to B-	164,519	196,956
Unrated	30,029	-
	415,210	367,571
31 December 2012		
A+ to A-	81,091	156,057
B+ to B-	313,082	173,063
	394,173	329,120

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

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

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2013 and 31 December 2012.

Group

31 December 2013	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
	N'millions	N'millions	N'millions	N'millions	N'millions
A+ to A-	276,233	136,956	10,498	306,037	-
B+ to B-		20,607	-	-	
Unrated		2,597	-	-	28,546
	276,233	160,161	10,498	306,037	28,546
31 December 2012					
A+ to A-	138,788	184,144	-	361,923	-
B+ to B-	-	-	-	-	
Unrated	-	-	-	189,206	25,516
	138,788	184,144	-	551,129	25,516

Bank

	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
31 December 2013	N'millions	N'millions	N'millions	N'millions	N'millions
A+ to A-	217,235	127,741	6,107	306,037	-
Unrated	-	-	-	-	25,096
	217,235	127,741	6,107	306,037	25,096
31 December 2012					
A+ to A-	125,658	146,299	-	361,923	-
Unrated	-	-	-	189,206	25,108
	125,658	146,299	-	551,129	25,108

3.2.15 **Statement of Prudential Adjustment**

In compliance with the CBN circular dated March 19, 2013 reference BSD/DIR/CEN/LAB/06/014, the impairment provision under IFRS and the provisions under the Nigerian Prudential Guidelines as determined by the Central Bank of Nigeria (CBN) were compared and shown below:

	31 Dec 2013	31 Dec 2012
	N'millions	N'millions
Total IFRS impairment losses	42,650	43,202
Prudential provisions	50,168	59,303
Balance in Statutory credit reserve	**7,518**	**16,101**
Analysis of the IFRS impairment losses		
Loans : Specific impairment (note 20)	18,015	14,807
Loans: Collective impairment (note 20)	23,433	22,171
Other assets (note 31)	1,202	6,224
Total IFRS impairment losses	**42,650**	**43,202**

3.3 Liquidity risk

3.3.1 Liquidity risk

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

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

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

Management of liquidity risk

The Group's liquidity management process includes:

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

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

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

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

Funding approach

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

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

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

GROUP

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

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2013							
Financial liabilities							
Deposits from banks	28,205	47,412	1,864	-	-	-	77,481
Deposits from customers	2,489,503	271,246	47,330	60,609	78,684	823	2,948,195
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,357
Other liabilities	11,996	156,172	548	24	-	13,245	181,985
Loan commitments	58,505	85,962	62,610	67,961	56,415	76,555	408,008
Letters of credit and other credit related obligations	643,247	4,347	5,940	23,934	16,147	-	693,615
Total financial liabilities	3,249,024	597,632	120,147	160,541	191,744	145,554	4,464,642
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021

3.3.1 **Liquidity risk**

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

31 December 2012							
Financial liabilities							
Deposits from banks	-	90,134	-	-	-	-	90,134
Deposits from customers	2,205,868	187,604	35,682	40,592	4	-	2,469,750
Financial liabilities held for trading	-	579	616	40	561	-	1,796
Borrowings		45,442	2,210	3,478	25,187		76,317
Other liabilities	21,275	16,991	71,713	8,310	-	-	118,289
Loan commitments	73,506	61,840	51,960	52,140	-	-	239,445
Letters of credit and other credit related obligations	316,811	23,200	48,952	141,678	3,719		534,361
Total financial liabilities	2,617,459	425,790	211,132	246,239	29,471	-	3,530,092
Assets held for managing liquidity risk	764,666	76,914	31,604	60,678	126,781	317,918	1,378,561

BANK

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2013							
Financial liabilities							
Deposits from banks	10,155	-	-	-	-	-	10,155
Deposits from customers	2,346,507	175,119	38,561	11,812	3,118	-	2,575,117
Borrowings	17,568	31,555	1,854	8,013	40,498	54,931	154,419
Other liabilities	56,818	90,642	-	4,811	-	4,548	156,819
Loan commitments	10,567	79,315	61,195	67,961	56,415	76,555	352,008
Letters of credit and other credit related obligations	622,177	4,347	5,940	23,934	16,147	-	672,545
Total financial liabilities	3,063,792	380,978	107,550	116,531	116,178	136,034	3,921,063
Assets held for managing liquidity risk	631,976	105,878	56,933	42,427	50,080	22,512	909,806
31 December 2012							
Financial liabilities							
Deposits from banks	-	19,008	-	-	-	-	19,008
Deposits from customers	2,018,962	133,875	29,068	27,362	4	-	2,209,270
Financial liabilities held for trading	-	61	616	40	561	-	1,278
Borrowings	-	51,607	2,210	3,478	25,187	-	82,481
Other liabilities	2,990	6,868	62,648	-	14,533	-	87,039
Loan commitments	88,733	39,204	56,001	22,195	6,198	-	212,331
Letters of credit and other credit related obligations	323,493	8,862	43,891	140,676	-	-	516,922
Total financial liabilities	2,434,178	259,485	194,433	193,750	46,483	-	3,128,330
Assets held for managing liquidity risk	657,109	96,902	31,604	60,678	94,432	312,452	1,253,177

3.3.1 **Liquidity risk**

(b) **TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS**

GROUP

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2013							
Financial liabilities							
Deposits from banks	28,205	47,412	1,864	-	-	-	77,481
Deposits from customers	516,706	390,975	206,602	298,851	1,534,239	823	2,948,196
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,357
Other liabilities	11,996	156,172	548	24	-	13,245	181,985
Loan commitments	58,505	79,459	64,929	75,061	129,199	4	407,156
Letters of credit and other credit related obligations	643,247	9,859	22,644	36,115	60,176	-	772,040
Total financial liabilities	574,475	627,052	210,868	306,888	1,574,737	68,999	3,363,019
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021
31 December 2012							
Financial liabilities							
Deposits from banks	-	90,134	-	-	-	-	90,134
Deposits from customers	357,990	353,715	201,068	333,603	1,223,374	-	2,469,750
Financial liabilities held for trading	-	579	616	40	561	-	1,796
Borrowings	-	45,442	2,210	3,478	25,187	-	76,316
Other liabilities	21,275	16,991	71,713	8,310	-	-	118,289
Loan commitments	46,391	61,840	51,960	52,140	-	-	212,331
Letters of credit and other credit related obligations	299,372	23,200	48,952	141,678	3,719	-	516,922
Total financial liabilities	379,265	506,861	275,606	345,431	1,249,122	-	2,756,285
Assets held for managing liquidity risk	764,666	76,914	31,604	60,678	126,781	317,918	1,378,561

Assets held for managing liquidity risk

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

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

The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term.On an actuarial basis, our demand deposits exhibit much longer duration, with 67.98% of our current account balances and 79.07% of savings account balances being deemed core.

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

Liquidity risk

3.3.2 Derivative liabilities

Derivatives settled on a net basis

The interest rate swap and the accumulator forex contract will be settled on a net basis.

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

GROUP	**Up to 1 month**	**1-3 months**	**3-6 months**	**6 - 12 months**	**1-5 years**	**Over 5 years**	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
At 31 December 2013							
Derivative liabilities							
Accumulator-Forward FX contract	-	-	-	-	(71)	-	(71)
	-	-	-	-	(71)	-	(71)
Derivative assets							
Cross-Currency Swap				12			12
Foreign exchange derivatives	1,546	602	370	-	-	-	2,518
	1,546	602	370	12	-	-	2,530
	1,546	602	370	12	(71)	-	2,459
At 31 December 2012 (N' million)							
Derivative liabilities							
Cross-Currency Swap	-	(61)	-	-	-	-	(61)
Accumulator-Forward FX contract	-	-	-	-	(260)	-	(260)
	-	(61)	-	-	(260)	-	(321)

BANK	**Up to 1 month**	**1-3 months**	**3-6 months**	**6 - 12 months**	**1-5 years**	**Over 5 years**	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
At 31 December 2013							
Derivative liabilities							
Accumulator-Forward FX contract					(71)		(71)
	-	-	-	-	(71)	-	(71)
Derivative assets							
Cross-Currency Swap				12			12
	-	-	-	12	-	-	12
At 31 December 2012							
At 31 December 2012							
Cross-Currency Swap		(61)	-	-	-	-	(61)
Accumulator-Forward FX contract		-	-	-	(260)	-	(260)
	-	(61)	-	-	(260)	-	(321)

3.3.2 **Liquidity risk**

Derivatives settled on a gross basis.

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

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Total
GROUP						
At 31 December 2013 (N' million)						
Derivatives held for trading						
Foreign exchange derivatives:	6	2	-	-	-	8
Put options	-	-	-	-	1,626	1,626
	6	2	-	-	1,626	1,634
Liabilities held for trading						
Foreign exchange derivatives:	-	(0)	-	-	-	(0)
Put options	-	-	-	-	(1,626)	(1,626)
	-	(0)	-	-	(1,626)	(1,626)
At 31 December 2012						
Derivatives held for trading						
Foreign exchange derivatives:	4	105	(41)	13	-	81
Put options	-	-	-	-	329	329
	4	105	(41)	13	329	410
BANK						
At 31 December 2013						
Derivatives held for trading						
Foreign exchange derivatives:	2	2	-	-	-	4
Put options	-	-	-	-	1,626	1,626
	2	2	-	-	1,626	1,630
Liabilities held for trading						
Foreign exchange derivatives:	-	(0)	-	-	-	(0)
Put options	-	-	-	-	(1,626)	(1,626)
	-	(0)	-	-	(1,626)	(1,626)
At 31 December 2012						
Derivatives held for trading						
Foreign exchange derivatives:	4	-	(41)	13	-	(24)
Put options	-	-	-	-	329	329
	4	-	(41)	13	329	305

3.4 Market risk

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

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

3.4.1 Management of market risk

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

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

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 the bank is subject to the VaR methodology. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the VAR of the bank is deemed to be fairly representative of the Group.

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

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

The table and graph 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 yield on various maturities for Treasury Bills declined by about 300 basis points on the average compared to previous financial year; while the naira depreciated by about 2% in the interbank market.

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

The treasury bill trading VaR is NGN 100.72million as at 31st December 2013 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR of NGN 3.37million as at 31st December 2013 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.

3.4.2 **Market risk measurement techniques continued**

(a) **VAR summary**

	BANK		
	12 months to 31 December 2013		
	Average	**High**	**Low**
Foreign exchange risk	16	52	0
Interest rate risk	528	1,738	38
Total VAR	**543**	**1,791**	**38**

VAR summary

	BANK		
	12 months to 31 December 2012		
	Average	**High**	**Low**
Foreign exchange risk	176	1,267	2
Interest rate risk	264	1,303	5
Total VAR	**440**	**2,570**	**7**

VAR summary **BANK**

(b) Stress tests

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

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

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

Non-trading portfolio

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

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

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

Hedged non-trading market risk exposures

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

3.4.3 **Foreign exchange risk**

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2013 and 31 December 2012. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2013						
Financial assets						
Cash and balances with Central Banks	560,399	8,904	3,646	16,049	4,975	593,973
Loans and advances to banks	15,590	325,094	46,284	23,887	4,355	415,210
Loans and advances						
- Overdrafts	272,675	63,248	85	95	3,951	340,054
- Term loans	633,468	604,024	53,972	88,205	9,243	1,388,912
- Staff loans	5,525	254	32	-	260	6,071
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities						
Available-for-sale investments	325,190	35,679	46,687	4	8,453	416,013
Held to maturity investments	283,266					283,266
Asset pledged as collateral	52,405	-	-	-	1,245	53,650
Financial assets held for trading	2,225	1,598	-	784	136	4,743
Other assets	13,297	12,361	1,881	111	896	28,546
	2,216,285	1,061,815	152,587	129,135	33,514	3,593,336
Financial liabilities						
Customer deposits	1,963,923	688,267	223,116	9,007	58,469	2,942,782
Deposits from banks	1,487	44,263	15,688	15,665	378	77,481
Financial liabilities held for trading	1,697	-	-	-	4	1,701
Borrowings	28,698	95,442	140	2,012	10	126,302
Other liabilities	53,975	85,427	24,473	13,576	4,534	181,985
	2,049,780	913,399	263,417	40,260	63,395	3,330,251
31 December 2012						
Financial assets						
Cash and balances with Central Banks	277,976	8,291	1,110	786	9,861	298,024
Loans and advances to banks	37,261	265,384	71,602	9,325	10,601	394,173
Loans and advances						
- Overdrafts	216,520	48,906	12	800	3	266,242
- Term loans	958,493	269,903	-	-	-	1,228,396
- Staff loans	5,349	-	-	-	-	5,349
- Project finance	46,963	12,051	-	-	-	59,014
- Advances under finance lease	3,694	-	-	-	-	3,694
Investment securities						
Available-for-sale investments	252,923		50,389	-	574	303,886
Held to maturity investments	330,860					330,860
Asset pledged as collateral	50,109	-	-	-	-	50,109
Financial assets held for trading	680	1,262	623	-	-	2,565
Other assets	5,677	17,714	198	37	1,890	25,516
	2,186,505	623,512	123,934	10,948	22,929	2,967,828
Financial liabilities						
Customer deposits	1,720,283	531,591	113,633	3,436	36,092	2,405,035
Deposits from banks	17,799	654	69,088	10	-	87,551
Financial liabilities held for trading	-	1,278	518	-	-	1,796
Borrowings	19,401	52,772	12	3,352	4	75,541
Other liabilities	17,905	63,661	26,818	5,500	4,405	118,289
	1,775,388	649,956	210,069	12,298	40,501	2,688,212

3.4.3 **Foreign exchange risk continued**
BANK

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2013						
Financial assets						
Cash and balances with Central Banks	538,350	1,753	477	638	3	541,221
Loans and advances to banks	9,623	315,410	28,513	11,756	2,269	367,571
Loans and advances						
- Overdrafts	273,021	54,184	-	5	-	327,210
- Term loans	637,944	422,758	-	17,495	3	1,078,200
- Staff loans	5,532	-	-	-	-	5,532
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities						
Available-for-sale investments	320,175	5,664	-	-	-	325,839
Held to maturity investments	278,875	-	-	-	-	278,875
Asset pledged as collateral	52,405	-	-	-	-	52,405
Financial assets held for trading	2,225	-	-	-	-	2,225
Other assets	12,687	12,124	191	85	9	25,096
	2,183,083	822,546	29,181	29,979	2,284	3,067,073
Financial liabilities						
Customer deposits	1,952,814	605,971	8,120	3,814	-	2,570,719
Deposits from banks	1,487	124	-	8,544	-	10,155
Financial liabilities held for trading	1,697	-	-	-	-	1,697
Borrowings	28,699	94,506	140	2,012	6	125,363
Other liabilities	50,015	75,880	21,058	7,485	2,381	156,819
	2,034,712	776,481	29,318	21,855	2,387	2,864,753
31 December 2012						
Financial assets						
Cash and balances with CBN	277,942	8,291	1,102	786	4	288,125
Loans and advances to banks	31,040	264,608	23,267	9,325	880	329,120
Loans and advances						
- Overdrafts	223,716	27,884	33	7,437		259,069
- Term loans	652,198	336,787	12	808	4	989,809
- Staff loans	5,144	-	-	-	-	5,144
- Project finance	58,695	-	-	-	-	58,695
- Advances under finance lease	3,694	-	-	-	-	3,694
Investment securities						
Available-for-sale investments	252,911	-	-	-	-	252,911
Held to maturity investments	330,860	-	-	-	-	330,860
Asset pledged as collateral	50,109	-	-	-	-	50,109
Financial assets held for trading	680	1,262	-	-	-	1,942
Other assets	10,960	19,592	198	37	12	30,799
	1,897,949	658,424	24,612	18,393	900	2,600,278
Financial liabilities						
Customer deposits	1,629,748	531,591	7,030	3,436	2	2,171,807
Deposits from banks	17,799	654	-	10	-	18,463
Financial liabilities held for trading	-	1,278	-	-	-	1,278
Borrowings	25,847	52,772	12	3,352	4	81,987
Other liabilities	17,098	63,661	369	5,500	411	87,039
	1,690,492	649,956	7,411	12,298	417	2,360,574

3.4.3 **Foreign exchange risk continued**

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

The following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar and EURO. Management believe that a 5% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and EURO denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 10% against the US dollar and EURO. For a 5% weakening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	GROUP		BANK	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Naira strengthens by 5% against the US dollar Profit/(loss)	7,421	(1,322)	2,303	423
Naira weakens by 5% against the US dollar Profit/(loss)	(7,421)	1,322	(2,303)	(423)
Naira strengthens by 5% against the EURO Profit/(loss)	4,444	(67)	406	305
Naira weakens by 5% against the EURO Profit/(loss)	(4,444)	67	(406)	(305)

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 millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
GROUP				
31 December 2013				
Financial assets				
Cash and balances with Central Banks	522,292	181,281	-	341,011
Loans and advances to banks	415,210	300,831	126,019	1,779
Loans and advances				
- Overdrafts	340,054	340,054	-	-
- Term loans	1,388,912	1,346,891	42,021	-
- Staff loans	6,071	-	6,071	-
- Project finance	60,803	60,803	-	-
- Advances under finance lease	2,095	2,095	-	-
Investment securities:				
Available-for-sale investments	451,423	-	416,013	35,410
Held to maturity investments	283,266	-	283,266	
Assets pledged as collateral	53,650	-	53,650	-
Financial assets held for trading	4,743	-	3,102	1,641
Other assets	28,546	-	-	28,546
	3,557,064	**2,231,954**	**930,142**	**408,388**
Financial liabilities				
Customer deposits	2,942,782	2,282,463	627,520	32,799
Deposits from banks	77,481	68,052	8,745	684
Financial liabilities held for trading	1,701	-	-	1,701
Borrowings	126,302	1,603	124,699	-
Other liabilities	181,985	-	-	181,985
	3,330,251	**2,352,118**	**760,964**	**217,169**
Interest rate mismatch		**(120,164)**	**169,178**	**191,219**

3.4.4 **Interest rate risk continued**

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2012				
Financial assets				
Cash and balances with Central Banks	244,941	244,941	-	-
Loans and advances to banks	394,173	-	53,967	338,452
Loans and advances				
- Overdrafts	266,242	266,242	-	-
- Term loans	1,228,396	1,228,396	-	-
- Staff loans	5,349	-	5,349	-
- Project finance	59,014	59,014	-	-
- Advances under finance lease	3,694	3,694	-	-
Investment securities				
Available-for-sale investments	353,499		303,876	47,440
Held to maturity investments	330,860		330,860	
Assets pledged as collateral	50,109	-	50,109	-
Financial assets held for trading	2,565	-	680	1,885
Other assets	25,516	-	-	25,274
	2,964,358	**1,802,287**	**744,840**	**413,051**
Financial liabilities				
Customer deposits	2,405,035	1,894,823	501,371	9,664
Deposits from banks	87,551	-	87,551	
Financial liabilities held for trading	1,796	-	61	1,735
Borrowings	75,541	2,560	72,981	-
Other liabilities	118,289	-	-	118,289
	2,688,212	**1,897,383**	**661,965**	**129,688**
Interest rate mismatch		**(95,096)**	**82,876**	**283,363**

The table below summarises the Bank's interest rate gap position

BANK

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2013				
Financial assets				
Cash and balances with Central Bank of Nigeria	502,249	177,508	-	324,741
Loans and advances to banks	367,571	252,998	112,794	1,779
Loans and advances				
- Overdrafts	327,210	327,210	-	-
- Term loans	1,078,200	1,036,179	42,021	-
- Staff loans	5,532	-	5,532	-
- Project finance	60,803	60,803	-	-
- Advances under finance lease	2,095	2,095	-	-
Investment securities				
Available-for-sale investments	359,052		325,839	33,213
Held to maturity investments	278,875		278,875	
Assets pledged as collateral	52,405	-	52,405	-
Financial assets held for trading	2,225	-	584	1,641
Other assets	25,096	-	-	25,096
	3,061,314	1,856,793	818,051	386,470
Financial liabilities				
Customer deposits	2,570,719	2,112,914	457,805	-
Deposits from banks	10,155	956	8,533	666
Financial liabilities held for trading	1,697	-	-	1,697
Borrowings	125,363	1,603	123,760	-
Other liabilities	156,819	-	-	156,819
	2,864,753	2,115,473	590,098	159,182
Interest rate mismatch		**(258,680)**	**227,953**	**227,288**

3.4.4 **Interest rate risk continued**
BANK

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
31 December 2012				
Financial assets				
Cash and balances with Central Bank of Nigeria	240,887	240,887	-	-
Loans and advances to banks	329,120	-	41,425	287,695
Loans and advances				
- Overdrafts	259,065	259,065	-	-
- Term loans	989,809	989,809	-	-
- Staff loans	5,144	-	5,144	-
- Project finance	58,695	58,695	-	-
- Advances under finance lease	3,694	3,694	-	-
Investment securities				
Available-for-sale investments	252,911		251,780	1,131
Held to maturity investments	330,860		330,860	
Assets pledged as collateral	50,109	-	50,109	-
Financial assets held for trading	1,942	-	680	1,262
Other assets	25,096	-	-	25,096
	2,547,333	1,552,151	679,998	315,184
Financial liabilities				
Customer deposits	2,171,807	1,841,245	320,898	9,664
Deposits from banks	18,463	-	18,463	-
Financial liabilities held for trading	1,278	61	-	1,218
Borrowings	81,987	2,560	79,427	-
Other liabilities	87,039	-	-	87,039
	2,360,574	1,843,866	418,788	97,921
Interest rate mismatch		**(291,715)**	**261,210**	**217,263**

Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank Nigeria Ltd.'s non-trading book as at 31st December 2013. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries' is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

Figures in N'bn	<=30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEAR & ABOVE	Rate Sensitive
Treasury Bills	56	110	58	4	-	-	**224**
Government Bonds	-	13	7	166	-	242	**428**
Corporate Bonds		-	-	-	-	5	**5**
Loans and advances to banks	312	35	4	1	1	14	**367**
Project Finance	14	24	4	7	7	6	**61**
Term Loans	18	93	19	109	140	732	**1,112**
Overdraft	19	39	58	211	-	-	**327**
Equipment on Lease	0	0	2	-	-	-	**2**
Staff Loans	-	0	6	-	-	-	**6**
TOTAL ASSETS	**420**	**314**	**157**	**498**	**148**	**999**	**2,532**
Deposits from customers	368	287	190	239	232	316	**1,633**
Deposits from banks	10	-	-	-	-	-	**10**
Medium term loan	16	29	1	1	1	50	**97**
TOTAL LIABILITIES	**394**	**316**	**192**	**239**	**233**	**366**	**1,740**
	25	**(2)**	**(34)**	**258**	**(85)**	**633**	**792**

Current and Savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice however, these deposits form a stable base for the bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the bank's experience, about 58% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

The sensitivity analyses below for FirstBank Nigeria Limited has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 7% increase or decrease is used when reporting interest rate risk for Nibor and 3% is used when reporting interest rate risk for USD Libor or EURIBOR. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

3.4.4 Interest rate risk continued
Interest rate sensitivity gap analysis

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

Reasonable possible movement	BANK	
	31 Dec 2013	**31 Dec 2012**
Nibor Increase by 7%		
Profit/(loss)	9,769	13,875
Nibor decrease by 7%	-	
Profit/(loss)	(7,366)	(17,926)
USD Libor increases by 3%	-	
Profit/(loss)	9,593	7,040
USD Libor decreases by 3%	-	
Profit/(loss)	(11,466)	(8,573)
EURUBOR increases by 3%	-	
Profit/(loss)	205	68
EURIBOR decreases by 3%	-	
Profit/(loss)	473	(68)

3.5 Equity risk

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

As at 31 December 2013, the market value of quoted securities held by the Group is N3.9 billion (2012: N1.1 billion). If the all share index of the NSE moves by 900 basis points from the 41,329.19 position at 31 December 2012, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N351 million.

The Group holds a number of investments in unquoted securities with a market value of N31 billion (2012: N46billion) of which investments in Airtel Nigeria Ltd (44%), African Finance Corporation (51%) and Interswitch Ltd (3%) are the significant holdings. These investments were valued at N4.7 billion (cost N2.9 billion); N24.9 billion (cost N12.7 billion) and N1.4 billion (cost N31 million) respectively as at 31 December 2013. AFC is a private sector led investment bank and development finance institution which has the Central Bank as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. The AFC operates a US dollar denominated balance sheet and provides finance in this currency. As at 31 December 2012 the corporation had a balance sheet size of $1.6 billion. Interswitch is an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and payment infrastructure to banks, government and corporate organisations. These investments are level 3 instruments , see sensitivity analysis in note 3.6.

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

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

(a) **Financial instruments measured at fair value**

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

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2013				
Financial assets				
Financial assets held for trading				
Debt Securities	584	-	-	584
Derivatives	-	4,159	-	4,159
Available-for-sale financial assets				
Investment securities - debt	343,074	72,939	-	416,013
Investment securities - unlisted equity	-	-	31,659	31,659
Investment securities - listed equity	3,751	-	-	3,751
Assets pledged as collateral	20,381	-	-	20,381
Assets held for sale	-	10,784	-	10,784
Financial liabilities held for trading				
Derivatives		1,701		1,701
31 December 2012				
Financial assets held for trading				
Debt Securities	679	-	-	679
Derivatives	623	1,262	-	1,885
Available-for-sale financial assets			-	
Investment securities - debt	208,544	95,342	-	303,886
Investment securities - unlisted equity	-	46,311	-	46,311
Investment securities - listed equity	3,305	-	-	3,305
Assets pledged as collateral	19,046	-	-	19,046
Financial liabilities held for trading				
Derivatives	518	1,278	-	1,796

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2013				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	584	-	-	584
Derivatives	-	1,641	-	1,641
Available-for-sale financial assets				
Investment securities - debt	265,562	60,277	-	325,839
Investment securities - unlisted equity	-	-	31,659	31,659
Investment securities - listed equity	1,554	-	-	1,554
Assets pledged as collateral	19,137	-	-	19,137
Financial liabilities held for trading				
Derivatives	-	1,697	-	1,697

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

31 December 2012				
Financial assets				
Financial assets held for trading				
Listed Debt Securities	680	-	-	680
Derivatives	-	1,262	-	1,262
Available-for-sale financial assets				
Investment securities - debt	157,568	95,342	-	252,910
Investment securities - unlisted equity	-	46,311	-	46,311
Investment securities - listed equity	1,131	-	-	1,131
Assets pledged as collateral	19,046	-	-	19,046
Financial liabilities held for trading				
Derivatives	-	1,278	-	1,278

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:
a) Quoted market prices or dealer quotes for similar instruments;
b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
c) Other techniques, such as discounted cash flow analysis, sales prices of comparable proprties 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 explained below.

(iii) Financial instruments in level 3

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

The following table presents changes in level 3 instruments

GROUP	
At 1 January 2012	31,122
Disposals	(9,540)
Total losses recognised through OCI	(5,027)
Transfer out of Level 3 due to availability of market data	(16,555)
At 31 December 2012	-
Transfer into Level 3 due to change in observability of market data	46,308
Total Gains/(losses) for the period	
- Included in profit or loss	-
- Included in other comprehensive income	(14,650)
At 31 December 2013	31,659
BANK	
At 1 January 2012	22,698
Disposals	(1,117)
Total losses recognised through OCI	(5,027)
Transfer out of Level 3 due to availability of market data	(16,554)
At 31 December 2012	-
Transfer into Level 3 due to change in observability of market data	46,309
Total Gains/(losses) for the period	
- Included in profit or loss	-
- Included in other comprehensive income	(14,650)
At 31 December 2013	**31,659**

Total gains or losses for the period included in profit or loss are presented in 'Net gains/(losses) from investment securities.
In 2012, the group valued its unlisted equity based on the market approach which entailed using the comparable company valuation multiples.
In 2013, the group applied a discount factor for the lack of marketability in the valuation of these equities and this resulted in the reclassification of these securities from level 2 to level 3 hierachy.
The discount factor ranged from 10% to 25% using the rates recommended in the PwC valuation methodology survey 2012 edition.

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

Information about the fair value measurements using significant unobservable Inputs (Level 3)

Description		Valuation technique	Range of Unobservable Input(probability-weighted average)	Relationship of unobservable inputs to fair value
AIRTEL NIGERIA		EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC		EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LIMITED		P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
INTERSWITCH LIMITED		EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFRICA FINANCE CORPORATION		P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value

EV/EBITDA or P/E valuation multiple - the bank determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the bank's investee company and the comparable public companies based on company-specific facts and circumstances.
A reasonable change in the illiquidity discount will not result in a material change to the fair value of the investment.

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

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

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

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

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2013				
Financial assets				
Cash and balances with central banks	-	593,973	-	593,973
Loans and advances to banks	-	415,210	-	415,210
Loans and advances to Customers:				
- Overdrafts	-	340,054	-	340,054
- Staff loans	-	-	6,071	6,071
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Held to maturity investments	159,790	123,476	-	283,266
Asset pledged as collateral	33,269	-	-	33,269
Other assets	-	28,546	-	28,546
Deposit from customers	-	2,942,782	-	2,942,782
Deposit from bank	-	77,481	-	77,481
Borrowing	-	126,302	-	126,302
Other liabilities	-	181,985	-	181,985

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

(a) Fair value hierachy

BANK

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2013				
Financial assets				
Cash and balances with central banks	-	541,221	-	541,221
Loans and advances to banks	-	367,571	-	367,571
Loans and advances to Customers:				
- Overdrafts	-	327,210	-	327,210
- Staff loans	-	-	5,532	5,532
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Held to maturity investments	155,399	123,476	-	278,875
Asset pledged as collateral	33,268	-	-	33,268
Other assets	-	156,819	-	156,819
Deposit from customers	-	2,570,719	-	2,570,719
Deposit from bank	-	10,155	-	10,155
Borrowing	-	125,363	-	125,363
Other liabilities	-	156,819	-	156,819

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

	At 31st December 2013		At 31st December 2012	
	Carrying value N 'millions	Fair value N 'millions	Carrying value N 'millions	Fair value N 'millions
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	48,308	47,489	19,093	21,385
Variable rate loans	1,749,627	1,749,615	1,543,912	1,543,912
Investment securities (held to maturity)	283,266	251,533	330,860	338,377
Asset pledged as collateral	33,269	24,040	31,063	26,275

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

Financial instruments not measured at fair value continued

The fair value of loans and advances to customers as well as investment securities are as follows:

	At 31st December 2013		At 31st December 2012	
	Carrying value N 'millions	**Fair value N 'millions**	**Carrying value N 'millions**	**Fair value N 'millions**
BANK				
Financial assets				
Loans and advances to customers:				
Fixed rate loans	47,553	47,070	18,890	21,182
Variable rate loans	1,426,287	1,425,893	1,297,518	1,297,518
Investment securities (held to maturity)	278,875	247,550	330,860	338,377
Asset pledged as collateral	33,268	24,040	31,063	26,275

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

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

The fair value of fixed rate Loans and advances to customers has been determined using discounted cash flows and is within level 2 of the fair value hierrachy.

Investment securities have been fair valued using market prices and is within level 1 of the fair value hierrachy.

4. **Capital management**

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's capital is divided into two tiers:

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

• Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, non controlling interest and unrealised gains arsing on the fair valuation of equity instruments held as available for sale.

The Central Bank of Nigeria prescribed a minimum limit of 15% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The total risk weighted assets reflects only credit and counterparty risk.

The Bank achieved a capital adequacy ratio of 16.76% at the end of the year, compared to 18.66% recorded for the period ended December 2012. This is attributable to the intra-group capital movement on accounts of the emergence of FBN Holdings Plc., a significant growth in risk weighted assets during the year and an increase of Tier 2 capital as the bank issued Eurobond during the year. The Bank, as a policy, works to maintain adequate capital cover for its trading activities, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

The table below summarises the composition of regulatory capital and ratios for the years presented below. During those years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	Group '31 Dec 2013 N 'millions	Group '31 Dec 2012 N 'millions	Bank '31 Dec 2013 N 'millions	Bank '31 Dec 2012 N 'millions
Tier 1 capital				
Share capital	16,316	16,316	16,316	16,316
Share premium	189,241	189,241	189,241	189,241
Statutory reserve	51,988	42,972	51,328	42,422
Statutory credit reserve	7,987	16,101	7,518	16,101
SMEEIS reserves	6,076	6,076	6,076	6,076
Retained earnings	93,585	97,437	67,167	77,342
Less: Intangible assets/Deferred Tax	(13,181)	(11,371)	(4,897)	(8,005)
less: Investment in unconsolidated subsidiaries	-	-	(29,265)	(21,286)
Total qualifying for tier 1 capital	352,011	356,772	303,484	318,207
Tier 2 capital				
Fair value reserve	14,229	26,936	13,063	24,678
Forex Revaluation Reserve	2,102	1,668	-	-
Minority Interest	1,626	1,353	-	-
Other borrowings	47,249	2,560	47,249	2,560
less: Investment in unconsolidated subsidiaries	-	-	(29,265)	(21,286)
Total qualifying for tier 2 capital	65,206	32,517	31,047	5,952
Total regulatory capital	417,217	389,289	334,531	324,159
Risk-weighted assets				
On balance sheet	2,059,077	1,825,116	1,702,093	1,537,106
Off balance sheet	293,644	215,245	294,126	199,761
Total risk-weighted assets	2,352,722	2,040,361	1,996,220	1,736,867
Risk-weighted Capital Adequacy Ratio (CAR)	**17.73%**	**19.08%**	**16.76%**	**18.66%**
TIER I CAR	**14.96%**	**17.49%**	**15.20%**	**18.32%**

5 Significant accounting judgments, estimates and assumptions

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

a Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an on-going basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

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

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

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

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

b Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 3.6 for additional sensitivity information for financial instruments

c Held-to-maturity investments

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

d Retirement benefit obligation

For defined benefit pension plans, the measurement of the group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 35, "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.

5 Significant accounting judgments, estimates and assumptions

e Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

An impairment charge of N552 million arose in Banque Internationale De Credit in the retail segment during the course of year 2013,resulting in the carrying amount of the CGU being written down to its recoverable amount.

If the terminal growth rate had been higher by 0.5%,the group would have recognised impairment lower by N84 million while if it had been lower by 0.5% a further charge of N80 million would have been recognised in the group books. See note 25 for key assumptions on impairment testing for goodwill.

If the weighted average cost of capital rate had been lower by 0.5% the group would have recognised impairment lower by N157 million while if it had been higher by 0.5% a further charge of N149.5 million would have been recognised in the group's books.

6 Segment information

Following the management adoption of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.
The Group is divided into the following business units:

Retail Banking

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

Corporate Banking

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

Institutional Banking

The Institutional Banking segment is the top end of the business banking value chain and consists of the largest organisations across our target industries i.e., oil and gas, conglomerates and services, manufacturing, telecommunications, transport, financial institutions/multilaterals, construction and infrastructure.

Public Sector

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

Treasury Services

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

Others

This segment includes the corporate office excluding treasury services.

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

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

Segment result of operations

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

The segment information provided to the Group management committee for the reportable segments for the period ended 31 December 2013 is as follows:

	Institutional Banking N 'millions	Corporate Banking N 'millions	Retail Banking N 'millions	Public Sector N 'millions	Treasury Services N 'millions	Others N 'millions	Total N 'millions
At 31st December 2013							
Total segment revenue	79,988	74,637	98,468	34,843	83,371	375	**371,681**
Inter-segment revenue	(23,801)	(12,815)	82,985	29,609	(75,955)	(23)	**-**
Revenue from external customers	56,187	61,821	181,454	64,452	7,416	352	**371,681**
Profit/(loss) before tax	44,825	34,952	133,369	37,647	22,434	(185,768)	**87,461**
Income tax expense	-	-	-	-	-	(21,009)	**(21,009)**
Profit for the period	44,825	34,952	133,369	37,647	22,434	(206,778)	**66,452**
Impairment charge on credit losses	(5,458)	(11,017)	(7,107)	1,036	-	2,633	**(19,912)**
Impairment charge on doubtful receivables	-	-	-	-	-	(609)	**(609)**
Impairment charge on goodwill	-	-	-	-	-	(552)	**(552)**
Share of profit/(loss) from associates	-	-	-	-		875	**875**
Depreciation	-	-	-	-	-	9,823	**9,823**

6 Segment information continued

	Institutional Banking N 'millions	Corporate Banking N 'millions	Retail Banking N 'millions	Public Sector N 'millions	Treasury Services N 'millions	Others N 'millions	Total N 'millions
At 31st December 2013							
Total assets	616,291	670,530	328,797	182,314	171,629	1,779,817	**3,749,375**
Other measures of assets:							
Loans and advances to customers	616,291	670,530	328,797	182,317	-	-	**1,797,935**
Investment in associates	-	-	-	-	-	6,225	**6,225**
Expenditure on non-current assets	-	-	-	-	-	78,490	**78,490**
Investment securities		-	-	-	734,689	-	**734,689**
Total liabilities	321,558	589,275	1,333,723	705,693	143,360	272,618	**3,366,225**
At 31st December 2012							
Total segment revenue	75,098	65,934	96,664	27,263	71,705	1,249	**337,913**
Inter-segment revenue	(25,227)	(11,007)	71,165	31,583	(56,809)	(9,704)	**- 0**
Revenue from external customers	49,871	54,927	167,829	58,845	14,896	(8,455)	**337,913**
Profit/(loss) before tax	44,150	35,554	147,077	43,079	20,842	(203,564)	**87,138**
Income tax expense						(15,006)	**(15,006)**
Profit for the period	44,150	35,554	147,077	43,079	20,842	(218,570)	**72,132**
Impairment charge on credit losses	384	(6,376)	(7,209)	(618)	-	907	**(12,912)**
Impairment charge on doubtful receivables		-	-	-	-	(570)	**(570)**
Share of profit/(loss) from associates	-	-	-	-	-	1,008	**1,008**
Depreciation	-	-	-	-	-	9,895	**9,895**
At 31st December 2012							
Total assets	540,729	610,833	252,005	159,129	153,014	1,414,632	**3,130,341**
Other measures of assets:							
Loans and advances to customers	540,729	610,833	252,005	159,129	-	-	**1,562,695**
Investment in associates	-	-	-	-	-	5,609	**5,609**
Expenditure on non-current assets	-	-	-	-	-	74,474	**74,474**
Investment securities	-	-	-	-	684,359	-	**684,359**
Total liabilities	310,743	567,477	1,069,146	591,422	91,778	101,675	**2,732,241**

Geographical information

Revenues

	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
Nigeria	344,806	314,713
Outside Nigeria	26,876	23,201
Total	**371,681**	**337,913**

Non current asset

	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
Nigeria	73,724	69,727
Outside Nigeria	4,766	4,747
Total	**78,490**	**74,474**

7 Interest income

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Investment securities	76,071	74,968	71,571	73,126
Loans and advances to banks	15,085	2,807	9,202	2,148
Loans and advances to customer	219,068	199,134	203,665	182,051
	310,224	276,909	284,438	257,325

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is analysed as follows: Group N1.3 billion (2012:N5.3 billion) and Bank N1.3 billion (2012:N5.3 billion)

8 Interest expense

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Customer Deposits	79,678	50,039	73,592	43,877
Deposit from banks	2,631	6,449	2,094	6,445
Borrowings	4,100	2,098	2,043	1,457
	86,409	58,586	77,729	51,779

9 Impairment charge for credit losses

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Loans and advances to customers (refer note 20)				
Increase/(Decrease) in collective impairment	1,265	3,199	1,262	2,093
Increase in specific impairment	21,622	13,530	20,912	11,571
	22,887	16,729	22,174	13,664
Recoveries on loans previously written off	(2,630)	(3,817)	(2,597)	(3,817)
Other assets (refer note 31.1)				
Increase in impairment	264	-	261	-
	20,521	12,912	19,838	9,847

The Group Impairment charge in the financial year ended December 2013 rose to N20.3billion from N12.9billion in December 2012. This is due to the recognition of impairment in some small-medium sized exposures to fast track remedial action in line with the bank’s delinquency management/loan workout process. The major accounts are in the logistics, architectural engineering and oil downstream industries with reasonable write back of provisions expected in 2014.

10 Fee and commission income

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Credit related fees	2,782	2,641	1,919	1,588
Commission on turnover	17,618	21,014	17,614	20,937
Letters of credit commissions and fees	5,472	5,985	4,527	4,736
Electronic banking fees	7,648	4,339	7,648	4,339
Money transfer commission	3,634	1,731	1,837	1,731
Commission on Bonds and Guarantees	617	1,215	620	1,215
Funds transfer & Intermediation fees	3,388	3,867	3,193	3,696
Other fees and commissions	12,087	15,213	8,488	10,460
	53,247	56,005	45,847	48,702

10b Fees and commission expense	5,448	1,131	5,479	1,131

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

11 Net gains/(losses) on Foreign exchange income

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Fair value gain/loss on foreign exchange	(2,417)	(3,389)	(2,620)	(3,670)
Foreign exchange trading income	9,042	5,845	7,370	4,594
	6,625	2,456	4,750	924

This income relates to margins earned from FX trading and exchange difference on translation of foreign currency balances.

12 Net gains/(losses) on investment securities

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Equity securities	(489)	761	(554)	309
Debt securities	1,872	(1,169)	3,485	(1,266)
	1,383	(408)	2,931	(957)

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

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Derivatives	595	1,717	595	133
Trading income on Debt securities	(20)	-	(20)	-
Fair value gain/ (loss) on Debt securities	(1,961)	35	(1,961)	35
	(1,386)	1,752	(1,386)	168

14 Other operating income

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Other income	683	3,522	359	1,535
	683	3,522	359	1,535

Other income is largely made up of income made by the group from rental income and income from sale of properties.

15 Operating expenses

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Auditors' remuneration	321	315	300	270
Directors' emoluments	6,085	4,210	5,262	2,910
(Profit)/Loss on sale of property, plant and equipment	(284)	(1,760)	(302)	(1,760)
Regulatory cost	24,922	16,550	24,627	16,550
Maintenance, rent and insurance	25,923	25,369	24,920	24,951
Advert and Corporate Promotions	7,705	8,577	7,474	8,577
Legal and Professional fees	2,011	3,704	1,526	2,482
Donations & Subscriptions	1,747	1,904	1,558	1,644
Stationary & printing	2,016	2,407	1,869	2,261
Consultancy Fees	1,534	1,998	1,418	1,729
Other operating expenses	27,608	42,499	26,020	39,122
	99,588	105,773	94,672	98,736

15b Personnel expenses

	GROUP		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Wages and salaries	53,913	43,977	46,951	38,871
Pension costs:				
- Defined contribution plans	2,550	2,404	2,429	2,404
- Defined benefit plans (Note 35)	3,689	18,492	3,603	18,162
- Other employee benefits	1,638	1,010	1,638	1,010
	61,790	65,883	54,621	60,447

16 Taxation

	GROUP 2013	GROUP 2012	BANK 2013	BANK 2012
Corporate tax	15,200	14,988	11,748	11,742
National Fiscal Levy/ Contingent Tax	13	-	-	-
Education tax	1,301	493	1,258	433
Technology tax	769	833	769	808
Capital gains tax	27	524	27	525
Under provision in prior years	11	(5)	-	-
Current income tax - current period	17,321	16,833	13,802	13,508
Origination and reversal of temporary deferred tax differences	3,688	(1,827)	3,686	(1,363)
Income tax expense	21,009	15,006	17,488	12,145

Group

	2013		2012	
Profit before income tax	87,460		87,138	
Tax calculated using the domestic corporation tax rate of 30% (2012: 30%, 2011: 30%)	26,238	30%	26,142	30%
Non-deductible expenses	4,515	5%	7,156	8%
Effect of education tax levy	1,301	1%	493	1%
Effect of Information technology	769	1%	833	1%
Effect of capital gains tax	27	0%	524	1%
Effect of minimum tax	-	0%	-	0%
Effect of excess dividend tax	5,349	6%	9,577	11%
Tax exempt income	(17,712)	-20%	(27,890)	-32%
Effect of disposal of items of PPE	1	0%	(544)	-1%
Effect of disposal of subsidiary	-	0%	(1,047)	-1%
Effect of change in PBT due to IFRS adjustments	15	0%	-	0%
Tax incentives	(231)	0%	(238)	0%
Tax loss effect	(4)	0%	1	0%
(Over) / under provided in prior years	13	0%	-	0%
Effect of prior period adjustment on deferred tax	727	1%		0%
Total income tax expense in income statement	21,009	0	15,006	0
Income tax expense	21,009	24%	15,006	17%

Bank

	2013		2012	
Profit before income tax	76,853	-	83,289	-
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	23,056	30%	24,987	30%
Non-deductible expenses	3,783	5%	5,358	6%
Effect of education tax levy	1,258	2%	433	1%
Effect of Information technology	769	1%	808	1%
Effect of capital gains tax	27	0%	524	1%
Effect of minimum tax	-	0%	-	0%
Effect of excess dividend tax	5,346	7%	9,577	11%
Tax exempt income	(17,383)	-23%	(27,215)	-33%
Effect of disposal of items of PPE	-	0%	(544)	-1%
Effect of disposal of subsidiary	-	0%	(1,047)	-1%
Effect of change in PBT due to IFRS adjustments	-	0%	(498)	-1%
Tax incentives	(94)	0%	(238)	0%
Tax loss effect	-	0%	-	0%
(Over) / under provided in prior years	-	0%	-	0%
Effect of prior period adjustment on deferred tax	727	1%	-	0%
Total income tax expense in income statement	17,488	23%	12,145	15%
Income tax expense	17,488	23%	12,145	15%

16 Taxation continued

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
The movement in the current income tax liability is as follows:				
At start of the period	22,536	23,844	19,768	21,354
Effect of adjustment on acquired entities	(729)	-	-	-
Tax paid	(7,207)	(21,448)	(3,734)	(17,637)
Withholding tax credit utilised	(4)	-	-	-
Prior period (over)/ under provision	(2)	2,543	-	2,544
AFS Securities Revaluation Tax charge/(credit)	(282)	763	-	-
Income tax charge	17,321	16,833	13,802	13,507
At 31 December	31,633	22,536	29,836	19,768
Current	31,633	22,536	29,836	19,768

17 Cash and balances with central banks

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Cash	71,681	53,083	38,973	47,238
Balances with central banks excluding mandatory reserve deposits	181,281	53,432	177,507	53,432
	252,962	106,515	216,480	100,670
Mandatory reserve deposits with Central Banks	341,011	191,509	324,741	187,455
	593,973	298,024	541,221	288,125

Included in balances with central bank is a call placement of N137.04 billion for Group and Bank (31 December 2012: nil)

Restricted deposits with central banks are not available for use in Group's day to day operations. The bank had restricted balances of N325 billion with central Bank of Nigeria (CBN) as at 31st December 2013 (December 2012: N187 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 12% of non-government deposits and 50% of government deposit (December 2012:12%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN UK, ICB Ghana,ICB Gambia and ICB Guinea had restricted balances of N13.5 billion, N1 billion, N177 million and N1.5 billion respectively with their respective central banks.

18 Cash and cash equivalents

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

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Cash (Note 17)	71,681	53,083	38,973	47,238
Balances with central banks other than mandatory reserve deposits (Note 17)	181,281	53,432	177,507	53,432
Loans and advances to banks excluding long term placements (Note 19)	311,581	393,467	346,969	315,856
Treasury bills included in financial assets held for trading (Note 21)	438	193	438	193
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.1 & 22.2)	197,440	121,247	143,402	83,670
	762,421	621,422	707,289	500,389

19 Loans and advances to banks

Current balances with banks within Nigeria	4,768	15,979	1,620	1,433
Current balances with banks outside Nigeria	287,414	322,703	337,348	272,998
Placements with banks and discount houses	19,399	54,785	8,002	41,425
	311,581	393,467	346,970	315,856
Long term placement	103,629	706	20,601	13,264
Carrying amount	415,210	394,173	367,571	329,120

Included in loans to banks is a non current placement of N103.6 billion for Group and N20.60 billion for Bank(31 December 2012: N706 million for Group and N13.2b for Bank) which does not qualify as cash and cash equivalent.
All other loans to banks are due within 3 months.

20 Loans and advances to customers

GROUP	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2013					
Overdrafts	354,578	10,465	4,060	14,524	340,054
Term loans	1,417,892	9,393	19,587	28,981	1,388,912
Staff loans	6,287	31	185	216	6,071
Project finance	61,534	-	731	731	60,803
	1,840,291	19,889	24,563	44,452	1,795,840
Advances under finance lease	2,862	696	71	768	2,095
	1,843,153	20,585	24,634	45,219	1,797,935
31 December 2012					
Overdrafts	276,526	6,882	3,402	10,284	266,242
Term loans	1,256,019	10,251	17,372	27,623	1,228,396
Staff loans	5,949	-	600	600	5,349
Project finance	59,746	-	732	732	59,014
	1,598,240	17,133	22,106	39,239	1,559,001
Advances under finance lease	3,781	-	87	87	3,694
	1,602,021	17,133	22,193	39,326	1,562,695

BANK	Gross amount N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2013					
Overdrafts	340,855	10,022	3,623	13,645	327,210
Term loans	1,104,336	7,297	18,838	26,135	1,078,200
Staff loans	5,702	-	170	170	5,532
Project finance	61,534	-	731	731	60,803
	1,512,427	17,319	23,362	40,681	1,471,745
Advances under finance lease	2,862	696	71	768	2,095
	1,515,289	18,015	23,433	41,449	1,473,840
31 December 2012					
Overdrafts	269,252	6,585	3,602	10,187	259,065
Term loans	1,015,181	8,222	17,150	25,372	989,809
Staff loans	5,744	-	600	600	5,144
Project finance	59,427	-	732	732	58,695
	1,349,605	14,807	22,084	36,891	1,312,713
Advances under finance lease	3,781	-	87	87	3,694
	1,353,386	14,807	22,171	36,978	1,316,407

	GROUP		BANK	
	31 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
Current	931,142	592,842	719,305	585,422
Non-current	866,793	969,852	754,535	730,985
	1,797,935	1,562,694	1,473,840	1,316,407

20 Loans and advances to customers continued

20a CBN/Bank of Industry facilities

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

CBN/Commercial Agriculture Credit (CACS)

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

	31 December 2013 N 'millions	31 December 2012 N 'millions
CBN/Bank of Industry	7,429	6,296
CBN/Commercial Agriculture Credit	20,319	27,131

Reconciliation of impairment allowance on loans and advances to customers:

GROUP

	Overdrafts N 'millions	Term loans N 'millions	Finance lease N 'millions	Others N 'millions	Total N 'millions
At 1 January 2013	10,484	27,422	87	1,332	39,325
Additional provision					
Specific impairment	11,628	9,267	696	31	21,622
Collective impairment	648	1,048	(15)	(416)	1,266
	12,276	10,315	681	(385)	22,887
Loans written off	(8,693)	(10,447)	-	-	(19,140)
Acquisition through business combination (specific impairment)	648	322	-	-	970
Acquisition through business combination (collective impairment)	9	1,167			1,176
At 31 December 2013	14,725	28,780	768	947	45,220
Specific impairment	10,465	9,393	696	31	20,586
Collective impairment	4,060	19,587	71	916	24,634
	14,525	28,981	767	947	45,220
At 1 January 2012	4,819	24,799	86	706	30,410
Additional provision					
Specific impairment	5,624	7,667	-	239	13,530
Collective impairment	454	2,118	1	626	3,199
	6,078	9,785	1	865	16,729
Discontinued operations	-	(2,981)	-	-	(2,981)
Loans written off	(413)	(4,181)	-	(239)	(4,833)
At 31 December 2012	10,484	27,422	87	1,332	39,326
					-
Specific impairment	6,882	10,251	-	-	17,133
Collective impairment	3,602	17,171	87	1,332	22,192
	10,484	27,422	87	1,332	39,326

20 Loans and advances to customers continued

BANK

	Overdrafts N 'millions	Term loans N 'millions	Finance lease N 'millions	Others N 'millions	Total N 'millions
At 1 January 2013	10,187	25,372	87	1,332	36,978
Additional provision					
Specific impairment	11,785	8,429	698	-	20,912
Collective impairment	21	1,688	(15)	(431)	1,262
	11,806	10,117	683	(431)	22,174
Loans written off	(8,350)	(9,354)	-	-	(17,704)
At 31 December 2013	13,643	26,135	770	901	41,449
Specific impairment	10,020	7,297	698	-	18,016
Collective impairment	3,623	18,838	71	901	23,433
	13,643	26,135	770	901	41,449
At 1 January 2012	4,819	22,271	86	706	27,882
Additional provision					
Specific impairment	5,197	6,374	-	-	11,571
Collective impairment	454	1,012	1	626	2,093
	5,651	7,386	1	626	13,664
Loans written off	(283)	(4,285)	-	-	(4,568)
At 31 December 2012	10,187	25,372	87	1,332	36,978
Specific impairment	6,585	8,222	-	-	14,807
Collective impairment	3,602	17,150	87	1,332	22,171
	10,187	25,372	87	1,332	36,978

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

	GROUP		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Gross investment in finance lease, receivable				
- No later than 1 year	547	729	547	729
- Later than 1 year and no later than 5 years	2,678	3,282	2,678	3,282
- Later than 5 years	24	84	24	84
	3,249	4,095	3,249	4,095
Unearned future finance income on finance leases	(387)	(314)	(387)	(314)
Impairment allowance on leases	(768)	(87)	(768)	(87)
Net investment in finance lease, receivable	2,095	3,694	2,095	3,694
Net investment in finance lease, receivable is analysed as follows				
- No later than 1 year	147	416	147	416
- Later than 1 year and no later than 5 years	1,925	3,194	1,925	3,194
- Later than 5 years	23	84	23	84
	2,094	3,694	2,094	3,694

20.1 Nature of security in respect of loans and advances:
GROUP

	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	627,755	572,017	544,204	518,577
Guarantee/Receivables Of Investment Grade Banks & State Govt.	178,923	20,160	373,890	416,937
Domiciliation of receivables	112,102	348,330	402,821	266,583
Clean/Negative Pledge	47,791	118,422	138,238	91,730
Marketable Securities/Shares	374,221	26,241	23,955	26,241
Otherwise Secured	484,590	466,194	15,540	22,960
Cash/Government Securities	17,772	11,331	16,640	10,356
	1,843,153	1,562,695	1,515,289	1,353,385

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

21 Financial assets at fair value through profit or loss (Financial assets at FVTPL)

	GROUP		BANK	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Treasury bills with maturity of less than 90 days	438	193	438	193
Treasury bills with maturity over 90 days	146	487	146	487
Total debt securities	584	680	584	680
Derivative assets	4,159	1,885	1,641	1,262
Total assets held for trading	4,743	2,565	2,225	1,942

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

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

Exchange rate risk in EURO borrowing disbursed in USD is being managed by the use of Forward FX Contracts that allows a notional accrual of Euros that will close the open position over the life of the borrowing.

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

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

	GROUP 31 Dec 2013			**BANK 31 Dec 2013**		
	Notional contract amount	**Fair values**		**Notional contract amount**	**Fair values**	
		Asset	**Liability**		**Asset**	**Liability**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Foreign exchange derivatives						
Forward FX contract	189,302	2,522	(71)	1,425	4	(71)
Currency swap	19,617	12	(4)	19,617	12	-
Put options	34,361	1,626	(1,626)	34,361	1,626	(1,626)
	243,280	4,160	(1,701)	55,403	1,642	(1,697)
Current	195,510	2,534	(4)	7,633	16	(0)
Non Current	47,771	1,626	(1,697)	47,771	1,626	(1,697)
	243,281	4,160	(1,701)	55,404	1,642	(1,697)

21 Financial assets at fair value through profit or loss (Financial assets at FVTPL) continued

	GROUP 31 Dec 2012			BANK 31 Dec 2012		
	Notional contract amount	Fair values Asset	Fair values Liability	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Interest rate derivatives						
Interest rate swaps	13,198	-	(61)	13,198	-	(61)
Foreign exchange derivatives						
Forward FX contract	5,302	626	(860)	4,733	3	(342)
Currency swap	10,750	54	-	10,750	54	-
Put options	41,581	1,205	(875)	41,581	1,205	(875)
	70,831	1,885	(1,796)	70,262	1,262	(1,278)
Current	5,302	680	(660)	4,733	57	(142)
Non Current	65,529	1,205	(1,136)	65,529	1,205	(1,136)
	70,831	1,885	(1,796)	70,262	1,262	(1,278)

22 Investment Securities

	GROUP 31 December 2013	GROUP 31 December 2012	BANK 31 December 2013	BANK 31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
22.1 Securities available for sale				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	197,440	121,247	143,402	83,670
– Treasury bills with maturity of more then 90 days	58,616	10	54,696	24,457
– Bonds	159,957	182,629	127,741	144,784
Equity securities – at fair value:				
– Listed	3,751	3,305	1,554	1,131
Equity securities – at fair value:				
– Unlisted	31,659	46,308	31,659	46,309
	451,423	353,499	359,052	300,351
Assets pledged as collateral				
Debt securities - at fair value				
– Treasury bills	20,178	17,531	19,137	17,531
– Bonds	204	1,515	-	1,515
	20,381	19,046	19,137	19,046
Total securities classified as available for sale	471,804	372,545	378,189	319,397
22.2 Securities held to maturity				
Debt securities – at amortised cost:				
– Treasury bills	10,498	-	6,107	-
– Bonds	272,769	330,860	272,769	330,860
	283,266	330,860	278,875	330,860
Assets pledged as collateral				
Debt securities - at amortised cost				
– Treasury bills	-	-	-	-
– Bonds	33,269	31,063	33,269	31,063
	33,269	31,063	33,269	31,063
Total securities classified as held-to-maturity	316,535	361,923	312,144	361,923
Total investment securities	788,339	734,468	690,333	681,320

23 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		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Available for sale debt securities (note 22.1)	20,381	19,046	19,137	19,046
Held to maturity debt securities (note 22.2)	33,269	31,063	33,268	31,063
	53,650	50,109	52,405	50,109
The related liability for assets held as collateral include:				
Bank of Industry	12,110	9,982	12,110	9,982

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 N41.6bn (Bank 2013: N40.3 bln) and N40.1bn for bank and group in december 2012 for which there is no related liability.

Current	20,178	19,046	19,137	19,046
Non current	33,472	31,063	33,268	31,063
	53,650	50,109	52,405	50,109

24 Investment in subsidiaries

24.1 Principal subsidiary undertakings

	31 December 2013 N 'millions	31 December 2012 N 'millions
FBN Bank (UK) Limited (Note 24 (i))	30,695	30,695
First Pension Custodian Limited (Note 24 (ii))	2,000	2,000
FBN Mortgages Limited (Note 24 (iii))	2,100	2,100
FBN Bureau de Change Limited (Note 24 (iv))	50	50
Banque Internationale de Crédit (Note 24 (v))	5,503	5,503
International Commercial Bank (ICB) Ghana	10,559	-
International Commercial Bank (ICB) Sierra Leone	1,685	-
International Commercial Bank (ICB) Guinea	2,243	-
International Commercial Bank (ICB) Gambia	1,472	-
	56,307	40,348

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit in which it owned 75%. 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 for the period is N1.64 billion.

Subsidiary	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the group (%)	Statutory year end
FBN Bank (UK) Limited (Note 24 (i))	Banking	United Kingdom	100	100	31 December
First Pension Custodian Limited (Note 24 (ii))	Pension fund Assets custodian	Nigeria	100	100	31 December
FBN Mortgages Limited (Note 24 (iii))	Mortgage banking	Nigeria	100	100	31 December
FBN Bureau de Change Limited (Note 24 (iv))	Bureau De Change	Nigeria	100	100	31 December
Banque Internationale de Crédit (DRC) (Note 24 (v))	Banking	Democratic republic of Congo	75	75	31 December
ICB Ghana	Banking	Ghana	100	100	31 December
ICB Sierra Leone	Banking	Sierra Leone	100	100	31 December
ICB Guinea	Banking	Guinea	80	100	31 December
ICB Gambia	Banking	Gambia	100	100	31 December

24 Investment in subsidiaries continued

i FBN Bank (UK) Limited

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

ii First Pension Custodian Limited

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

iii FBN Mortgages Limited

The Company was incorporated on 17 March 2003 and commenced operations on 1 May 2004. Its principal activities include acceptance of deposits, provision of mortgage finance for customers and investment in properties.

iv FBN Bureau de Change Limited

This represents the Bank's 100% holding in FBN Bureau de Change Limited. The Bank obtained approval from the Central Bank of Nigeria to operate a bureau de change on 8 August 2006. In September 2013, the Central Bank of Nigeria (CBN) withdrew the license of the FBN Bureau De Change Limited .

v Banque Internationale de Crédit (DRC)

Banque Internationale de Crédit (BIC), is a company incorporated in the Democratic Republic of Congo (DRC) on 6th April 1994, following the approval granted by the Central Bank of Congo on September 24, 1993.
First Bank Nigeria Limited has a holding of 75% in the equity of BIC.

vi ICB Ghana

ICB Ghana, is a company incorporated in Ghana on March 19,1996,and commenced operations in November 1996. The bank operates with a Class 1 universal banking license and is a Tier III bank in the Ghana banking landscape with a network of seventeen (17) branches and two (2) cash agencies. Its principal activities include business banking and consumer banking. The target customers of the consumer banking are individuals while SMEs and corporates are the focus of the business banking unit.
First Bank Nigeria Limited has a holding of 100% in the equity of ICB Ghana. The Bank obtained Central Bank of Nigeria (CBN)'s approval for the acquisition of ICB West Africa including ICB Ghana on June 7,2013 while the Bank of Ghana (BoG) gave its provisional approval for the transaction on September 19,2013.

vii ICB Sierra Leone

ICB Sierra Leone, is a company incorporated in Sierra Leone on August 2004,and is one of the ten foreign-owned commercial banks in Sierra Leone. Presently, the bank has a branch network of two branches located in one of the four regions of Sierra Leone. Its principal activities include Public Sector, Retail banking, SMEs and Corporate banking.
First Bank Nigeria Limited has a holding of 100% in the equity of ICB Sierra Leone. The Bank obtained CBN's approval for the acquisition of ICB West Africa including ICB Sierra Leone on June 7,2013 while the Bank of Sierra Leone (BoSL) gave its approval for the acquisition on June 25,2013.

viii ICB Guinea

ICB Guinea is a Tier III bank in Guinea banking sector. The bank was incorporated on September 17,1996 and commenced operations in 1997. ICB Guinea currently operates from five locations in Conakry, the capital city and is well known in Guinea as one of the leading banks with quality services, transparent transactions and compliance with legal and regulatory policies. Its principal activities include business and commercial banking. The business banking group focuses on corporate and institutional customers while consumer banking group provides services to retail customers.
First Bank Nigeria Limited has a holding of 80% in the equity of ICB Guinea, with ICB Ghana holds the other 20% equity. The CBN's approval for the acquisition of ICB Guinea was gotten alongside the other ICBs operations in West Africa in June 7,2013 while Central Bank of Republic of Guinea (BCRG) gave its final approval for the transaction on August 26,2013.

ix ICB Gambia

ICB Gambia, is a company incorporated and commenced operations in Gambia on July 2004. The bank is a Tier III bank in the Gambian banking sector, and currently operates from four (4) locations in one of the six regions in the Gambia. Key sectors targeted by the bank are public sector, corporate companies, SMEs and retail customers.
First Bank Nigeria Limited has a holding of 100% in the equity of ICB Guinea. The approval for the acquisition was granted by CBN on June 7,2013 while the Central Bank of Gambia (CBG) gave its provisional approval on April 24,2013.

x FBN Finance Company B.V

This is a special purpose entity which issued Eurobonds during the period. The results of the SPE have been consolidated by the bank.

xi FirstDependants Nigeria Limited

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

xii First Nominees Nigeria Limited

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

xiii Sinking Fund

The fund is an in-house insurance scheme established as a fund against the risk on the Group's motor vehicles. This fund is being managed by FBN insurance brokers,who has the responsibilities to manage,operate and administer the fund in settlement of claims

25 Acquisition of Subsidiary

In November 2013, First Bank of Nigeria Limited paid for the acquisition of a 100% equity interest in in the West Africa operations of International Commercial Bank (ICB), which includes ICB Ghana, ICB Sierra Leone, ICB Guinea and ICB Gambia from International Commercial Bank Financial Group Holdings AG (ICBFGH).The equity interest was acquired on 31 October 2013. As a result of this acquisition, the Commercial Banking segment of the Group will consolidate its position as one of the largest corporate and retail banking financial institutions in sub-Sahara Africa (excluding South Africa). This acquisition will enhance the Group's total asset base by about 1%.

In October 2011, First Bank of Nigeria Plc. paid for the acquisition of a 75% interest in Thorens Limited, which owns 99.9% interest in Banque Internationale de Crédit (BIC) in Democratic Republic of Congo (DRC). The transaction was approved by the Central Banks in Nigeria and the DRC, subject to subsequent restructuring of the investment by the Bank to achieve direct ownership of BIC. As part of the restructuring, the Bank gained effective control of BIC on 31 March 2012 by controlling 75% of its shares and voting interest and thus accounted for the acquisition on that date. The consideration transferred by the Bank in October 2011 was N5.5 billion. The acquisition of BIC is expected to increase the Group's profile across Sub Saharan Africa, create a greater earning diversification and increased shareholder value through higher returns on equity. The accounting for the acquisition of the subsidiary was completed in March 2013. This resulted in a change to goodwill by N0.5 billion.

The ICB entities contributed interest income of N855 million and fee commission of N102 million to the group for the period 1 November 2013 to 31 December 2013 as well as profit of N374 million . If the acquisition had occurred on 1 January 2013, the group interest income would show N320,944 million, group fee and commission would be N54,912 million and group profit before tax would have been N86,667 million.

BIC contributed interest income of N2,123 million and fee commission of N2,251 million to the group for the period 1 April 2012 to 31 December 2012 as well as profit of N671million. If the acquisition had occurred on 1 January 2012, the group interest income would show N277,705 million, group fee and commission would be N54,123 million and group profit before tax would have been N86,400 million.

The following table summarises the consideration paid for the subsidiaries, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	ICB Ghana	ICB Sierra Leone	ICB Guinea	ICB Gambia	BIC
	October 31 2013	**October 31 2013**	**October 31 2013**	**October 31 2013**	**March 31 2012**
Consideration					
					N'm
Cash	10,559	1,685	2,243	1,435	5,503
Recognised amounts of identifiable assets acquired and liabilities assumed					
	Provisional Fair value	**Provisional Fair value**	**Provisional Fair value**	**Provisional Fair value**	**Fair value**
Cash and balances with central banks	1,768	416	2,846	949	10,081
Treasury bills	10,632	1,647	1,501	767	44
Loans and advances to banks	404	-	3,073	-	6,841
Loans and advances to customers	9,316	1,111	1,655	659	16,046
Inventory	-	-	-	-	144
Deferred tax asset	76	14	-	-	1,045
Other assets	277	238	234	73	1,976
Property, plant and equipment	319	14	67	22	3,392
Deposits	(11,687)	(1,999)	(7,284)	(1,517)	(27,521)
Other liabilities	(4,695)	(217)	(706)	(84)	(6,182)
Total identifiable net assets	6,410	1,224	1,386	869	5,866
Non controlling interest	-	-	-	-	1,466
Goodwill	4,149	461	856	566	1,104
Cash and cash equivalents acquired from the subsidiary is made up of the following:					
Cash and balances with central banks	1,768	416	2,846	949	10,081
Treasury bills	10,632	1,647	1,501	767	44
Loans and advances to banks	404	-	3,073	-	6,841
	12,804	**2,063**	**7,420**	**1,716**	**16,966**
Net cash on acquisition of subsidiary	**2,245**	**377**	**5,178**	**281**	**11,463**

The cash and balances with central banks did not include any mandatory or restricted balances.

25 Acquisition of Subsidiary continued

As at 31 December 2013 the fair values of acquired assets, liabilities and goodwill for ICB Ghana, ICB Gambia, ICB Guinea and ICB Sierra-leone have been determined on a provisional basis as these businesses were acquired in close proximity to the year end, pending finalisation of the post-acquisition review of the fair value of the acquired net assets.

The initial acquisition accounting for the business combination is yet to be finalised. However,where applicable,the group will adjust the provisional amounts recognised as permitted and required by IFRS 3. The measurement period,which cannot exceed one year,ends when an acquirer obtains the additional information that it was seeking about facts and circumstances that existed as of the date of acquisition or it concludes that such information is not obtainable. This period comes to an end in December 2014.

Costs directly attributable to each acquisition have been expensed within operating expenses.
The acquisition of these entities is expected to increase the Group's profile across West Africa, create a greater earning diversification and increased shareholder value through higher returns on equity.

The goodwill of N4.1bn, N461m, N856m and N567m on ICB Ghana, Sierra-Leone, Guinea and Gambia respectively arises from a number of factors such as expected synergy's through combining a highly skilled workforce and obtaining economies of scale and unrecognised assets such as customer listing, brand and workforce.

The net contractual amount for loans and advances to customers is N10.6 billion, N1.6 billion, N1.1 billion and N741 million for ICB Ghana, Guinea, Sierra-Leone and Gambia respectively which excludes a loan loss provision of N1.9 billion, N11.9 million, N42 million and N107 million for each of the respective entities.

The gross carrying value of other assets is N821 million. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

BIC

The goodwill of N1.1 billion from the acquisition of BIC arises from a number of factors such as expected synergy's through combining a highly skilled workforce and obtaining economies of scale.

There were no contingent consideration. So the fair value of the contingent consideration arrangement was deemed nil.

The treasury bills were not marked to market as at 31 March 2012.The treasury bills are highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. The maturity of the treasury bills ranges between 7 days and 28 days. The amount represents its fair value.

The carrying amount of cash and balances with central bank and loans and advances to banks represents their respective fair value.

The net contractual amount for loans and advances to customers is N18.166 billion which excludes a loan loss provision of N2.2 billion.

The gross carrying value of other assets is N1.9 billion, this includes an account receivable of N0.987 billion. The fair value of the trade receivables amounts to N0.968 billion. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected. The difference between the fair value and the gross amount is the result of discounting over the expected timing of the cash collection.

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for BIC has been finalised in the current year with no material changes to the fair value disclosed in the 2012 consolidated financial statements.

The fair value of property, plant and equipment at acquisition date has been determined by professional valuers and as a result; the value of property, plant and equipment increased from N 2.7 billion (provisional figure at acquisition) to N 3.4 billion. This resulted in an increase in the pre-acquisition reserves by N 0.7 billion, which is allocated between the group (N 0.5 billion) and non-controlling interest (N 0.18 billion). The change to the group's portion of goodwill is therefore N 0.5 billion.

The non-controlling interest has been recognised as a proportion of net assets acquired.

26 Discontinued operations

There were no discontinued operations in current year.

(i) Transfer of subsidiaries in the 2012 financial year as a result of Business restructuring

Following the directive of the Central Bank of Nigeria on the new banking model in Nigeria issued on 4 October, 2010, the Group opted for the Holding company structure. The Holding company structure led to the reorganisation of the group reporting and business structure. On 1 December 2012, FBN Holdings Plc. became the Parent company of the FBN group. As a result of the reorganisation, FBN Nigeria Limited is the parent company of the commercial banking subsidiaries and transferred its interest in the underlisted subsidiaries to its ultimate parent company - FBN Holdings Plc. or FBN Capital Limited as detailed below. In line with the accounting policy on common control transactions, predecessor accounting was applied and the assets and liabilities of these entities were transferred at the existing book value. Thus, no gain or loss was recorded on the transfer of these subsidiaries to the Holding company.

FBN Holdings Plc.
FBN Capital Limited
FBN Insurance Brokers Limited
FBN Microfinance Bank Limited
FBN Life Assurance

FBN Capital Limited
First Trustees Nigeria Limited
First Funds Limited

(ii) Disposal of First Registrars Limited in December 2012

On 28th December 2012, FBN Limited disposed of 100% of the share capital of its subsidiary - First Registrars. The company contributed profit of N1.5 billion to the Group from 1 January 2012 to 28 December 2012 (N986m for prior year).

A) Discontinued operations contributed profit of N3.5 billion to the Group in 2012.

The results of the discontinued operations up till point of disposal is included within "Discontinued operations" in the prior year and includes the following:

Results of the subsidiaries transferred to FBN Holdings Plc. for the 11 months to November 2012
Results of First Registrars Nigeria Limited up to date of sale - 28th December 2012
Results of the property development portfolio of FBN mortgages which was classified as Held for Sale during the year.

	Group 12 months to Dec 2012 N'millions
Interest income	9,987
Interest expense	(3,742)
Net interest income	6,245
Impairment charge/write back on credit losses	(253)
Net interest income after impairment charge for credit losses	5,992
Insurance premium revenue	1,524
Insurance premium revenue ceded to reinsurers	(110)
Net insurance premium revenue	1,414
Net fee and commission income	4,706
Net gains/(losses) on investment securities	-
Net gains/(losses) from financial assets classified as held for trading	-
Dividend	-
Other operating income	2,072
Net insurance benefits and claims	(456)
Operating expenses	(8,257)
Operating profit	5,471
Profit before tax	5,471
Income tax expense	(1,921)
Profit/(Loss) from discontinued operations	3,550
Pre tax gain from disposal of operations	288
Tax	-
After tax gain from disposal of operations	288
Total Profit on discontinued operations	3,838
Profit attributable to:	
Owners of the parent	3,849
Non-controlling interests	(11)

26 Discontinued operations continued

B) Asset, Liabilities and Reserves of the discontinued operations at the point of transfer/disposal are shown below:

	Entities transferred to **30 November 2012** N'million	First registrars Limited **28 December 2012** N'million
Assets		
Cash and balances with central banks	1,261	-
Loans and advances to banks	28,611	30,619
Loans and advances to customers	1,706	148
Financial assets held for trading	18,396	-
Insurance receivables	517	-
Investment securities		
-Available-for-sale investments	5,213	-
-Held to maturity investments	27,610	3,001
Assets pledged as collateral	3,135	-
Other assets	5,825	233
Inventory	25,366	
Investment properties	4,055	-
Intangible assets	63	-
Property, plant and equipment	967	565
Deferred tax	149	81
Total assets	**122,874**	**34,647**
Liabilities		
Deposits from banks	3,146	-
Deposits from customers	1,340	-
Liability on investment contracts	44,388	-
Liability on insurance contracts	2,250	-
Borrowings	57,731	-
Retirement benefit obligations	329	-
Current income tax liability	180	-
Deferred tax	260	-
Other liabilities	10,808	31,435
Total liabilities	**120,432**	**31,435**
Equity and reserves		
Share capital	6,162	500
Share premium	18,436	-
Retained earnings	(22,252)	2,712
Other reserves		
Statutory reserve	56	-
AFS Fair value reserve	-	-
Contingency Reserve	40	-
Total equity and reserves	**2,442**	**3,212**

C) Asset classified as Held for Sale

The assets and liabilities held for sale relate to the property development portfolio of First Mortgages Limited (part of the retail banking segment) which is being presented as held for sale following the commitment to its sale by the Group's management in compliance with the Central Bank of Nigeria's (CBN) Regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which require banks in Nigeria to concentrate on banking businesses. In August 2012, as part of the capital restructuring scheme of the FirstBank Group, shareholders approved the full divestment by FirstBank , of all the property development business of FBN Mortgages, prior to the Central Bank of Nigeria cut off date of June 2013. Subsequently,the CBN again extended the cut off date to June 30, 2014 to afford all affected Primary Mortgage banks sufficient time to exercise any of the options for capital raising and business combination.

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

26 Discontinued operations continued

	31 Dec 2013 N'million	31 Dec 2012 N'million
Assets classified as held for sale		
Inventory	4,549	5,637
Accounts receivable	6,235	7,341
	10,784	**12,978**
Liabilities classified as held for sale		
Accounts payable - Deposit for property	**1,747**	**2,836**
Net Asset	**9,037**	**10,142**

D) Cash flows attributable to discontinued operations.

i) Transferred subsidiaries

	2013	2012
Net cash flow from Operating activities	-	(9,998)
Net cash flow from investing activities	-	(28)
Net cash flow from financing activities	-	3,149
Net cash outflow/inflow	-	(6,877)

27 Investment in associates (equity method)

First Bank of Nigeria Plc. has 40% shareholding in Kakawa Discount House (KDH).

KDH is a company incorporated in Nigeria and is involved in trading in, holding and provision of discount and re-discount facilities for treasury bills, commercial bills and other eligible financial instruments normally purchased by banks, corporate bodies and the investing public. KDH 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. KDH is not publicly traded and there is no published price information.

As part of the Business restructuring which occurred in the 2012 financial year, the Bank transferred its 42% shareholding interest in Seawolf and its 34.17% in FBN Heritage Funds to FBN Holdings Plc. The transfers were made at Book value. During the same period, FBN Registrar's interest in Kakawa Discount House was also transferred to FBN capital Limited at book value.

	GROUP		BANK	
	2013 N 'millions	2012 N 'millions	2013 N 'millions	2012 N 'millions
Balance at beginning of period	5,609	7,489	2,224	14,099
Transferred to FBN Holdings Plc.	-	(1,652)		(11,875)
Transferred to FBN Capital	-	(660)	-	-
Dividend received		(576)		
Share of profit / (loss)	875	1,008	-	-
Share of other comprehensive income	(259)	-	-	-
At end of period	6,225	5,609	2,224	2,224

Summarised balance sheet for KDH is as follows	2013 N 'millions	2012 N 'millions
Cash and balances with CBN	-	245
Loans and advances to Banks	1,039	2,362
Loans and advances to customers	25,661	16,224
Financial assets held for trading	6,330	1,628
Investment securities	48,696	71,629
Investment in subsidiaries	-	-
Pledged assets	19,900	15,023
Other assets	73	43
Property and equipment	1,051	1,008
Intangible assets	30	19
Deferred tax assets	2,533	2,445
Assets held for sale	-	8,718
Total assets	**105,313**	**119,344**

27 Investment in associates (equity method)

Summarised balance sheet for KDH continued	2013 N 'millions	2012 N 'millions
Due to banks	38,123	47,283
Due to customers	52,541	49,694
Derivative financial instruments	265	-
Current income tax liability	87	480
Other liabilities	792	461
Deferred tax liabilities	101	88
Liabilities held for sale	-	8,042
Total Liabilities	**91,909**	**106,048**

Summarised statement of comprehensive income

	2013	2012
Discount and similar income	12,418	13,375
Discount and similar expense	(9,629)	(11,379)
Net discount income	**2,789**	**1,996**
Impairment (charge) for/reversal of credit losses (Net)	-	-
Net interest income after net impairment charge	**2,789**	**1,996**
Net gains from financial assets held for trading	933	979
Net gains from investment securities at fair value	(241)	30
Other operating income	607	750
Operating income	**4,088**	**3,755**
Operating expenses	(1,746)	(1,338)
Income tax	(176)	8
Profit for the year from continuing operations	**2,165**	**2,425**
Profit for the year from discontinued operations	**23**	**95**
Profit for the year	**2,188**	**2,520**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Net gains on available-for-sale financial assets		
-Unrealised net gains arising during the period, before tax	(648)	3,993
Other comprehensive income for the year net of tax		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,540**	**6,513**

The information above reflects the amounts presented in the financial statements of the associates (and not FBN Limited's share of those amounts.

Reconciliation of summarised financial information presented to the carrying amount of its interest in associates

	2013 N 'millions	2012 N 'millions
Opening net assets on 1 January	14,712	8,199
Profit or loss for the period	2,188	2,520
Other comprehensive income	(648)	3,993
Closing net assets	16,252	14,712
Interest in associates (40%)	6,501	5,885
Carrying value	6,225	5,609

KDH did not have any commitment or contingent liabilities as at 31st December 2013 (2012 : Nil).

28 Property, plant and equipment

28 Property, plant and equipment

29 Intangible assets

	GROUP			BANK	
	Goodwill	Computer software	**Total**	Computer software	**Total**
Cost					
At 1 January 2012	-	3,636	3,636	2,780	2,780
Additions	-	1,494	1,494	1,124	1,124
Disposals	-	(191)	(191)	-	-
Write off		(237)	(237)	-	-
Acquisition of subsidiary	1,646	-	1,646	-	-
Exchange difference		20	20	-	-
At 31 December 2012	1,646	4,722	6,368	3,904	3,904
Additions	-	1,042	1,042	603	603
Write off	-	(2,218)	(2,218)	(2,218)	(2,218)
Other changes	(542)	-	(542)	-	-
Acquisition of subsidiary	6,033	151	6,184	-	-
Exchange difference	-	19	19	-	-
	7,137	3,716	10,853	2,289	2,289
Amortisation and impairment					
At 1 January 2012	-	2,628	2,628	2,046	2,046
Amortisation charge	-	645	645	556	556
Write off		(237)	(237)	-	-
Disposals	-	(99)	(99)	-	-
Exchange difference	-	14	14	-	-
At 31 December 2012	-	2,951	2,951	2,602	2,602
Amortisation charge	-	857	857	662	662
Impairment charge	552	-	552	-	-
Write off	-	(2,218)	(2,218)	(2,218)	(2,218)
Acquisition of subsidiary	-	108	108	-	-
Disposals	-	-	-	-	-
Exchange difference	-	9	9	-	-
	552	1,707	2,259	1,046	1,046
Net book value					
At 31 December 2013	6,585	2,009	8,594	1,242	1,242
At 31 December 2012	1,646	1,771	3,417	1,302	1,302

The amortisation charge for the period is included in Other operating expenses in the Statement of comprehensive income.

The software is not internally generated.

The Gross goodwill balance of N7.8 billion includes N1.6 billion attributable to the acquisition of BIC (Banque International du Credit in the Democratic Republic of Congo) in 2012 and N6.2 billion attributable to the acquisition of the ICB West Africa entities in 2013.

See note 25 on provisional goodwill arising on acquisition of ICB entities.

Impairment tests for goodwill

BIC

Goodwill is monitored on the operating segment level. BIC the entity to which the good will relates is recognized as a cash generating unit (CGU) and segmented as part of the retail business outside Nigeria.
The value of goodwill on this acquisition has been reduced to the recoverable amount by an impairment loss which is recognized in operating expenses in the income statement.

The recoverable amount of the 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 future cash flows were extrapolated using the estimated growth rate which does not exceed the growth rates of the country and industry.

The key assumptions used in the value-in-use calculation for 2013 are as follows:
Terminal growth rate: 6.8%
Discount rate: 27.2%
Deposit growth rate: 6.48%
Recoverable amount of the CGU: N5.581bn

Management determined deposits to be the key value driver in BIC. Deposits are expected to grow in line with GDP growth rate and inflation.
The long term growth rates used are consistent with the forecast in the IMF world economic outlook database. The discount rate used is pre-tax
The impairment arose in BIC due to the effect of a war situation which has led to an adverse effect on the economy of Democratic Republic of Congo. The war has recently been brought under control and this is expected to reflect positively on the economy with time.

Impairment testing on cash generating units containing goodwill

The recoverable amount of each CGU to which the goodwill is allocated 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 future cash flows were extrapolated using the estimated growth rate which does not exceed the growth rates of the country and industry. The discount rate used is pre-tax

The key assumptions used in the value-in-use calculation for 2013 are as follows:

	Ghana	Guinea	Gambia	Sierra Leone
Terminal growth rate: %	9	5	4	7
Discount rate: %	29	31	52	52
Deposit growth rate:%	1	10	20	25
Recoverable amount of the CGU: (N' million)	11,498	2,281	1,931	4,987
Goodwill (N' million)	4,149	856	566	461
Net Asset (N' million)	6,410	1,386	869	1,224
Total carrying amount (N' million)	10,559	2,242	1,435	1,685
Excess of recoverable amount over carrying amount	939	39	496	3,302

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

30 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2009: 30%, 2008: 30%).

	GROUP		BANK	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred tax assets				
Property and equipment	(411)	9,253	(361)	9,254
Allowance for loan losses	3,066	3,159	2,128	1,762
Tax losses carried forward	(0)	-	(0)	-
Other assets	(580)	527	(445)	526
Other liabilities	(630)	(10,286)	(703)	(10,286)
Defined benefit obligation	3,142	5,301	3,036	5,447
	4,586	7,954	3,655	6,703
Deferred tax liabilities				
Other liabilities	10	9	-	-
	10	9	-	-
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	5,798	7,427	4,803	6,177
- Deferred tax asset to be recovered within 12 months	(582)	527	(445)	526
	5,217	7,954	4,358	6,703
Deferred tax liabilities				
- Deferred tax liability to be recovered within 12 months	10	9	-	-
	10	9	-	-

Group	**1 Jan 2013**	**Adjustment on acquired entities**	**Recognised in P&L**	**Recognised OCI**	**31 Dec 2013**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Movements in Deferred tax assets during the year:					
Property and equipment	9,253	(115)	(9,628)	-	(490)
Allowance for loan losses	3,159	(258)	406	282	3,590
Other assets	527	(5)	(1,119)	-	(597)
Other liabilities	(10,286)	-	9,657	-	(630)
Defined benefit obligation	5,301	206	(3,004)	635	3,139
	7,955	(598)	(3,688)	917	4,586

30 Deferred tax continued

	1 Jan 2012 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2012 N 'millions
Movements in Deferred tax assets during the year:				
Property and equipment	9,178	75	-	9,253
Allowance for loan losses	1,741	1,418	-	3,159
Tax losses carried forward	927	(927)	-	-
Other assets	1,126	(599)	-	527
Other liabilities	(10,420)	134	-	(10,286)
Defined benefit obligation	4,402	753	146	5,301
	6,954	855	146	7,955

	Opening balance N 'millions	Discontinued Operations N 'millions	Recognised in P&L N 'millions	Closing balance N 'millions
Movements in Deferred tax liabilities during the year:				
2013				
Other liabilities	9	-	1	10
2012				
Other liabilities	1,067	(260)	(798)	9

Bank

	1 Jan 2013 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2013 N 'millions
Movements in temporary differences during the year:				
Property and equipment	9,254	(9,615)		(361)
Allowance for loan losses	1,762	366		2,128
Tax losses carried forward	-	-		-
Other assets	527	(972)		(445)
Other liabilities	(10,287)	9,584		(704)
Defined benefit obligation	5,447	(3,046)	635	3,036
	6,703	(3,683)	635	3,654

	1 Jan 2012 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2012 N 'millions
Movements in temporary differences during the year:				
Property and equipment	9,178	76	-	9,254
Allowance for loan losses	-	1,762	-	1,762
Tax losses carried forward	927	(927)	-	-
Other assets	1,108	(581)	-	527
Other liabilities	(10,420)	134	-	(10,287)
Defined benefit obligation	4,402	899	146	5,447
	5,195	1,363	146	6,703

Temporary difference relating to the Group's Investment in subsidiaries is N6.1 billion (2012: N5.4 billion). As the Group exercises control over the subsidiaries, it has the 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 the temporary differences above will not be recognised.

Deferred income tax assets are recognised for tax loss carry-forwards only to the extend that the realisation of the related tax benefit is probable. The deferred tax assets of N5.2b for group (N4.4 billion for bank 2013) has been offset against the deferred tax liability of N630m (N703m for bank 2013) and presented net in the Statement of Financial Position because the deferred tax offsetting requirements have been met.

31 Other assets

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Financial assets:				
Inventory	2,464	2,539	2,128	2,383
Accounts receivable	12,500	15,033	12,048	18,791
Other receivables	14,800	14,182	12,122	10,158
	29,764	31,754	26,298	31,332
Less specific allowances for impairment	(1,218)	(6,238)	(1,202)	(6,224)
	28,546	25,516	25,096	25,108
Non Financial assets:				
Prepayments	11,949	8,468	10,972	7,351
Net other assets balance	40,496	33,984	36,068	32,459

Reconciliation of impairment account	GROUP		BANK	
	2013	2012	2013	2012
	N 'millions	N 'millions	N 'millions	N 'millions
At start of period	6,238	7,035	6,224	6,224
Write off	(5,284)	-	(5,283)	-
Increase in impairment	264	-	261	-
Discontinued operations	-	(797)	-	-
At end of period	1,218	6,238	1,202	6,224

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

32 Deposits from banks

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Due to banks within Nigeria	2,496	66,344	1,739	6,074
Due to banks outside Nigeria	74,985	21,207	8,416	12,389
	77,481	87,551	10,155	18,463

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

33 Deposits from customers

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Current	927,225	804,493	833,917	755,738
Savings	664,899	548,391	654,479	544,807
Term	726,021	501,277	457,805	320,898
Domiciliary	616,368	541,210	616,353	540,700
Electronic purse	8,269	9,664	8,165	9,664
	2,942,782	2,405,035	2,570,719	2,171,807
Current	2,863,177	2,405,031	2,567,602	2,171,803
Non-current	79,605	4	3,117	4
	2,942,782	2,405,035	2,570,719	2,171,807

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

34 Borrowings

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Long term borrowing comprise:				
FBN EuroBond (i)	47,249	-	47,249	-
Due to European Investment Bank **(ii)**	1,603	2,560	1,603	2,560
On-lending facilities from financial institutions **(iii)**	31,389	25,846	31,389	25,846
Borrowing from correspondence banks **(iv)**	46,061	47,135	45,122	53,581
	126,302	75,541	125,363	81,987
Current	55,739	54,004	54,801	54,004
Non-current	70,563	21,537	70,562	27,983
	126,302	75,541	125,363	81,987
At start of the period	75,541	104,473	81,987	104,287
Proceeds of new borrowings	99,723	57,832	98,785	57,832
Repayments of borrowings	(48,962)	(86,764)	(55,409)	(80,132)
At end of period	126,302	75,541	125,363	81,987

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2012: nil).

34 Borrowings continued

` Facility represents dollar notes issued by FBN Finance Company B.V, Netherlands on 7 August 2013 for a period of 7 years. The notes bear interest at 8.25% per annum up to the bank call date of 7 August 2018. From the call date up to the maturity date, the notes bear interest at a fixed rate of 6.875% per annum plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of 2 years. The loan is redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) Facility represents a medium-term loan (callable notes) secured from European Investment Bank. The loan is divided into tranche A of euro 35 million for a tenure of five year and tranche B of euro 15 million for a tenure of eight years, which qualifies it as tier II capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The outstanding balance at 31 December 2013 relates to tranche B

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

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N 200 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, the Bank of Industry (BOI) disbursed an additional N2.4 billion (2012: N 1.8billion) to First Bank of Nigeria Limited.The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate is 7% per annum.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, First Bank Nigeria Limited received N 3.77 billion (2012: N 5.9 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.

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

35 Retirement benefit obligations

	GROUP		BANK	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Defined Benefits Plan				
Gratuity Scheme (i)	343	14,158	-	13,792
Defined benefits - Pension (ii)	1,111	4,358	1,111	4,364
Gratuity Scheme (iii)	322	132	-	-
	1,776	18,648	1,111	18,156

Plan liabilities are based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2013 and 31 December 2012.

35 Retirement benefit obligations continued

Change in accounting policy due to application of IAS 19 (as revised in 2011) Employee benefits

In the current period, the Group has applied IAS 19 (as revised June 2011) Employee Benefits and the related consequential amendments.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefits obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach permitted under the previous version IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statements of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and the return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest" amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group already fully recognises actuarial gains and losses in other comprehensive income and all past service costs are fully recognised in the period in which they arise. Therefore the change to the accounting policy in relation to the revised standard mainly impacts on the treatment of the return on plan assets. The return on plan assets which was previously included in the income statement is now reported in the statement of other comprehensive income. Schemes (1) & (3) has no plan assets. The effect of the change in accounting policy on the statement of cash flows and on earnings per share was immaterial. The impact of change in accounting policy is therefore shown below:

IMPACT OF CHANGE ON ACCOUNTING POLICY

Adjustments to consolidated income statement	**GROUP 31 Dec 2012 N 'millions**	**BANK 31 Dec 2012 N 'millions**
Net income before accounting change	87,138	83,288
Increase in		
Finance expense	142	142
Change to net income	142	142
Net income after accounting change	87,280	83,430
Adjustments to consolidated comprehensive income		
Comprehensive income before accounting change	96,278	86,322
Decrease in other comprehensive income for re-measurements of post- employments benefit liabilities	(142)	(142)
Increase in net income	142	142
Change to comprehensive income	-	-
Comprehensive income after accounting change	96,278	86,322

Gratuity scheme (1)

FBN Limited and FPCNL each have a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the enity. FBN Limited's scheme was terminated in 2013 and individual memebers benefit were calculated on a discontinuance basis. Amounts recognised in the statement of financial position are shown below.

35 Retirement benefit obligations continued

Movement in the present value of the defined benefit obligation (gratuity scheme 1) in the current year is as follows:

	GROUP N 'millions	BANK N 'millions
Defined benefit obligations at 1 January 2012	7,685	7,669
Service cost	1,345	1,033
Interest cost	1,055	1,037
Remeasurment		
- (Gain)/loss from change in financial assumptions	(71)	(71)
- change in demographic assumptions	3,027	3,007
Benefits paid (in the year)	(13,496)	(13,495)
Curtailment (Gains)/losses	9,031	9,031
Plan amendments	5,582	5,582
Defined benefit obligations at 31 December 2012	**14,158**	**13,793**
Service cost	1,678	1,617
Interest cost	1,736	1,711
Remeasurment		
- (Gain)/loss from change in financial assumptions	(1,073)	(1,073)
- change in demographic assumptions	(2,178)	(2,175)
Benefits paid (in the year)	(9,328)	(9,223)
Curtailment (Gains)/losses	2,855	2,855
Plan amendments	1,123	1,123
Reclassification of curtailed liability*	(8,628)	(8,628)
Defined benefit obligations at 31 December 2013	343	-

* this represents the outstanding liability payable to staff in 2014.

	GROUP		BANK	
	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
Amounts recognised in the income statement (gratuity scheme 1) are as follows:				
Current service cost	(1,678)	(1,345)	(1,617)	(1,033)
Interest expense on obligation	(1,736)	(1,055)	(1,711)	(1,037)
Curtailment Gains/ (losses)	(2,855)	(9,031)	(2,855)	(9,031)
Actuarial (losses)/ gains	3,248	-	3,248	-
Plan amendments	(1,123)	(5,582)	(1,123)	(5,582)
Total employee benefits expense	(4,144)	(17,013)	(4,058)	(16,683)
Amount recognised in other comprehensive income are as follows:				
Actuarial losses/(gains)	3	(2,956)	-	(2,936)

Defined benefit - Pension 2

The Bank has an old Defined Benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit, and has elected to do this over the next five years commencing January 2010 with an annual contribution of N1.2 billion.

35 Retirement benefit obligations continued

The movement in the defined benefit obligation over the year is as follows:

	GROUP/ BANK		
	Present value of the obligation N 'millions	**Fair value of plan assets N 'millions**	**Total N 'millions**
Defined benefit pension obligations at 1 January 2012	14,293	(7,288)	7,005
Interest expense/(income)	1,479	(660)	819
Remeasurement:		-	-
- Return on plan assets not included in net interest cost on pension scheme		(1,915)	(1,915)
- change in demographic assumptions	(536)	0	(536)
Contributions:			-
- Employer		(1,010)	(1,010)
Payments:			-
- Benefit payment	(1,640)	1,640	-
Defined benefit pension obligations at 31 December 2012	**13,596**	**(9,233)**	**4,363**
Interest expense/(income)	1,439	(984)	455
Remeasurement:		-	-
- Return on plan assets not included in net interest cost on pension scheme		(216)	(216)
- change in demographic assumptions	(1,719)	0	(1,719)
Contributions:			-
- Employer		(1,772)	(1,772)
Payments:			-
- Benefit payment	(1,515)	1,515	-
Defined benefit pension obligations at 31 December 2013	**11,801**	**(10,690)**	**1,111**

The actual return on plan assets was N1.2 billion (2012: N2.7 billion).

GROUP/BANK

Composition of Plan assets		**2013**			**2012**	
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Equity Instruments			3,316			3,625
Banking	3,220			3,545		
Oil Service	44			45		
Real Estate	52			35		
Debt Instruments			7,374			5,607
Government		5,436			3,103	
Corporate Bond		155			155	
Money market investments		1,564			2,093	
Money on call		209			302	
Others		10			(46)	
Total	**3,316**	**7,374**	**10,690**	**3,625**	**5,607**	**9,232**

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

Arising from the defined benefit pension plan, the group is exposed to a number of risk, the most significant of which are deailed 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 that better match the liabilities. In equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long term objectives of the fund whilst taking advantage of selling offs Government Bonds to enter duration at attractive yields.

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

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 7yrs and retirement age of 60yrs

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation

The weighted average duration of the defined benefit obligation is 7years

35 Retirement benefit obligations continued

GROUP/BANK

	31 Dec 2013	31 Dec 2012
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11%	11%
Inflation rate	9%	10%
Future pension increases	0%	0%

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

	Assumption	Defined Benefit Obligation N'm	Impact on Liability
	11%	11,801	0.0%
	10.5%	12,161	3.0%
Discount rate	11.5%	11,463	-2.9%
	9%	11,801	0.0%
	8.5%	11,801	0.0%
Inflation rate	9.5%	11,801	0.0%
	0%	11,801	0.0%
	0.0%	11,801	0.0%
Pension increase rate	0.0%	11,801	0.0%
	Base	11,801	0.0%
	Improved by 1 year	11,904	0.9%
Life expectancy	Decreased by 1 year	11,697	-0.9%

The above sensitivity analyses are 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.

Gratuity scheme 3

This relates to the schemes operated by the subsidiaries of the bank as follows:

Banque International de Credit (BIC) Congo 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.

In 2013, FBN Limited acquired ICB Guinea and ICB Sierra Leone each of which has a graduated gratuity schemes for its staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

The aggregate balance on this scheme is immaterial.

36 Other liabilities

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Financial Liabilities:				
Customer deposits for letters of credit	58,029	47,401	43,403	25,028
Accounts payable	84,698	11,116	83,444	11,563
Creditors	6,669	17,050	4,407	16,518
Bank cheques	12,823	14,004	12,630	14,004
Collection on behalf of third parties	5,710	7,131	5,089	5,704
Other payables	14,056	21,587	7,846	14,222
	181,985	118,289	156,819	87,039
Non Financial Liabilities:				
Accruals	808	-	168	-
Other liabilities balance	182,793	118,289	156,987	87,039

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

37 Share capital

Authorised	31 December 2013	31 December 2012
50 billion ordinary shares of 50k each (2009: 30 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	Number of shares In millions	Ordinary shares N 'millions
At 31 December 2012	32,632	16,316
At 31 December 2013	32,632	16,316

38 Share premium and reserves

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

Share premium: Premiums from the issue of shares are reported in share premium. A share capital reserve reduction scheme was approved by Shareholders and regulators in 2012. This led to a reduction in share premium by N65 billion.

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

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

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

SSI reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

38 Share premium and reserves continued

Contingency reserve: As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund. Following the business restructuring in December 2012, this reserve has been transferred to the new Holding company.

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

Treasury share reserve: The Group buys and sells its own shares in the normal course of its equity trading and market activities. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

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

39 Reconciliation of profit before tax to cash generated from operations

	GROUP		**BANK**	
	31 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
Profit before tax from continuing operations	87,460	87,140	76,853	83,289
Profit before tax from discontinued operations	-	5,471	-	-
Profit before tax	87,460	92,611	76,853	83,289
Adjustments for:				
– Depreciation and amortisation	10,849	10,813	9,826	9,721
– Goodwill from impairment	552	-	-	-
– (Profit)/loss from disposal of property and equipment	(284)	(1,760)	(302)	(1,760)
– Foreign exchange losses / (gains) on operating activities	(104)	(2,456)	282.79	(924)
– Profit/(loss) from disposal of subsidiaries	-	(288)	-	(3,490)
– Profit/(loss) from disposal of investment securities	(1,383)	774	(2,931)	1,826
– Net gains/(losses) from financial assets classified as held for trading	1,386	(1,752)	1,386	(168)
– Impairment on loans and advances	5,895	16,729	4,471	13,664
– Change in provision in other assets	(5,020)	-	(5,022)	-
– Change in provision for impairment of investments	-	(981)	-	(560)
– Change in retirement benefit obligations	(15,228)	3,971	(15,325)	3,480
– Share of loss/(profit) from associates	(875)	(432)	-	-
– Dividend income	(905)	(702)	(2,079)	(3,766)
– Net interest income	(223,815)	(224,830)	(211,081)	(205,548)
Increase/(decrease) in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(149,502)	(87,612)	(112,015)	(83,589)
– Inventories	1,088	1,826	-	-
– Loans and advances to banks	(102,923)	(706)	(7,337)	(13,264)
– Loans and advances to customers	(229,630)	(310,698)	(163,607)	(212,132)
– Financial assets held for trading	(3,806)	1,086	(1,327)	142
– Other assets	747	22,226	3,196	14,775
– Pledged assets	(3,541)	22,020	(2,296)	22,020
Increase/(decrease) in operating liabilities:				
– Deposits from banks	(10,368)	(89,873)	(8,606)	(32,694)
– Deposits from customers	513,644	430,146	398,118	385,688
– Financial liabilities	(95)	(1,061)	419	135
– Other liabilities	18,779	(41,098)	31,007	(32,347)
Cash (used in) /generated from operations	(107,079)	(162,047)	(6,371)	(55,502)

40 Commitments and Contingencies

	31 December 2013 N 'millions	31 December 2012 N 'millions

40.1 Capital commitments

At the balance sheet date, the bank had capital commitments amounting to N573 million (31 December 2012; N1.3b) in respect of authorized and contracted capital projects. The expenditure will be funded from the group's internal resources.

	31 December 2013 N 'millions	31 December 2012 N 'millions
Authorised and contracted		
Group	34,451	1,300
Bank	573	1,300

40.2 Operating lease rentals:

At 31 December 2013 the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	GROUP		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Within one year	250	229	-	-
Between two and five years	918	564	-	-
More than five years	2,173	-	-	-
	3,341	793	-	-

40.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations
The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. Consequently, no provision has been made in these financial statements.

40.4 Other contingent commitments

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

	GROUP		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Performance bonds and guarantees	459,723	322,545	475,377	320,655
Letters of credit	233,892	211,816	197,168	196,267

40.5 Loan Commitments

	GROUP		BANK	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Undrawn irrevocable loan commitments	408,008	239,445	352,008	212,331

41 Related party transactions

The Group is controlled by FBN Holdings Plc. incorporated in Nigeria, which owns 99.9% of the ordinary shares.
FBN Holdings Plc. is the immediate parent company of FBN Nigeria Limited as well as the ultimate controlling party.

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

41.1 Loans and advances to related parties

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

	Parent	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 December 2013	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Loans and advances to customers					
Loans outstanding at 1 January		22,963	62,218		-
Loans issued during the year		9,070	17,055		-
Loan repayments during the year		-	(18,311)		-
Loans outstanding at 31 December		32,033	60,962		-
31 December 2012					
Loans and advances to customers					
Loans outstanding at 1 January		16,556	74,381		22,417
Loans issued during the year		6,407	11,688		-
Loan repayments during the year		-	(23,851)		(22,417)
Loans outstanding at 31 December		22,963	62,218		-

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

41.2 Deposits from related parties

BANK

31 December 2013					
Due to customers					
Deposits at 1 January	-	3,142	377	122	3,251
Deposits received during the year	38,379	1,007,058	6,122	59,968	247,997
Deposits repaid during the year	36,908	999,929	5,787	59,304	249,772
Deposits at 31 December	1,472	10,271	712	786	1,476
31 December 2012					
Due to customers					
Deposits at 1 January	-	3,306	330	516	186
Deposits received during the year	-	872,780	4,142	65,952	228,285
Deposits repaid during the year	-	872,944	4,095	66,346	225,220
	-	3,142	377	122	3,251

Related party transactions continued

41.3 Other transactions with related parties

	Entities controlled by Parent and Associates of the Parent	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
	N 'millions	N 'millions	N 'millions	N 'millions
31 December 2013				
Interest income	-	-	-	-
Interest expense	(224)	(23)	(5)	(246)
Fee and commission income	35	0	0	34
Other operating income	-	-	-	-
Operating expenses	-	-	-	-
Intercompany receivable	-	-	-	-
31 December 2012				
Interest income		-	-	-
Interest expense	(29)	(6)	(1)	(1)
Fee and commission income	18	1	0	32
Other operating income	-	-	-	-
Operating expenses	-	-	-	-
Intercompany receivable	-	-	-	-

41.4 Key management compensation

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

	GROUP		BANK	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
Salaries and other short-term employee benefits	730	399	730	399
Post-employment benefits	567	796	567	796
Other long term benefits	3,000	3,016	3,000	3,016
	4,297	4,211	4,297	4,211

42 Employees

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

	GROUP		BANK	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Executive directors	6	7	6	7
Management	65	74	57	66
Non-management	9,127	8,538	7,840	7,849
	9,198	8,619	7,903	7,922

See note 15 for compensation for the above staff

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

N300,000 - N2,000,000	1,096	158	33	31
N2,000,001 - N2,800,000	65	197	19	19
N2,800,001 - N3,500,000	624	566	586	482
N3,500,001 - N4,000,000	6	62	-	2
N4,000,001 - N5,500,000	2,600	2,917	2,597	2,855
N5,500,001 - N6,500,000	1,580	1,531	1,569	1,491
N6,500,000 - N7,800,000	1,024	927	1,010	892
N7,800,001 - N9,000,000	213	215	197	189
N9,000,001 and above	1,981	2,039	1,886	1,954
	9,189	8,612	7,897	7,915

43 Directors' emoluments

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

	GROUP	
	31 December 2013 N 'millions	31 December 2012 N 'millions
Fees and sitting allowances	254	79
Executive compensation	471	319
Retirement benefit costs	1,509	796
Other director expenses	3,851	3,016
	6,085	4,210

Fees and other emoluments disclosed above include amounts paid to:

Chairman	78	24
Highest paid director	277	100

43 Directors' emoluments continued

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

	Number GROUP 31 Dec 2013	31 Dec 2012
Below N1,000,000	-	-
N1,000,000 -N2,000,000	-	-
N2,000,001 -N3,000,000		
N5,500,001 and above	18	18
	18	18

44 Compliance with banking regulation

a - A penalty of N2 million was paid by the bank for the suspension of banking services by the Bank in Etsako West Local Government Area of Edo State.

b - A penalty of N2 million was paid by the bank for purchase of landed property at Eko Atlantic City without prior consent from CBN.

c - A penalty of N4 million was paid by the bank on non-notification for screening and approval of prospective employees before employment in line with approved persons regime.

d - A penalty of N4.03 million was paid by the bank for non-compliance with CBN cashless policy.

e - A penalty of N36 million was paid by the bank for closing/ suspending operations in 19 branches without CBN approval.

45 Events after statement of financial position date

The Bank has no events after the financial position date.

46 Dividends per share

A dividend of N32,632 million at N1.00 per share (2011: N26,105) that relates to the period to 31 December 2012 was paid in June 2013

In addition, an interim dividend of N1.20 kobo per share (2012: N1.00) was proposed by the board of directors on 6th December 2013.This interim dividend, amounting to N39,158 million (2012: N32,632), was paid on 9 January 2014.

47 Earnings per share

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

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

	Group		Bank	
		Restated		
	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
Profit from continuing operations attributable to owners of the parent (N'millions)	66,451	72,132	59,365	71,143
Weighted average number of ordinary shares in issue (in million)	32,632	32,632	32,632	32,632
Basic/diluted earnings per share (expressed in Kobo per share)	2.04	2.21	1.82	2.18

48 Changes in accounting policies - IFRS 10

As explained in note 2.2, the group has adopted IFRS 10 consolidated financial statements on 1 January 2013. The group has restated information for the preceeding comparative periods.

The following tables summarise the adjustments arising on the adoption of IFRS 10 to the group's:
- Income statement, statement of comprehensive income and statement of cashflow for the year ended 31 December 2012; and Statement of financial position as at 31 December 2013 and 31 December 2012 and 1 January 2012.

(i) Impact of change in accounting policy on consolidated statement of financial position.

(a)

	As at 31 December 2013	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
ASSETS			
Cash and balances with central banks	593,973	-	593,973
Loans and advances to banks	413,497	1,713	415,210
Loans and advances to customers	1,797,934	1	1,797,935
Financial assets at fair value through profit or loss	4,743	-	4,743
Investment securities	-	-	
-Available-for-sale investments	448,473	2,950	451,423
-Held to maturity investments	283,266	-	283,266
Asset pledged as collateral	53,650	-	53,650
Investment properties	-	-	-
Investments in associates accounted for using the equity method	6,225	-	6,225
Other assets	40,078	417	40,496
Intangible assets	8,594	-	8,594
Property, plant and equipment	78,466	24	78,490
Deferred tax	4,586		4,586
	3,733,487	5,105	3,738,591
Asset held for sale	10,784	-	10,784
	3,744,271	5,105	3,749,375
Total assets			
LIABILITIES			
Deposits from banks	77,481	-	77,481
Deposits from customers	2,942,782	-	2,942,782
Financial liabilities held for trading	1,701	-	1,701
Borrowings	126,302	-	126,302
Retirement benefit obligations	1,776	-	1,776
Current income tax liability	31,414	219	31,633
Deferred tax	10	-	10
Other liabilities	182,157	636	182,793
	3,363,622	856	3,364,477
Liabilities held for sale	1,747	-	1,747
Total liabilities	3,365,369	856	3,366,224
EQUITY			
Share capital	16,316	-	16,316
Share premium	189,241	-	189,241
Retained earnings	90,559	3,026	93,585
Other reserves			
Statutory reserve	51,988	-	51,988
SSI Reserve	6,076	-	6,076
AFS Fair value reserve	13,005	1,224	14,229
Statutory credit reserve	7,987	-	7,987
Foreign currency translation reserve	2,102	-	2,102
	377,273	4,250	381,523
Non-controlling interest	1,626	-	1,626
Total equity	378,899	4,250	383,149
Total equity and liabilities	3,744,269	5,105	3,749,375

48 Changes in accounting policies - IFRS 10 Continued

(b)	As at 31 December 2012 (Previously stated) N 'millions	Impact of IFRS 10 N 'millions	As at 31 December 2012 (Restated) N 'millions
ASSETS			
Cash and balances with central banks	298,024	-	298,024
Loans and advances to banks	393,125	1,048	394,173
Loans and advances to customers	1,563,005	(311)	1,562,695
Financial assets at fair value through profit or loss	2,565	-	2,565
Investment securities			
-Available-for-sale investments	351,374	2,125	353,499
-Held to maturity investments	330,860	-	330,860
Asset pledged as collateral	50,109	-	50,109
Investments in associates accounted for using the equity method	5,609	-	5,609
Other assets	33,733	250	33,984
Intangible assets	3,417	-	3,417
Property, plant and equipment	74,454	20	74,474
Deferred tax	7,955	-	7,954
	3,114,230	3,133	3,117,363
Asset held for sale	12,978	-	12,978
Total assets	3,127,208	3,133	3,130,341
LIABILITIES			
Deposits from banks	87,551	-	87,551
Deposits from customers	2,405,858	(823)	2,405,035
Financial liabilities held for trading	1,796	-	1,796
Borrowings	75,541	-	75,541
Retirement benefit obligations	18,648	-	18,648
Current income tax liability	22,374	162	22,536
Deferred tax	6	3	9
Other liabilities	118,066	223	118,289
	2,729,840	(435)	2,729,405
Liabilities held for sale	2,836	-	2,836
Total liabilities	2,732,676	(435)	2,732,240
EQUITY			
Share capital	16,316	(0)	16,316
Share premium	189,241	(0)	189,241
Retained earnings	94,991	2,446	97,437
Other reserves		-	
Statutory reserve	42,972	-	42,972
SSI Reserve	6,076	-	6,076
AFS Fair value reserve	25,815	1,121	26,936
Statutory credit reserve	16,101	-	16,101
Foreign currency translation reserve	1,668		1,668
	393,180	3,567	396,747
Non-controlling interest	1,353	-	1,353
Total equity	394,533	3,567	398,100
Total equity and liabilities	3,127,208	3,133	3,130,340

48 Changes in accounting policies - IFRS 10 Continued

(c)

	As at 1 January 2012	Impact of IFRS 10	As at 1 January 2012
	(Previously stated)		(Restated)
	N 'millions	N 'millions	N 'millions
ASSETS			
Cash and balances with central banks	199,228	-	199,228
Loans and advances to banks	462,856	472	463,328
Loans and advances to customers	1,252,462	(309)	1,252,153
Financial assets at fair value through profit or loss	5,964	-	5,964
Investment securities		-	
-Available-for-sale investments	356,933	2,732	359,665
-Held to maturity investments	337,336	-	337,336
Asset pledged as collateral	72,129	-	72,129
Inventory	25,609	-	25,609
Investment properties	4,055	-	4,055
Investments in associates accounted for using the equity method	7,489	-	7,489
Other assets	62,272	788	63,061
Intangible assets	1,008	-	1,008
Property, plant and equipment	65,874	15	65,889
Deferred tax	6,954	-	6,954
	2,860,169	3,699	2,863,868
Asset held for sale	-	-	-
Total assets	2,860,169	3,699	2,863,868
LIABILITIES			
Deposits from banks	183,500	-	183,500
Deposits from customers	1,951,321	(310)	1,951,011
Financial liabilities held for trading	2,857	-	2,857
Liability on investment contracts	49,440	-	49,440
Liability on insurance contracts	824	-	824
Borrowings	104,473	1,731	106,204
Retirement benefit obligations	15,081	-	15,081
Current income tax liability	24,254	74	24,328
Deferred tax	1,067	2	1,069
Other liabilities	158,773	552	159,325
	2,491,590	2,049	2,493,639
Liabilities held for sale	-	-	-
Total liabilities	2,491,590	2,049	2,493,639
EQUITY			
Share capital	16,316	0	16,316
Share premium	254,524	-	254,524
Retained earnings	41,587	1,574	43,161
Other reserves		-	
Statutory reserve	32,144	-	32,144
SSI Reserve	6,076	-	6,076
AFS Fair value reserve	8,524	76	8,600
Contingency Reserve	13	-	13
Statutory credit reserve	9,766	-	9,766
Treasury share reserve	(1,941)	-	(1,941)
Foreign currency translation reserve	606	-	606
	367,615	1,650	369,265
Non-controlling interest	964	-	964
Total equity	368,579	1,650	370,229
Total equity and liabilities	2,860,169	3,699	2,863,868

48 Changes in accounting policies - IFRS 10 Continued

(ii) Impact of change in accounting policy on the consolidated income statement

(a)	As at 31 December 2013	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
Continuing operations			
Interest income	309,901	324	310,224
Interest expense	(86,409)	-	(86,409)
Net interest income	223,492	324	223,815
Impairment charge for credit losses	(20,866)	345.06	(20,521)
Net interest income after impairment charge for credit losses	202,626	669	203,294
Fee and commission income	52,702	545	53,247
Fee and commission expense	(5,448)	-	(5,448)
Foreign exchange income	6,625	-	6,625
Net gains/(losses) on investment securities	1,318	65	1,383
Net gains/(losses) from financial assets classified as held for trading	(1,386)	-	(1,386)
Dividend income	811	94	905
Other operating income	591	92	683
Operating expenses	(172,233)	(486)	(172,718)
Operating profit	85,606	979	86,585
Share of profit / (loss) of associates	875	-	875
Profit before tax	86,481	979	87,460
Income tax expense	(20,952)	(58)	(21,009)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	65,529	922	66,451
PROFIT FOR THE YEAR	65,529	922	66,451
Earnings per share			
From continuing operations	2.01	0.03	2.04

48 Changes in accounting policies - IFRS 10 Continued

(ii) Impact of change in accounting policy on the consolidated income statement

(b)

	As at 31 December 2012 (Previously stated) N 'millions	Impact of IFRS 10 N 'millions	As at 31 December 2012 (Restated) N 'millions
Continuing operations			
Interest income	276,795	114	276,909
Interest expense	(58,511)	(75)	(58,586)
Net interest income	218,284	39	218,323
Impairment charge for credit losses	(12,912)	-	(12,912)
Net interest income after impairment charge for credit losses	205,372	39	205,411
Fee and commission income	55,993	13	56,005
Fee and commission expense	(1,131)	-	(1,131)
Foreign exchange income	2,456	-	2,456
Net gains/(losses) on investment securities	(860)	452	(408)
Net gains/(losses) from financial assets classified as held for trading	1,752	-	1,752
Dividend income	518	201	719
Other operating income	3,398	124	3,522
Operating expenses	(182,329)	133	(182,196)
Operating profit	85,169	962	86,130
Share of profit / (loss) of associates	1,008		1,008
Profit before tax	86,177	962	87,138
Income tax expense	(14,918)		(15,006)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	71,259	962	72,132
Discontinued operations			
Profit for the year from discontinued operations	3,838	-	3,838
PROFIT FOR THE YEAR	75,097	962	75,970
Earnings per share			
From continuing operations	2.18	0.03	2.21
From discontinued operations	0.12	-	0.12

48 Changes in accounting policies - IFRS 10 Continued

(iii) Impact of change in accounting policy on the consolidated statement of comprehensive income

(a)

	As at 31 December 2013	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
PROFIT FOR THE YEAR	66,114	337	66,451
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net gains on available-for-sale financial assets			
-Unrealised net gains arising during the period, before tax	(12,835)	(2,382)	(15,217)
-Net reclassification adjustments for realised net gains or losses, before tax	-	2,487	2,487
Share of other comprehensive income of associates	(259)	-	(259)
Exchange difference on translation of foreign operations	435	(1)	434
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension scheme	1,644	-	1,644
Return on plan assets	216	-	216
Income tax relating to components of other comprehensive income	2,404	(1,487)	917
Other comprehensive income for the year, net of tax	(8,396)	(1,383)	(9,778)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**57,718**	(1,046)	**56,674**

(b)

	As at 31 December 2012	Impact of IFRS 10	As at 31 December 2012
	(Previously stated) N 'millions	N 'millions	(Restated) N 'millions
PROFIT FOR THE YEAR	75,097	874	75,970
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net gains on available-for-sale financial assets			
-Unrealised net gains arising during the period, before tax	15,846	1,044	16,890
-Net reclassification adjustments for realised net gains or losses, before tax	1,930	-	1,930
Exchange difference on translation of foreign operations	1,827	-	1,827
		-	
Items that will not be reclassified to profit or loss		-	
Actuarial gains/(losses) on defined benefit pension scheme	(485)	-	(485)
Income tax relating to components of other comprehensive income	146	-	146
Other comprehensive income for the year, net of tax	19,264	1,044	20,308
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**94,360**	**1,918**	**96,278**

48 Changes in accounting policies - IFRS 10 Continued

(iv) Impact of change in accounting policy on the consolidated statement of cash flows

(a)

	As at 31 December 2013	**Impact of IFRS 10**	**As at 31 December 2013 as presented**
	N 'millions	**N 'millions**	**N 'millions**
Operating activities			
Cash flow (used in)/generated from operations	(106,280)	(799)	(107,079)
Income taxes paid	(6,059)	-	(6,059)
Interest received	316,137	126	316,263
Interest paid	(83,705)	-	(83,705)
Net cash flow generated from operating activities	120,095	(673)	119,419
Investing activities			
Purchase of investment securities	(294,324)	(228)	(294,552)
Proceeds from the sale of investment securities	304,329	160	304,489
Cash and cash equivalent acquired from subsidiary	9,172	-	9,172
Dividends received	905	-	905
Purchase of property, plant and equipment	(12,827)	-	(12,827)
Purchase of intangible assets	(1,160)	-	(1,160)
Proceeds on disposal of property, plant and equipment	403	(7)	396
Net cash used in investing activities	6,499 -	75	6,423
Financing activities			
Dividend paid	(32,588)	(44)	(32,632)
Proceeds from new borrowings	99,723	-	99,723
Repayment of borrowings	(51,647)	-	(51,647)
Net cash (used in)/generated from financing activities	15,488	(44)	15,444
Increase in cash and cash equivalents	140,479	808	141,287
Cash and cash equivalents at start of year	619,579	1,843	621,422
Effect of exchange rate fluctuations on cash held	(289)	-	(289)
Cash and cash equivalents at end of year	759,769	2,651	762,420

48 Changes in accounting policies - IFRS 10 Continued

(iv) Impact of change in accounting policy on the consolidated statement of cash flows

(b)	As at 31 December 2012	Impact of IFRS 10	As at 31 December 2012
	(Previously stated)		(Restated)
	N 'millions	N 'millions	N 'millions
Operating activities			
Cash flow (used in)/generated from operations	(160,555)	(1,492)	(162,047)
Income taxes paid	(21,447)	-	(21,447)
Interest received	308,413	260	308,673
Interest paid	(65,673)	(77)	(65,750)
Net cash flow generated from operating activities	60,738	(1,309)	59,429
Investing activities			
Purchase of investment securities	(51,473)	(304)	(51,777)
Proceeds from the sale of investment securities	17,612	2,008	19,620
Net cash flow from disposal of subsidiaries	(30,619)	-	(30,619)
Net cash flow from business restructuring	(24,885)	-	(24,885)
Cash and cash equivalent acquired from subsidiary	11,463	-	11,463
Dividends received	518	200	718
Purchase of property, plant and equipment	(18,635)	(10)	(18,645)
Purchase of intangible assets	(1,494)	-	(1,494)
Proceeds on disposal of property, plant and equipment	2,862	-	2,862
Net cash used in investing activities	(94,651)	1,894	(92,757)
Financing activities			
Dividend paid	(26,105)	-	(26,105)
Proceeds from new borrowings	57,832	-	57,832
Repayment of borrowings	(85,805)	-	(85,805)
Net cash (used in)/generated from financing activities	(54,078)	-	(54,078)
Increase in cash and cash equivalents	(87,991)	585	(87,406)
Cash and cash equivalents at start of year	708,503	785	709,288
Effect of exchange rate fluctuations on cash held	(458)	-	(458)
Cash and cash equivalents at end of year	620,054	1,370	621,422

48 Changes in accounting policies - IFRS 10 continued

(v) Impact of change in accounting policy on the statement of changes in equity

	Share Capital N 'millions	Share Premium N 'millions	Retained Earnings N 'millions	Other Reserves N 'millions	Total N 'millions	Non-controlling Interest N 'millions	Total Equity N 'millions
Balance as at 1 January 2012 as previously reported	16,316	254,524	41,587	55,188	367,615	964	368,579
Effect of changes in accounting policies	-	-	1,575	76	1,651	-	1,651
Balance as at 1 January 2012 as restated	16,316	254,524	43,162	55,264	369,266	964	370,230
Profit for the year as previously reported	-	-	75,040	-	75,040	57	75,097
Effect of changes in accounting policies	-	-	873	-	873	-	873
Profit for the year as restated	-	-	75,914	-	75,914	57	75,971
Other Comprehensive income for the year as previously rep	-	-	(340)	18,838	18,499	-	18,499
Effect of changes in accounting policies	-	-	-	1,044	1,044	-	1,044
Other Comprehensive income for the year as restated	-	-	(340)	19,882	19,543	0	19,543
Dividends	-	-	(26,105)	-	(26,105)		(26,105)
Acqusiition of subsidiary	-	-	-	-	-	1,286	1,286
Transfer from retained earnings	-	-	(27)	27	-	-	-
Transfer between reserves	-	-	(17,219)	17,219	-	-	-
Transfer resulting from Business Restructuring	-	(65,283)	22,054	1,361	(41,868)	(953)	(42,821)
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	(65,283)	(21,297)	18,607	(67,973)	333	(67,640)
Balance as at 31 December 2012 as previously reported	16,316	189,241	94,991	92,633	393,181	1,354	394,535
Effect of changes in accounting policies	-	-	2,448	1,120	3,568	-	3,568
Balance as at 31 December 2012 as restated	16,316	189,241	97,439	93,753	396,749	1,354	398,102

24.2 Condensed results of consolidated entities from continuing operations

31 December 2013	PARENT	FBN UK	BIC	ICB GHANA	ICB GAMBIA	SIERRA-LEONE	ICB GUINEA	MORTGAGES	BDC	PENSION	OTHERS	TOTAL	ADJUSTMENTS	BANKING GROUP
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement														
Operating income	255,810	15,325	7,985	632	19	52	134	356	178	3,286	1,335	285,112	(5,287)	279,824
Operating expenses	(159,120)	(5,785)	(5,990)	(263)	(32)	(27)	(85)	(1,602)	(150)	(1,260)	(700)	(175,012)	2,294	(172,718)
Provision expense	(19,838)	(1,955)	(558)	(102)	30	(5)	(1)	-	(1)	-	-	(22,430)	1,909	(20,521)
Operating profit	76,852	7,585	1,437	267	17	20	49	(1,246)	27	2,026	635	87,669	(1,084)	86,585
Associate	-	-	-	-	-	-	-	-	-	-	-	-	875	875
Profit before tax	76,852	7,585	1,437	267	17	20	49	(1,246)	27	2,026	635		(209)	87,460
Tax	(17,487)	(1,770)	(1,010)	(96)	2	(8)	(16)	-	(31)	(523)	(58)	(20,998)	(11)	(21,010)
(Loss)/Profit for the year	59,365	5,815	427	171	19	12	33	(1,246)	(4)	1,503	577	66,671	(220)	**66,450**
Other comprehensive income	(9,047)	(653)	-	-	-	-	-	(2)	-	3	103	(9,596)	(183)	(9,779)
Total comprehensive income	50,319	5,161	427	171	19	12	33	(1,248)	(4)	1,506	679	57,075	(403)	56,671
Total comprehensive income allocated to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non controlling interest	-	-	107	-	-	-	-	-	-	-	-	107	-	107
Summarized Financial Position														
Assets														
Cash and balances with Central Bank	541,221	37,409	8,571	1,800	846	512	3,605	2	3	-	2	593,972	-	593,972
Due from other banks	367,571	126,547	9,354	4,797	20	-	2,437	2,442	247	103	1,713	515,231	(100,021)	415,210
Loans and advances	1,473,841	291,064	23,787	8,605	771	1,150	1,882	2,188	6	25	1	1,803,319	(5,387)	1,797,932
Financial Assets held for Trading (HFT)	2,225	2,518	-	-	-	-	-	-	-	-	-	4,743	-	4,743
Investment securities	637,928	76,701	4,206	4,393	730	1,930	1,489	57	-	4,391	50,565	782,390	(47,701)	734,689
Assets Pledged as collateral	52,405	-	-	1,245	-	-	-	-	-	-	-	53,650	-	53,650
Investment in subsidiaries	56,307	-	-	-	-	-	-	-	-	-	-	56,307	(56,307)	-
Investment in Associates	2,224	-	-	-	-	-	-	-	-	-	-	2,224	4,003	6,227
Other assets	36,067	703	2,993	526	27	77	344	58	48	471	434	41,748	(1,252)	40,496
Deferred tax	3,654	13	696	87	8	11	-	-	-	117	-	4,586	-	4,586
Intangible Assets	1,242	542	-	49	6	1	8	5	-	156	-	2,009	6,585	8,594
Property and equipment	71,893	431	4,021	240	16	12	46	22	15	1,049	24	77,768	723	78,491
Assets held for sale	-	-	-	-	-	-	-	10,784	-	-	-	10,784	-	10,784
	3,246,578	535,929	53,628	21,741	2,424	3,692	9,811	15,558	319	6,312	52,738	3,948,731	(199,355)	**3,749,375**
Financed by														
Customer deposits	2,570,720	295,740	43,180	11,837	1,302	2,215	7,717	11,109	-	-	-	2,943,820	(1,037)	2,942,783
Due to other banks	10,155	156,125	-	18	212	71	-	-	-	-	-	166,581	(89,100)	77,481
Financial liabilities held for trading	1,697	4	-	-	-	-	-	-	-	-	-	1,701	-	1,701
Borrowed funds	125,362	12,836	-	3,375	-	-	-	-	-	-	47,615	189,187	(62,885)	126,302
Tax payable	29,835	-	492	-	15	67	94	74	22	815	220	31,633	-	31,633
Other liabilities	156,988	18,945	3,814	338	35	26	524	2,561	102	481	651	184,464	(1,671)	182,793
Retirement benefit obligations	1,111	-	-	-	-	8	79	-	-	343	-	1,542	235	1,777
Deferred income tax liabilities	-	-	1,292	-	-	-	-	8	2	-	-	1,302	(1,292)	10
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-	1,747	1,747
	2,895,869	483,649	48,778	15,568	1,563	2,387	8,413	13,752	125	1,639	48,487	3,520,230	(154,003)	**3,366,227**
Equity and reserves	350,709	52,279	4,849	6,174	861	1,305	1,398	1,806	194	4,673	4,252	428,501	(45,352)	**383,149**
Summarized cash flows														
Operating activities														
Interest received	293,197	7,465	3,786	3,518	294	532	540	721	11	-	126	310,191	7,527	317,718
Interest paid	(73,323)	(20,801)	(366)	(1,149)	(107)	(231)	(90)	(649)	-	-	-	(96,717)	13,011	(83,705)
Purchase of investment securities	(279,439)	-	-	-	(1,267)	(381)	37	-	-	(4,122)	(228)	(285,400)	(9,152)	(294,552)
Proceeds from the sale of investment securities	294,343	-	-	1,580	1,188	-	-	-	-	-	162	297,273	9,185	306,458
Income tax paid	(3,734)	(2,094)	(776)	(359)	(34)	(50)	(120)	(375)	(34)	(492)	-	(8,067)	1,652	(6,415)
Cash flow generated from operations	8,533	41,599	1,415	(3,518)	223	166	1,059	2,022	38	2,273	799	54,610		54,610
Net cash generated from operating activities	239,577	26,168	4,059	72	297	37	1,427	1,719	15	(2,341)	860	271,889		271,889
Net cash used in investing activities	(11,392)	(565)	(773)	(36)	(15)	(4)	(22)	8	(0)	(1,154)	(7)	(13,961)	23,109	9,148
Net cash used in financing activities	8,850	(2,182)	(91)	1,364	(48)	47	(160)	-	(3)	(340)	(44)	7,394	8,051	15,444
Increase in cash and cash equivalents	237,035	23,421	3,195	1,400	234	80	1,245	1,727	12	(3,835)	808	265,322		265,322
Cash and cash equivalents at start of year	500,389	61,565	20,409	3,590	455	433	4,490	720	238	4,208	1,843	598,338	23,306	621,644
Effect of exchange rate fluctuations on cash held	(326)	-	(18)	-	-	-	-	-				(344)	16	(328)
														-
Cash and cash equivalents at end of year	737,097	84,986	23,585	4,990	689	512	5,735	2,447	250	373	2,651	863,316	23,322	886,638

BREAKDOWN OF OTHERS IN NOTE 24.2

31 December 2013	FBN Finance N'million	Sinking Funds N'million	FBN Nominees N'million	FirstDependants N'million	Total N'million
Summarized Income Statement					
Operating income	215	302	560	258	**1,335**
Operating expenses	(214)	(72)	(369)	(44)	**(700)**
Provision expense	-	-	-	-	**-**
Operating profit	1	230	191	214	**635**
Associate	-	-	-	-	**-**
Profit before tax	1	230	191	214	**635**
Tax	(1)	-	(58)	-	**(58)**
(Loss)/Profit for the year	(0)	230	133	214	**577**
Other comprehensive income	(2)	-	79	25	**103**
Total comprehensive income	(2)	230	212	239	**679**
Summarized Financial Position					
Assets					
Due from other banks	2	294	868	551	**1,715**
Loans and advances	-	-	1	-	**1**
Investment securities	47,615	837	544	1,569	**50,565**
Other assets	16	126	4	287	**433**
Property and equipment	-	-	24	-	**24**
	47,633	1,257	1,441	2,407	**52,739**
Financed by					
Borrowed funds	47,615	-	-	-	**47,615**
Tax payable	1	-	219	-	**220**
Other liabilities	15	90	112	434	**651**
	47,631	90	331	434	**48,487**
Equity and reserves	2	1,167	1,110	1,973	**4,252**
Total Equity and Liabilities	47,633	1,257	1,441	2,407	**52,739**
Summarized cash flows					
Operating activities					
Interest received	-	85	12	29	**126**
Interest paid	-	-	-	-	**-**
Purchase of investment securities	-	(228)	-	-	**(228)**
Proceeds from the sale of investment securities	-	-	-	162	**162**
Income tax paid	-	-	-	-	**-**
Cash flow generated from operations	-	454	142	203	**799**
Net cash generated from operating activities	-	311	154	394	**859**
Net cash used in investing activities	-	-	(7)	-	**(7)**
Net cash used in financing activities	-	-	-	(44)	**(44)**
Increase in cash and cash equivalents	-	311	147	350	**808**
Cash and cash equivalents at start of year	-	918	724	201	**1,843**
Effect of exchange rate fluctuations on cash held	-		-	-	**-**
Cash and cash equivalents at end of year	-	1,229	871	551	**2,651**

Note 41. Related party transactions continued

Direct credit assets to Directors

Name	Relationship to Reporting Institution	Related Party	Amount (N)	Outstanding Credit Non Performing (N)	TOTAL (N)	Status	Collateral Type
Abiru Adetokunbo Mukhail	Executive Director	Abiru Adetokunbo Mukhail	101,669,755		101,669,755	Performing	Legal Mortgage on Property
Adelabu Adebayo Adekola	Executive Director	Adelabu Adebayo Adekola	98,622,873	-	98,622,873	Performing	Legal Mortgage on Property
AGUSTO & CO LIMITED	Executive Director	Francis Shobo	1,460,658	-	1,460,658	Performing	Charge on Asset
AL-FIL Petroleum Company Ltd	Non-Executive Director	Khadija Alao-Straub	-	190,031,042	190,031,042	Non-Performin	Legal Mortgage/Debenture
Anchorage Liesure Ltd	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko/ Alh. Abdullahi Mal	1,318,733,529	-	1,318,733,529	Performing	Debenture
AWOSIKA IBIKUN ABIODUN	Non-Executive Director	AWOSIKA IBIKUN ABIODUN	5,426,660	-	5,426,660	Performing	Otherwise Secured
BISI ONASANYA	MD/CEO	BISI ONASANYA	14,233,932	-	14,233,932	Performing	Legal Mortgage on Property
BORINI PRONO & CO. LTD	Non-Executive Director	LAWAL KANKIYA IBRAHIM	3,529,745,339	-	3,529,745,339	Performing	Domiciliatin of receivables
Fan Milk Plc	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko	1,141,433,415	-	1,141,433,415	Performing	Negative Pledge
FEESE AMBROSE ASULA	Non-Executive Director	FEESE AMBROSE ASULA	2,905,197	-	2,905,197	Performing	Otherwise Secured
FRANCIS SHOBO	Executive Director	FRANCIS SHOBO MORTGAGE	483,326	-	483,326	Performing	Otherwise Secured
Honey Well Group	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko/Garba Duba	41,210,108,126	-	41,210,108,126	Performing	Corporate Guarantee
Hudson Petroleum(CP)	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko	699,981,370	-	699,981,370	Performing	Domiciliatin of receivables
Khalil & Dibbo Transport Ltd.	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko	241,689,402	-	241,689,402	Performing	Legal Mortgage on Property
LAWAL KANKIYA IBRAHIM	Chairman FBN Holdings / Non Exec Direct	LAWAL KANKIYA IBRAHIM	6,530,161	-	6,530,161	Performing	Legal Mortgage on Property
LISTER FLOUR MILLS (NIGERIA) LII	Non-Executive Director	Khadija Alao-Straub	6,013,085,847	-	6,013,085,847	Performing	Legal mortgage
Maccido Bello Mohammed	Non-Executive Director	Maccido Bello Mohammed	1,906,090	-	1,906,090	Performing	Otherwise Secured
OTUDEKO AYOOLA OBA	Non-Executive Director	Oba Otudeko	122,821	-	122,821	Performing	Otherwise Secured
Pivot Engineering LTD	Chairman FBN Holdings / Non Exec Direct	Oba Otudeko/Obafemi Adedamola Otudeko	5,190,896,158	-	5,190,896,158	Performing	Debenture
PREMIUM POULTRY FARMS LIMITE	Non-Executive Director	Mahey Rafindadi Rasheed	1,192,332,091	-	1,192,332,091	Performing	Debenture

28 Property, plant and equipment

BANK

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Work in progress N million	Total N million
Cost								
At 1 January 2012	29,161	10,905	9,028	28,050	12,698	4,853	9,868	104,563
Additions	2,273	2,658	2,704	6,188	1,761	1,301	-	16,885
Disposals	(292)	-	(1,746)	(1,385)	(353)	(176)	-	(3,952)
At 31 December 2012	31,142	13,563	9,986	32,853	14,106	5,978	9,868	117,496
Accumulated depreciation								
At 1 January 2012	3,120	-	6,311	17,272	10,561	3,243	-	40,507
Charge for the year	607	-	1,442	4,741	1,664	715	-	9,169
Disposals	(96)	-	(1,356)	(942)	(353)	(157)	-	(2,904)
At 31 December 2012	3,631	-	6,397	21,071	11,872	3,801		46,772
Net book amount at 31 December 2012	**27,511**	**13,563**	**3,589**	**11,782**	**2,234**	**2,177**	**9,868**	**70,724**
Cost								
At 1 January 2013	31,142	13,563	9,986	32,853	14,106	5,975	9,868	117,492
Additions	1,767	2,491	2,278	2,524	944	1,986	708	12,699
Reclassifications	-	1,468	4	1,779	123	119	(3,493)	0
Other Adjustments	-	-	-	-	-	-	(1,776)	(1,776)
Write offs	(60)	-	(3,423)	(8,219)	(7,302)	(1,894)	-	(20,898)
Disposals	(357)	-	(1,670)	(479)	(2,135)	(99)	-	(4,740)
At 31 December 2013	32,492	17,522	7,175	28,458	5,736	6,087	5,307	102,777
Accumulated depreciation								
At 1 January 2013	3,631	-	6,397	21,071	11,872	3,801	-	46,772
Charge for the year	636		1,596	4,645	1,424	862	-	9,164
Write offs	(60)		(3,423)	(8,219)	(7,302)	(1,894)	-	(20,897)
Disposals	(61)		(1,333)	(500)	(2,139)	(123)	-	(4,156)
At 31 December 2013	4,146	-	3,238	16,997	3,855	2,647	-	30,883
Net book amount at 31 December 2013	**28,346**	**17,522**	**3,937**	**11,461**	**1,881**	**3,441**	**5,307**	**71,893**

First Bank of Nigeria Limited

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2013

28 Property, plant and equipment
GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Plant & machinery N million	Work in progress N million	Total N million
Cost									
At 1 January 2012	29,614	11,336	9,989	28,401	13,606	5,380	-	9,876	108,201
Acquisition of new subsidiary	1,546	-	297	576	983	616	-	420	4,438
Additions	2,421	2,658	3,185	6,297	2,027	1,461	-	595	18,644
Reclassifications	-	-	-	-	(14)	-	-	-	(14)
Disposals	(292)	-	(1,916)	(1,387)	(355)	(181)	-	(8)	(4,139)
Write Offs	(101)	-	-	-	(85)	(49)	-	-	(235)
Discontinued Operations	-	(368)	(171)	(126)	(238)	(38)	-	-	(941)
Transfer to Holdco	(199)	-	(708)	(164)	(430)	(301)	-	-	(1,801)
Exchange difference	(1)	-	-	-	(0)	(0)	-	-	(1)
At 31 December 2012	32,988	13,626	10,676	33,598	15,495	6,888	-	10,883	124,153
Accumulated depreciation									
At 1 January 2012	3,311	-	6,734	17,487	11,221	3,594	-	-	42,347
Acquisition of new subsidiary	79	-	242	445	641	343	-	-	1,750
Charge for the year	674	-	1,760	4,862	2,017	855	-	-	10,168
Disposals	(96)	-	(1,509)	(943)	(354)	(162)	-	-	(3,065)
Write Offs	(101)	-	-	-	(85)	(49)	-	-	(235)
Discontinued Operations	-	-	(67)	(93)	(200)	(24)	-	-	(384)
Transfer to Holdco	(14)	-	(288)	(99)	(283)	(221)	-	-	(904)
Exchange differences	-	-	-	-	-	-	-	-	-
At 31 December 2012	3,853	-	6,872	21,659	12,957	4,336	-	-	49,679
Net book amount at 31 December 2012	**29,135**	**13,626**	**3,804**	**11,938**	**2,538**	**2,552**	**-**	**10,883**	**74,474**
Cost									
At 1 January 2013	32,988	13,626	10,675	33,595	15,466	6,878	-	10,883	124,111
Additions	3,901	2,491	2,500	2,664	1,169	2,019	-	814	15,559
Acquisition of new subsidiary	226	134	109	134	228	57	36	24	949
Reclassifications	569	1,410	4	1,815	123	(344)	(36)	(3,541)	0
Other Adjustments	-	-	-	(0)	-	-		(1,776)	(1,776)
Disposals	(357)	(63)	(1,747)	(489)	(2,136)	(106)	-	-	(4,897)
Write Offs	(87)	-	(3,423)	(8,226)	(7,302)	(1,894)	-	-	(20,933)
Exchange difference	26	-	44	151	52	2	-	-	275
At 31 December 2013	37,266	17,598	8,164	29,644	7,600	6,612	-	6,404	113,288
Accumulated depreciation									
At 1 January 2013	3,853	-	6,873	21,657	12,933	4,335	-	-	49,651
Exchange differences	0	-	(21)	(41)	(55)	(33)	-	-	(149)
Charge for the year	776	(2)	1,735	4,734	1,676	903	1	-	9,822
Acquisition of new subsidiary	192	4	83	98	176	43	26	-	622
Reclassifications	258	1,410	4	1,815	123	(81)	(36)	(3,493)	0
Disposals	(61)	-	(1,383)	(484)	(2,139)	(129)	(27)	-	(4,223)
Write Offs	(85)	-	(3,423)	(8,222)	(7,302)	(1,894)	-	-	(20,925)
At 31 December 2013	4,933	1,412	3,869	19,558	5,412	3,143	(37)	(3,493)	34,798
Net book amount at 31 December 2013	**32,333**	**16,186**	**4,295**	**10,086**	**2,188**	**3,469**	**37**	**9,897**	**78,490**

Exchange Difference on PPE

These exchange difference on PPE occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBN Bank (UK) and FBN Bank (Congo),with major impact coming from translation of FBN Bank (Congo). The closing exchange rate to the dollar for 2012 was 900 Congolses Francs while this has shifted to 922.5 Congolese Francs by the end of 2013.

Statement of Value Added - Group
Year ended 31 December 2013

Group	31 December 2013 N'million	%	31 December 2012 N'million	%
Gross income	**372,557**		358,397	
Interest expense	**(91,857)**		(62,253)	
	280,700		296,144	
Administrative overheads:				
- Local	**(94,348)**		(108,783)	
- Foreign	**(5,238)**		(5,911)	
Value added	**181,113**	**100**	181,450	100
Distribution				
Employees				
- Salaries and benefits	**61,790**	**34**	65,808	36
Government				
- Taxation	**21,009**	**12**	16,839	9
The future				
- Asset replacement (depreciation)				
- Local	**9,277**	**5**	9,434	5
- Foreign	**546**	**0**	461	0
- Asset replacement (amortisation)				
- Local	**1,381**	**1**	518	0
- Foreign	**136**	**0**	127	0
- Asset replacement (provision for losses)	**20,521**	**11**	13,165	7
- Expansion (transfers to reserves)	**66,451**	**37**	75,097	41
	181,112	**100**	181,450	100

Statement of Value Added - Bank

Bank	**31 December 2013 N'million**	**%**	31 December 2012 N'million	%
Gross income	**339,019**		313,821	
Interest and fee expense	**(83,208)**		(51,778)	
	255,811		262,043	
Administrative overheads	**(94,673)**		(98,735)	
Value added	**161,138**	**100**	163,308	100
Distribution				
Employees				
- Salaries and benefits	**54,621**	**34**	60,447	37
Government				
- Company income tax	**17,488**	**11**	12,145	7
The future				
- Asset replacement (depreciation)	**9,164**	**6**	9,169	6
- Asset replacement (amortisation)	**662**	**0**	556	0
- Asset replacement (provision for losses)	**19,839**	**12**	9,847	6
- Expansion (transfers to reserves)	**59,365**	**37**	71,144	44
	161,139	**100**	163,308	100

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				*As reported under N-GAAP*
	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
	N'million	N'million	N'million	N'million	N'million
Assets:					
Cash and balances with central bank	**541,221**	288,125	199,091	74,894	67,576
Loans and advances to banks	**367,571**	329,120	222,347	383,880	255,903
Loans and advances to customers	**1,473,840**	1,316,407	1,144,461	1,046,925	1,033,321
Financial assets held for trading	**2,225**	1,942	2,552	11,485	-
Investment securities	**637,928**	631,211	670,624	245,494	285,469
Assets pledged as collateral	**52,405**	50,109	72,129	122,009	-
Investment in associates	**2,224**	2,224	14,099	14,099	2,224
Investment in subsidiaries	**56,307**	40,348	32,416	30,416	30,416
Other assets	**36,068**	32,459	43,734	33,344	51,245
Intangible assets	**1,242**	1,302	734	265	-
Property, plant and equipment	**71,893**	70,724	64,056	62,252	46,302
Deferred tax	**3,654**	6,703	5,195	12,146	-
	3,246,577	2,770,674	2,471,438	2,037,209	1,772,456
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	14,504
Share premium	**189,241**	189,241	254,524	254,524	254,524
Reserves	**145,152**	166,619	106,404	144,769	48,460
Deposits from banks	**10,155**	18,463	51,306	55,221	65,087
Deposits from customers	**2,570,719**	2,171,807	1,784,490	1,328,218	1,244,030
Financial liabilities held for trading	**1,697**	1,278	1,143	1,639	-
Borrowings	**125,363**	81,987	104,287	126,096	35,473
Retirement benefit obligations	**1,111**	18,156	14,676	11,075	544
Current income tax	**29,836**	19,768	21,354	15,118	14,948
Other liabilities	**156,987**	87,039	116,938	84,233	84,742
Deferred income tax liabilities	**-**	-	-	-	10,144
	3,246,577	2,770,674	2,471,438	2,037,209	1,772,456

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - BANK

INCOME STATEMENT

		As reported under IFRS		*As reported under N-GAAP*	
	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	9 months ended 31 Dec 2009
Gross Earnings	**339,019**	313,822	251,312	209,187	175,390
Net operating income	**255,810**	258,554	220,706	163,142	119,167
Gain from disposal of subsidiary	**-**	3,490	-	-	-
Operating expenses	**(159,119)**	(168,908)	(133,368)	(107,392)	(70,016)
Impairment charge for credit losses	**(19,838)**	(9,847)	(32,165)	(22,596)	(41,462)
(Loss) on sale of assets to AMCON	**-**	-	(15,501)	-	-
Exceptional item	**-**	-	-	383	-
Profit before taxation	**76,853**	83,289	39,672	33,537	7,689
Taxation	**(17,488)**	(12,145)	(16,620)	(1,414)	(6,414)
Profit after taxation	**59,365**	71,144	23,052	32,123	1,275
Earnings per share (basic)	**182**	218	71	98	4

In line with IFRS 1.22(d), the figures reported in the above statement of financial position for years 2010 to 2013 and income statement for years 2011 to 2013 have been prepared using relevant IFRS guidelines and standards. In constrast,the figures in the above statement of financial position for year 2009 and income statement for years 2009 and 2010 have been prepared usinng relevant Nigerian GAAP guidelines and standards.

Therefore,the numbers in the affected relevant areas listed below should not be compared when being used.

(a) Statement of Financial Position

- Loans and adavances to banks
- Loans and advances to customers
- Financial assets held for trading
- Assets pledged as collateral
- Other assets
- Deposit from banks
- Deposit from customers
- Financial liabilities held for trading
- Borrowings
- Retirement benefit obligations
- Other liabilities

(b) Income Statement

- Interest income
- impairment charge for credit losses
- Net operating income

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

		As reported under IFRS			*As reported under N-GAAP*
		Restated	*Restated*		
	31 December 2013 N'million	31 December 2012 N'million	31 December 2011 N'million	31 December 2010 N'million	31 December 2009 N'million
Assets:					
Cash and balances with central bank	**593,973**	298,024	199,228	75,517	70,332
Loans and advances to banks	**415,210**	394,173	463,328	575,467	514,193
Loans and advances to customers	**1,797,935**	1,562,695	1,252,153	1,160,293	1,072,640
Financial assets held for trading	**4,743**	2,565	5,964	16,636	-
Investment securities	**734,689**	684,359	697,001	254,708	292,843
Assets pledged as collateral	**53,650**	50,109	72,129	122,009	-
Inventory	**-**	-	25,609	23,081	
Managed funds	**-**	-	-	-	84,630
Investment in associates	**6,225**	5,609	7,489	8,996	13,373
Investment in subsidiaries	**-**	-	-	-	
Other assets	**40,496**	33,984	63,061	39,282	69,286
Investment property	**-**	-	4,055	2,440	8,466
Intangible assets	**8,594**	3,417	1,008	494	-
Property, plant and equipment	**78,490**	74,474	65,889	63,634	47,987
Deferred tax	**4,586**	7,954	6,954	12,274	-
Assets held for sale	**10,784**	12,978	-	-	-
	3,749,375	3,130,341	2,863,868	2,354,831	2,173,750
Financed by:					
Share capital	**16,316**	16,316	16,316	16,316	14,504
Share premium	**189,241**	189,241	254,524	254,524	254,524
Reserves	**175,966**	191,190	98,425	129,607	41,973
Non controlling interest	**1,626**	1,353	964	1,148	3,081
Deposits from banks	**77,481**	87,551	183,500	148,352	173,280
Deposits from customers	**2,942,782**	2,405,035	1,951,011	1,447,600	1,342,704
Financial liabilities held for trading	**1,701**	1,796	2,857	1,639	-
Liabilities on investment contracts	**-**	-	49,440	76,446	148,224
Liabilities on insurance contracts	**-**	-	824	-	-
Borrowings	**126,302**	75,541	106,204	126,350	35,729
Retirement benefit obligations	**1,776**	18,648	15,081	11,426	724
Current income tax	**31,633**	22,536	24,328	20,052	19,635
Other liabilities	**182,793**	118,289	159,325	120,470	128,760
Deferred income tax liabilities	**10**	9	1,069	901	10,612
Liabilities held for sale	**1,747**	2,836	-	-	-
	3,749,375	3,130,341	2,863,868	2,354,831	2,173,750

FIRST BANK OF NIGERIA LIMITED

FIVE YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

		As reported under IFRS		*As reported under N-GAAP*	
		Restated			
	12 months ended 31 Dec 2013 N'million	12 months ended 31 Dec 2012 N'million	12 months ended 31 Dec 2011 N'million	12 months ended 31 Dec 2010 N'million	9 months ended 31 Dec 2009 N'million
Gross Earnings	**372,557**	338,921	265,580	232,079	193,932
Net operating income	**279,824**	280,410	230,853	178,062	127,662
Operating expenses	**(172,718)**	(182,329)	(136,668)	(119,274)	(77,574)
Group's share of associate's results	**875**	1,008	(1,507)	(3,657)	114
Impairment charge for credit losses	**(20,521)**	(12,912)	(38,011)	(21,590)	(38,174)
(Loss) on sale of assets to AMCON	**-**	-	(15,501)	-	-
Exceptional item	**-**	-	-	226	-
Profit before taxation	**87,460**	86,177	39,166	33,767	12,028
Taxation	**(21,009)**	(14,918)	(18,864)	(4,590)	(8,406)
Profit from continuing operations	**66,452**	71,259	20,302	29,177	3,622
Profit from discontinuing operations	**-**	3,838	(1,666)	-	-
Profit for the year	**66,452**	75,097	18,636	29,177	3,622
Profit attributable to:					
Owners of the parent	**66,345**	75,040	19,520	27,244	2,612
Non controlling interest	**107**	57	(884)	1,933	1,010
	66,452	75,097	18,636	29,177	3,622
Earnings per share in kobo (basic/diluted)	**204**	233	57	89	12

In line with IFRS 1.22(d), the figures reported in the above statement of financial position for years 2010 to 2013 and income statement for years 2011 to 2013 have been prepared using relevant IFRS guidelines and standards. In constrast,the figures in the above statement of financial position for year 2009 and income statement for years 2009 and 2010 have been prepared usinng relevant Nigerian GAAP guidelines and standards.

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- Financial liabilities held for trading
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- Other liabilities

(b) Income Statement
- Interest income
- impairment charge for credit losses
- Net operating income