

# ONE GROUP

## MULTIPLE SOLUTIONS





## FBNHOLDINGS IS ONE GROUP OFFERING MULTIPLE SOLUTIONS.

We are the sum of all our parts. Capitalising on the synergy between our Group's subsidiary businesses means we can maximise opportunities, explore new ones and build on our shared learning. It means we can offer our customers a one-stop shop, giving them access to a huge range of financial services and solutions.

But it's not just our customers who benefit from this approach. Collaborating under a holding company structure means we're resilient and agile in the face of a tough operating environment. By working together, our Group businesses create a platform of specialisation so we can maximise our combined strengths and enhance shareholder value.

FBNHoldings: one Group, multiple solutions.

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The terms 'FBNHoldings', 'the Group', 'the Company', or 'HoldCo' mean FBN Holdings Plc together with its subsidiaries, which include FBN Bank (UK) Ltd (FBNBank UK). FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial Services' sector on 26 November 2012 and has issued and fully paid-up share capital of 32,632,084,356 ordinary shares of 50 kobo each (₦16,316,042,178). In this report the abbreviations '₦mn' and '₦bn' represent millions and billions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

The Commercial Banking business group comprises First Bank of Nigeria Limited, FBN Bank (UK) Limited, FBNBank DRC, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include ICB Senegal and the FBNBank in Ghana, Guinea, The Gambia and Sierra Leone. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.

Investment Banking and Asset Management business group consists of FBN Capital Limited, FBN Funds, FBN Trustees, FBN Securities and FBN Capital Asset Management. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.

The Insurance business group comprises FBN Insurance Limited and FBN Insurance Brokers Limited.

Other Financial Services business group includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank and most recently Kakawa Discount House Limited.

This report encompasses FBN Bank (UK) Ltd prepared under the International Financial Reporting Standards (IFRS). Unless otherwise stated, the income statement analysis compares the 12 months to December 2014 to the corresponding 12 months of 2013, and the balance sheet comparison relates to the corresponding position as at 31 December 2013. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document, but are not defined under applicable regulatory guidance or International Financial Reporting Standards, are explained in the glossary and/or abbreviation section of this report. This report is also available online at [www.fbnbank.co.uk/about\\_us/FBN\\_Annual\\_Report\\_and\\_Accounts\\_2014](http://www.fbnbank.co.uk/about_us/FBN_Annual_Report_and_Accounts_2014).

For further information, you can view annual reports of FBN Holdings Plc and other subsidiary businesses at [www.fbnholdings.com/annualreport/2014](http://www.fbnholdings.com/annualreport/2014)

# INTRODUCTION

The last 12 months have seen some significant regulatory changes in the UK banking industry with particular focus on conduct risk.

As part of our proactive regulatory engagement, we have introduced a set of corporate values which focuses on positive customer outcome.

With a commitment from the Board, fairness to our customers is a key consideration and objective at all stages of the lifetime of a transaction.

  
**3****STRATEGY SUMMARY →**

FBNBank UK's vision is to be the first choice UK and European bank for Africa

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**4****FINANCIAL HIGHLIGHTS →**

FBN Bank (UK) Ltd consists of six Strategic Business Units

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**8****BOARD OF DIRECTORS →**

The Board of Directors is responsible for the oversight of management on behalf of the Company's shareholders

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# Overview

## WHO WE ARE

FBN Bank (UK) Ltd (FBNBank UK) is a wholly owned subsidiary of First Bank of Nigeria Ltd, hence the vision of the parent bank is reflected in its vision as the first choice UK and European bank for Africa. Its mission is to provide world-class international banking and trade services in support of commercial relations between Africa and the European Union.

To drive the vision and mission of the Bank, FBNBank UK is positioned through its existing business structure to take full advantage of opportunities in the changing operating environment.

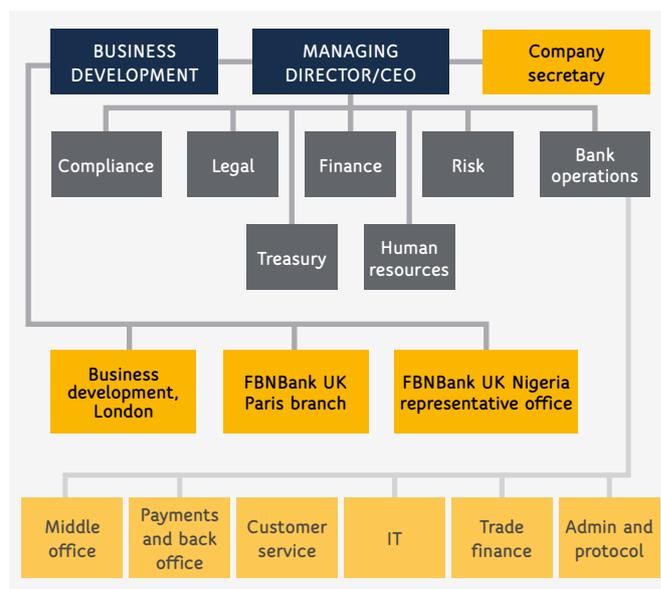
## HOW WE ARE STRUCTURED

The Business structure of FBNBank UK comprises the following six Strategic Business Units (SBUs):

- Corporate Banking;
- Correspondent Banking;
- Private Banking;
- Project and Structured Finance;
- Property Finance; and
- Structured Trade Commodity Finance.

The SBUs reflect the strategy for generating revenues through an effective service-oriented approach to customers and generating adequate shareholder return.

## FBN Bank (UK) Ltd (FBNBank UK) business structure



## FBN HOLDINGS PLC (FBNHoldings)

### COMMERCIAL BANKING

FIRST BANK OF NIGERIA LTD

FIRST PENSION CUSTODIAN NIGERIA LTD

FBN MORTGAGES LTD

FBN BANK (UK) LTD

FBNBANK DRC LTD

FBNBANK GHANA LTD

FBNBANK THE GAMBIA LTD

FBNBANK GUINEA LTD

FBNBANK SIERRA LEONE LTD

ICB SENEGAL\*



### INVESTMENT BANKING AND ASSET MANAGEMENT

FBN CAPITAL LTD

FBN TRUSTEES LTD

FBN CAPITAL ASSET MANAGEMENT LTD

FBN FUNDS LTD

FBN SECURITIES LTD



### INSURANCE

FBN INSURANCE LTD

FBN INSURANCE BROKERS LTD



### OTHER FINANCIAL SERVICES

FBN MICROFINANCE BANK LTD

KAKAWA DISCOUNT HOUSE LTD

## BUSINESS MODEL SUMMARY

FBNBank UK has built core competence in financial solutions for mid-tier to large corporates, operating specifically within or with the African market. The principal activities are the provision of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance, and Structured Trade Commodity Finance.

In order to achieve our strategic vision, FBNBank UK's business model is to leverage our SBUs' activities on a strong risk, operational and corporate governance framework, ensure sustainable organic growth for FBNBank UK and generate consistent returns to shareholders while exceeding the expectations of our valued customers.

## STRATEGY SUMMARY

The overall vision of FBNBank UK is to continue to be the first choice UK and European bank for Africa, offering excellent service to African countries through the integration of the various Strategic Business Units within the Group.

Our strategic plan is to extend our leadership position as the foremost Nigerian-owned bank in the UK, continuing to be the first African bank in the UK that balances its performance with its long-term health, while we continue to strategically position ourselves to take advantage of opportunities and mitigate risks resulting from changes in global economic and regulatory changes.

There have been increasingly stringent regulatory requirements introduced in our operating environment to combat the causes of the past financial crisis. When fully implemented, these requirements will place more emphasis on capital and liquidity ratios and we will continue with our conservative approach of aligning our business to conform to these requirements.

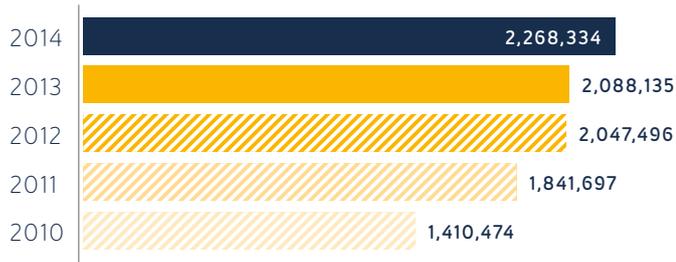
\*To be renamed and rebranded to FBNBank Senegal.

# Performance highlights

## FINANCIAL HIGHLIGHTS

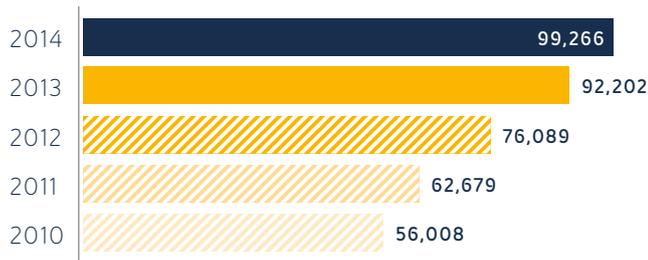
Total assets (£'000)

**+8.63%**



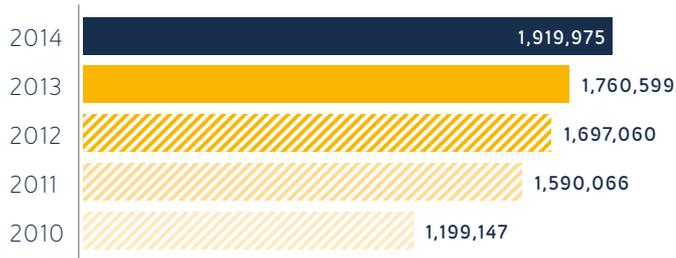
Gross earnings (£'000)

**+7.66%**



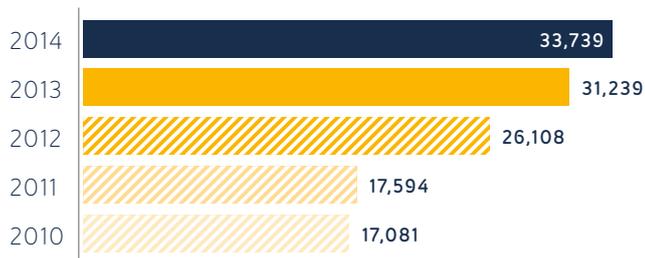
Deposit liabilities (£'000)

**+9.05%**



Profit before tax (£'000)

**+8.00%**



## NON-FINANCIAL HIGHLIGHTS

### Conduct risk culture and corporate values

The last 12 months has seen some significant regulatory changes in the UK banking industry. To ensure that we are proactive, and not reactive, to such changes, we have introduced a number of measures to enhance our commitment to our customers.

FBNBank UK places the needs of customers at the heart of its day-to-day operations. With a commitment from the Board, fairness to our customers is a key consideration and objective at all stages of the lifetime of a transaction.

We have always been committed to treating our customers fairly and had a Treating Customers Fairly (TCF) Committee to oversee the application of the TCF principles. As part of our increased focus the remit of the Committee was expanded to include conduct risk and as such was renamed the TCF & Conduct Risk Committee. The objective of the TCF & Conduct Risk Committee is to regularly review and monitor the application of the TCF principles and the application of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers. The results of the annual TCF survey are reported to the Board, and in 2014, 698 customers very kindly responded to the survey.

The Committee also monitors the application of our conduct risk policy, which is to deliver fair, transparent and appropriate outcomes to its customers and counterparts and preserve market integrity at all times. To further evidence the introduction and embedding of conduct risk into our organisation, we received a satisfactory conduct risk audit result from our internal auditors, Grant Thornton. We have also started issuing a regular conduct risk newsletter to all employees, which provides a summary of the latest regulatory conduct risk issues and developments.

We also provide regular online treating customers fairly and conduct risk training for employees who must pass a test to evidence their understanding of this important area. In addition employees were also provided with face-to-face training on conduct risk and other key areas.

Earlier this year we also introduced a new Code of Conduct that all employees were required to sign to evidence that they had read and understood the content. The Code of Conduct provides a guiding set of principles intended to assist employees in their daily decision-making, as how we behave forms the character of our company and dictates how others see us and determines if people will want to do business with us. As part of our increased focus on conduct risk we have introduced a set of corporate values. Our corporate values are at the heart of our business. They are the drivers of our corporate culture and are the basis of everything we do. These values will guide our behaviour and define the type of organisation that we want to be.

Our corporate values are:

**Integrity** – we act with honesty and integrity in everything we do.

**Culture** – everything we do begins and ends with our customers.

**Accountability** – we are individually responsible for the decisions we make and the actions we take.

**Respect** – understand and consider the diverse needs of others.

**Ethics** – demonstrating ethical behaviour in everything we do to drive the values that shape our culture.

To further embed the understanding of our corporate values, all employees have been provided with face-to-face training and a number of tools will be used to measure the understanding and application of these values in the coming year.

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This initiative has helped develop a conscious effort in understanding conduct risk in its entirety and valuing cultural diversity. It has also helped strengthen the staff's commitment to one another and to customers.

### Service delivery and operational efficiency

During the year, FBNBank UK has delivered products and services to its customers in a highly cost-effective approach, while maintaining the high quality of its products, services and support. We have been able to streamline FBNBank UK's core processes and strategy to effectively respond to continued changing market conditions. As part of this initiative, FBNBank UK has undertaken further enhancement of its main banking software, to enhance its internal process, its e-business offering and improve general customer experience. The bank keeps upgrading the technology to have an efficient working environment. The internal banking software was also upgraded in 2013 with further enhancements this year to support operations. This was a significant undertaking in light of incorporating the old with the new software, while making sure disruptions to its banking activities were kept to a minimum. The software upgrade has been hugely advantageous to FBNBank UK in the sense that it has sped up its internal processing system; it is more up to date and in line with other technological advances in the banking system. The system is also more tailored to FBNBank UK's current banking requirement and needs, with its functionality adaptable to its future requirements.

### Customer satisfaction

Feedback from the annual Know Your Customer survey showed a high level of satisfaction with our service delivery. FBNBank UK's business managers travelled extensively to meet with customers, especially in Africa and other parts of the world, enabling them to gain a better understanding of customer needs and requirements, while also fully assessing the associated risks.

### Staff empowerment and performance management

FBNBank UK continues to take a lead in staff empowerment and performance management. The performance management scheme (PMS) is the framework linking individual employee performance to the Bank's business strategy and objectives. It also enables skills to be monitored and measured and personal development encouraged.

The Bank believes that continuous improvement of employees is necessary for its business success. The objective measurement process is essential for recognising and rewarding performance as well as developing the skills and abilities. This process requires good two-way communication between managers and individuals and is open and constructive. Assessing skills and potential has allowed the Bank to identify training and development needs and any performance improvements required. It also helps to encourage career development and succession planning. The Bank's updated professional and academic study assistance policy continues to give staff the opportunity to apply for assistance if looking to further their educational and professional qualifications.

# Chairman's statement



Oye Hassan-Odukale, MFR Chairman

## Esteemed clients and colleagues, it is with great pride that I present the 2014 financials of our Bank – FBN Bank (UK) Ltd.

This year was yet another of achievements and ensuring our Bank, FBN Bank UK, continues to go from strength to strength. Our firm has continued to operate in uncertain terrain but has shown great resilience in achieving budget for yet another financial year. Our key focus continues to be serving our clients. This focus has allowed us to grow with our clients leading to the creation of a bank with strong business principles and core values.

The UK economy continues to show signs of improvement with unemployment slowly easing downwards to around 6% and the economy experiencing more stability. Growth was 2.6% this year and is estimated to be 2.7% in 2015. That being said, it has been a challenging year with regards to foreign policy with crises in Russia and Iraq having a knock-on effect on global economic policy.

The use of forward guidance by the UK towards the end of 2013 had mixed reactions but provided the Bank of England with much needed flexibility at a time when rates were as low as they could economically be. This coupled with continued budgetary discipline has given the UK more stability in comparison to its European counterparts. Growth is on track to be the highest amongst G7 economies and the services sector remains strong as well as dominant throughout the economy. Only financial services have reached their pre-crisis peak with manufacturing and construction still having some available slack. The focus now for the UK Government is to ensure that the inevitable increase in interest rates comes at the right time for the economy.

We have continued to focus on high asset quality and robust risk management minimising shareholder exposure whilst ensuring excellent shareholder return. We continue to keep a close eye on global macroeconomic events as these play a key role in determining our strategy going forward. Some key macro information about the major economies is discussed below.

The US economy has rebounded from its first quarter of negative growth to achieve rates of 4.6% and 5% in the following consecutive quarters. Deliberations on plans to exit Quantitative Easing (QE) are still ongoing but the continued availability of the asset purchase scheme provides a strong buffer for the US economy.

The eurozone started off the year with a positive outlook – Greek debt was at a yield of 6% compared to double digits in 2012, Ireland's growth had improved and economic growth forecasts were optimistic. However, a triple-dip recession is now being seen as a possibility with inflation at sub-0% as at December 2014, well below the ECB's target of 2%. Interest rates were also lowered to 0.05% but this had a less than anticipated effect on economies.

The Nigerian economy has had a year of mixed performance. Africa's largest economy still faces some challenges. Insecurity in the North East of Nigeria and the Ebola Virus Disease (EVD) together have taken an estimated 0.5% from GDP. With regards to the latter, the Federal Government's proactive approach to containing the EVD led to a limited effect on the populace and general economy. Nigeria was one of the first West African countries to be declared, 'Ebola Free', by international organisations. State elections in two states served as a warm-up for the 2015 general elections. A new CBN governor has been appointed with a mandate to curtail the naira's devaluation and keep inflation under control. Despite commendable efforts, the naira (NGN) to US dollar (USD) rate was devalued in November to ₦168/USD1 in the interbank market. This effect has been exacerbated by falling oil prices and revenue which traditionally had been used to meet dollar demand. The result is a shortage of USD which will make dollar denominated transactions harder to finance for local banks and likely affect prices. Inflation has remained below double digits for most of 2014 but increased pressure may prompt a hike in interest rates in the near future.

Despite these challenges, rebasing led to Nigeria becoming the largest economy in Africa with a GDP of USD521.8 billion. Quarterly growth has remained above 6% with some estimating a GDP growth rate of 6.5% in 2014. With the decline in oil prices, this figure may have to be revised down. Going forward, Nigeria will need to ensure it continues with policies that reduce oil dependency as commodity prices continue to fall.

Given the general fall in commodity prices, the outlook for the Nigerian economy is one of higher taxes in an effort to raise internally generated revenue. The depth and economic framework of the economy will likely be tested in the coming months as oil revenues continue to decline putting pressure on the naira.

A big challenge for the Nigerian economy is continuing to attract much needed Foreign Direct Investment (FDI) when developed economies begin to fully recover from their slump. This has already been seen on the Nigerian Stock Exchange which is down 18% for 2014 as a result of reduced foreign participation. The US and UK continue to make strong strides but problems in the eurozone, as well as globally, have placed African countries in a good position to capitalise on developed countries' available capital. With growth slowing in BRIC nations and the increase prevalence of the acronym MINT (Mexico, Indonesia, Nigeria and Turkey) short- to medium-term FDI will likely continue to be injected.

## OPERATING ENVIRONMENT

Since the financial crisis, regulatory authorities in the UK have sought to improve the resilience of banks to shocks, make bank failure easier to resolve, reduce customers' exposure to bank losses and shift more risk to investors. Ring-fencing is a major part of this policy. It is likely to raise competition as banks begin looking for other sources of revenue once internal interconnectedness is reduced. Basel III including Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) began being implemented this year. The European Central Bank also became the primary banking supervisory body in late 2014. Investigations into recent LIBOR and exchange rate manipulation will bring with them changes to the rules for firms dealing in these markets. A spill-over of that could be increased supervision of other widely used rates.

The Nigerian banking system remains stable with a number of banks raising capital both locally and abroad. The sector plays a pivotal role in the Federal Government's power sector reform. Also encouraging are the recent equity investments in some Nigerian banks highlighting the general consensus that growth in the banking sector is expected to continue. One of the focuses in 2014 seemed to be capital raising with an aim of expanding branch networks and customer base. The Central Bank of Nigeria will continue to support the dollar/naira exchange rate which came under pressure in 2014. The Cash

Reserve Requirement (CRR) is now at 20% having been raised twice in 2014 and the Monetary Policy Rate (MPR) to 13% in November from 12%.

Banks are unlikely to be constrained by the rise in CRR and the increased MPR is likely to encourage disbursement of loans by banks, whether or not the economy continues to show appetite for such loans will remain to be seen.

The CBN is also considering a response to protect the naira to curtail the adverse impact of the US Federal Reserve reducing its assets purchasing scheme, known as tapering, in the near future as well as keeping loose fiscal activity in check in preparation for the general elections of 2015.

Where and when the US Federal Reserve proposes to scale back on its monthly bond-buying scheme may impact the Nigerian economy in the area of capital inflows, which are likely to slow and potentially reverse, particularly if tapering is substantial. The implication will be reduced purchases of bonds with the consequent higher yield encouraging investors to move their funds out of emerging markets, such as Nigeria, into the USA. This will probably put pressure on the naira while renewed demand for foreign exchange could also lead to further depreciation of the currency.

## GOVERNANCE

In order to achieve good corporate governance, the Bank has been keen to supplement the compliment of Independent Non-Executive Directors on the Board. The Bank is very fortunate to have benefited from two very experienced bankers for over 12 years in this role and they have been instrumental in assisting with the expansion of the Bank. In the spirit of succession planning we will bring on board new Independent Non-Executive Directors during the coming period to ensure this important function of corporate governance remains relevant.

## CORPORATE SOCIAL RESPONSIBILITY

FBNBank UK continues to undertake its Corporate Social Responsibility; this has been carried out by offering support or sponsorship to communities, events, charities and various other worthy causes. FBNBank UK donated £5,540 in 2014 to a number of organisations. One such organisation is the Sierra Leone War Trust for Children (SLWT; www.slwt.org), a UK registered charity that has been working with children and young people in Sierra Leone for the past 15 years. SLWT has joined the fight against Ebola and is providing much needed protective clothing and equipment to health workers as well as buckets, water and chlorine to communities that have no access to preventative measures.

To date the charity has raised £23,000 of the targeted £25,000 and we are proud of the Bank's contribution to this.

FBNBank UK is resident and operates only in the United Kingdom and France. It makes appropriate periodic tax payments including corporation tax, PAYE and NI contributions, deducted from employee wages and salaries, to the tax authorities in both jurisdictions. FBNBank UK complies with the United Kingdom voluntary tax code.

## OUTLOOK

The largest challenges to global growth in the near future remain: US tapering on quantitative easing; the crisis in Ukraine; stagnant growth in the eurozone; the potential rise in developed economies' interest rates; and the slowdown of growth in China. FBNBank UK continues to monitor all these situations closely and we believe our existing business model will remain resilient in 2015.

## APPRECIATION

The Bank finished off 2014 with Michael Barrett as Managing Director/CEO. Michael took over from Peter Hinson in April 2014. Peter had been at the helm for 12 years and had carried out a remarkable job in transforming FBNBank UK into the Bank it is today. We thank him for his total dedication and devotion and wish him all the best in his retirement.

I would like to take this opportunity to congratulate the new MD, his Management team and all staff at the Bank for another outstanding year of growth and profitability. 2015 brings with it new goals and challenges which, if past results are anything to go by, the Bank will meet and surpass.

I would also like to congratulate First Bank of Nigeria Ltd on being listed as one of the top 100 companies in Nigeria. This type of achievement is what FBNBank UK as a subsidiary hopes to emulate and continue to contribute towards.



**Oye Hassan-Odukale, MFR**  
Chairman

# Leadership and governance

## BOARD OF DIRECTORS

FBNBank UK has responded well to the challenging economic environment by ensuring that asset quality remained high through conservative credit policy, prudent liquidity management and optimisation of capital allocation.

The FBNBank UK Board of Directors comprises executive and non-executive directors, as follows:



**Oye Hassan-Odukale, MFR**  
Chairman

B BGC



**Michael Barrett**  
Managing Director/Chief Executive Officer

B BCC BSRC BEC



**Bisi Onasanya**  
Non-Executive Director

B BEC BGC



**Anthony Williams**  
Non-Executive Director

B BCC BARAC BSRC BEC BGC



**Ibrahim Waziri**  
Non-Executive Director

B BCC BSRC BEC



**Michael Bamber**  
Executive Director/Chief Operations Officer

B BSRC



**Peter Grafham**  
Non-Executive Director

B BARAC BSRC BEC



**Rosemary David-Etim**  
Executive Director, Business Development

B BCC BSRC

### Membership key:

B	Board
BCC	Board Credit Committee
BARAC	Board Audit & Risk Assessment Committee
BSRC	Board Strategy Review Committee
BEC	Board Establishment Committee
BGC	Board Governance Committee

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**Samuel Aiyere**  
Executive Director/Chief Financial Officer

B BSRC



**Urum Eke, MFR**  
Non-Executive Director

B BCC BARAC BSRC

## EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EMC) is responsible for the day-to-day management of FBNBank UK's activities. The EMC comprises:



**Michael Barrett**  
Managing Director/  
Chief Executive Officer  
(Chairman)



**Michael Bamber**  
Executive Director/  
Chief Operations Officer



**Rosemary David-Etim**  
Executive Director, Business  
Development



**Samuel Aiyere**  
Executive Director/  
Chief Financial Officer



**Chris Engel**  
Chief Risk Officer



**Michael Connell**  
Head of Compliance & MLRO\*

\* Money Laundering Reporting Officer

## SENIOR MANAGEMENT STAFF



**Frederic Le Bourgeois**  
General Manager, FBN Bank  
(UK) Ltd, Paris



**Kamoru Oladimeji**  
Head of FBNBank UK, Nigeria  
Representative Office



**Trevor Fall**  
Head of Customer Services



**Chris Edwards**  
Head of Treasury



**Nicolas Pitiot**  
Director, Project and  
Structured Finance



**Adetunji Fadahunsi**  
Director, Corporate Banking



**Simon Singer**  
Head of Trade Finance



**Martin Barney**  
Director, Property Finance



**John Vowell**  
Director and Global Head of  
Structured Trade Commodity  
Finance



**David Oberheim**  
Director, Financial Institutions

# STRATEGIC REVIEW REPORT

FBNBank UK has maintained a competitive advantage over its UK competitors, due to the fact that it has vast experience of local knowledge in its strategic target market in Nigeria and across Africa.

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## STRATEGY AND PERFORMANCE →

FBNBank UK's mission continues to be to provide world-class international banking services to African-related businesses and individuals

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## KEY RISKS AND MITIGANTS →

Within our business model, there are a number of factors that can go wrong or could have a severe impact on the Business

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## BUSINESS MODEL →

How FBNBank UK generates and preserves value over the long term

# Managing Director/CEO's review



**Michael Barrett** Managing Director/Chief Executive Officer

2014 has seen a number of global challenges for the financial sector but resilience has allowed the industry to continue its strides towards improvement and growth. The UK economy grew by 0.5% in the fourth quarter of 2014 with growth of 2.6% for the full year 2014.

Given the EU's precarious position, there will be a heightened fear of systemic risk which in turn could threaten growth being seen in Organisation for Economic Co-operation and Development (OECD) economies.

The United States presents a mixed bag with regards to macroeconomic data. Job gains are on the rise, corporate profits are rising and economic indicators continue to point to an economy getting back to pre-recession levels. On the other hand, lower oil prices are stunting the production of shale oil, inflation is predicted to be low for at least another year and interest rates are unlikely to rise in the foreseeable future. Economic performance in the US will therefore be decided by which group of indicators has the most resounding effect on business activity and how the Federal Reserve reacts with regards to rates.

## 0.5%

The UK economy grew by 0.5% in the fourth quarter of 2014

Emerging and frontier markets needed to remain resilient in 2014. As conditions in key developed economies improve, capital flight from these economies may need to be monitored closely as a lot of gains in these markets came during times of economic underperformance in developed economies. GDP in Nigeria for 2014 had been projected to be 7% but the insurgency in the North East coupled with the outbreak of Ebola and declining oil prices will wipe off at least 0.5% from Nigeria's 2014 GDP.

## REGULATIONS

The Bank continues to closely monitor new regulations and directives. Increase in capital in support of balance sheet exposure and increased liquidity are just two of the requirements to which our Bank will have to adhere to. The Bank has begun making preparations for the full implementation of all regulatory requirements ahead of various compliance milestones to 2019 deadline.

The regulatory environment in the UK continues to be extremely robust and the Bank treats its regulatory obligations with the seriousness that it deserves. During the course of the year we have spent a considerable amount of time and resources improving our anti-money laundering and sanction control systems to ensure that we are fully compliant and well resourced for the coming period. The Bank has been very receptive to our obligations with regard to conduct risk and have appointed new personnel and set up new departments to ensure that the customer is at the heart of our business.

The Bank continued to monitor its liquidity and capital positions throughout the year performing internal assessments of liquidity and capital requirements at least annually through the Internal Capital Adequacy Assessment Process (ICAAP) and the Individual Liquidity Adequacy Assessment (ILAA) processes, presenting to various governance committees for review, challenge and approval.

Liquidity is key to the Business and as a policy, due consideration is given to ensure the Bank maintains an adequate liquidity position at all times in order to meet its financial obligations and complies with overall regulatory requirements. The Bank continues to benefit from improved liquidity driven by its diversified funding base.

FBNBank UK monitors its capital adequacy ratios under Basel III rules on a regular basis to ensure that capital held is always adequate to support the businesses transacted. The level of capital held remained significantly in excess of regulatory limits throughout the year and a high capital adequacy ratio was recorded as at 31 December 2014.

The changing dynamic of the financial services industry means that regulators have a zero tolerance for banks that put customers' deposits at risk and thus there is now more scrutiny of banks' entire operations. In October 2014 Basel Committee on Banking Supervision (BCBS) revised its Guidelines Corporate Governance principles for banks putting more emphasis on risk governance. Stress tests were also conducted in 2014 with roughly 70% of capital in the EU and Norway tested. Of the 123 banks tested only 24 failed and most already had remedial processes in place. The general consensus is that most European banks are sounder. The prolonged focus on capital raising and asset sell-off will now need to be shifted to increased lending.

We continue to ensure that our staff are well trained and understand the principles which guide the Bank's operations. This ensures uniformity in our approach to clients and helps us maintain our corporate values as we grow.

Maintaining our competitive position and adhering to regulatory requirements continue to be our mantra moving forward. However given our success so far as well as the existing structures put in place, there is no doubt that FBNBank UK and the industry in general, will be better equipped and stronger with these regulations. We continue to improve our compliance capabilities ensuring we are up to date with all relevant regulatory requirements.

## THE BUSINESS

We continued to follow our customers' trade flows, when expanding our footprint in 2014. This year has also seen us deepen our expertise in key business areas. This mix has provided for strong deal flow and better service offerings to customers. There are an increasing number of Nigerian banks with growing operations in the UK. We are confident that given our market experience, excellent staff and product offerings, FBNBank UK will continue being the first choice – amongst our peers – for banking in Africa.

Growth in Sub-Saharan Africa was 4.5% in 2014, lower than the initial projection of 5.8%. Sub-Saharan Africa's growth is projected to slow in 2015 to 4%. The percentage of people living below the poverty line has dropped to 41% and is expected to continue to decline with a burgeoning middle class being created. These provide huge potential for the future of Africa. Economic, social and political conditions will also play a big part in the development of the continent. Furthermore unforeseen events will always affect progress such as the Ebola Virus Disease (EVD) outbreak in West Africa. There are still vast amounts of untapped resources – both human and natural – to attract growth so long as existing challenges continue to be ameliorated.

FBNBank UK continues to benefit from a strong understanding of our target market and the environment in which we operate. Our network now extends to include two teams operating in Nigeria, and additions to personnel in our Abu Dhabi office and the existing Paris branch. We also continue to look for synergies with our parent and are continuing to cooperate in areas that are a strong focus for the Group sometimes analysing client exposure at Group level. Furthermore, given falling commodity prices, particularly crude oil, the Bank has conducted stress tests to examine our exposure to a further fall in oil prices. This situation will continue to be closely monitored as it relates to our business.

# 7.66%

Compared to 2013, FBNBank UK grew earnings by 7.66% to £99.27 million

A few of our departments are already beginning to provide back office support to the newly acquired International Commercial Bank (ICB) offices that were subsequently rebranded to FBN banks. We will continue aiming to assist Group performance in these countries.

In line with our drive for excellence, the Bank has been awarded the Best Trade Finance Bank in West Africa for the 5th year in a row. Our Trade Finance teams were also voted the Best Local Trade Finance Bank in Africa in 2013.

A brief update on the activities of our various business development teams is subsequently provided.

## CORRESPONDENT BANKING

The increasing number of Nigerian banks with offices in the UK has led to more competition. The rising profile of Africa as a business destination and our market expertise should provide further potential for this unit going forward.

## CORPORATE BANKING

Corporate Banking expanded both in number and in presence with a new Corporate Banking desk set up in Lagos for better relationship management with our customers in West Africa; as well as a dedicated portfolio manager to grow the Business of trade flows from the Middle East into West Africa. This has seen Corporate Banking strengthen FBNBank UK's position as the premier subsidiary amongst Nigerian banks.

## STRUCTURED TRADE COMMODITY FINANCE

2014 has seen the Business line experience growth with an expansion of team size in the London as well as the Abu Dhabi offices and the building of a new team in Lagos. This we believe will allow for greater access to our core market Africa and allow for stronger cooperation within the First Bank Group. The STCF portfolio remains diversified with new opportunities continuously being evaluated. The outcome of this expansion is the creation of a world-class department with a greater on-ground presence for improved deal origination, execution, management and distribution.

## PROJECT AND STRUCTURED FINANCE

The year has seen some significant changes in the markets in which this team operates. Despite this, there has been an improved performance and synergies with the First Bank Group have intensified. There is a new focus on key industries, which the Bank sees as pivotal to achieving the team's long term goals. These key industries satisfy the Bank's risk appetite, minimum return on capital and provide enough market activity to ensure a robust deal pipeline. With this focus in mind, the Project Finance team has shown great adaptability and understanding in achieving its goals.

## PRIVATE BANKING

As the middle class in Nigeria continues to grow, Private Banking will be strongly positioned to provide potential customers with advisory investment management services. The focus continues to be on high net worth individuals (HNIs) in and around Nigeria. The team continues to work closely with the Private Banking arm of our parent FirstBank. The key focus continues to be expanding this business unit's customer base with emphasis on ensuring the highest level of customer satisfaction.

## PROPERTY FINANCE

The long-term outlook for the London property market remains positive despite anticipation of new property taxes and reported lower sales volumes in some months. Prior to changes in Stamp Duty Land Tax which came into effect on 4 December 2014, there was uncertainty in the market but UK house prices still managed to increase by 10% in the year. The relatively narrow approach adopted ensures the team has clarity on its mandate and also adept understanding of the customer base and subject property market. Our Nigerian representative office, customer referrals and brokers in the UK continue to be our key source of new transactions.

## FIRSTSAVE

Through 'FirstSave' and 'FirstSave Postal' the Bank has managed to raise well in excess of £1 billion in liquidity. The products continue to be popular with savers seeking competitive market interest rates. A similar offering 'FirstSave Euro' has recently been released to the German sector of the European market giving German residents the opportunity to invest, this will provide the Bank with improved liquidity and reduced exchange rate risk.

## FINANCIAL PERFORMANCE

FBNBank UK delivered a healthy profitable performance in 2014, despite the continued difficult trading environment in the year. Our capital position was strengthened through retention of profit, while funding and liquidity positions remained strong throughout 2014. Compared to 2013, FBNBank UK grew earnings by 7.66% to £99.27 million. Net interest income grew 14.10% to £59.29 million, fee income also increased by 25.32% to £8.48 million.

Over the 12 months, the balance sheet grew by 8.63% to £2.27 billion, mainly derived from increased lending activities, ably supported by increased customer deposits. This growth in deposits primarily comes from retail liabilities. Emphasis will always be placed on achieving an appropriate funding mix to achieve an optimal reduction in cost of funds.

We also continued to maintain a healthy capital adequacy ratio of 18.60%, with a tier 1 capital ratio of 14.90%.

The above results show that FBNBank UK exceeded expectations of the first year of its three-year business plan in terms of profitability. While the actual balance sheet level achieved in 2014 was 8.63% higher than the previous year, it was 12.05% below budget. Despite this, our overall performance as a bank is both remarkable and commendable.

## CORPORATE VALUES

The Bank recently introduced new corporate values, 'ICARE' - Integrity, Culture, Accountability, Respect and Ethics. Going forward these words will provide the foundation of all our dealings with staff, stakeholders, customers and the general public. These are values that epitomise the working culture of the Bank and it is fulfilling to finally relay these values in a more formal manner.

## CORPORATE GOVERNANCE

The FBNBank UK Board consists of six Non-Executive Directors and four Executive Directors. Our six-person Executive Management team has an average of 35 years banking experience with a significant portion of that being with a focus on emerging markets and Africa.

## THE FUTURE

The main focus for FBNBank UK in the medium term is consolidation. Earnings have grown by over 8% year on year from 2013. The great strides made in the last few years have seen us grow into a mid-size bank and the key focus of the Bank at the moment is ensuring this position is maintained. The Bank is on course to achieve its three-year strategic plan. Adding to this the increasing staff numbers, 2015 should be a year of adjusting to our new market position and developing existing resources.

## CONCLUSION

Our staff remain our greatest asset. Our excellent results are underpinned by the outstanding effort put in by our staff over the years in building our business to where it is today. Our Bank has come out of the last 7 years in a stronger position and I would like to show my appreciation for the cooperation received from all staff in my short time as MD/CEO.

Finally, I would like to thank our customers for choosing FBNBank UK as the bank to meet their business needs. Our business has evolved according to the requirements of our clients. In 2015 we will continue to show our appreciation for this patronage by continuing to provide excellent service and ensuring that our customers are at the heart of our business.



**Michael Barrett**

Managing Director/Chief Executive Officer

# Operating environment

## GLOBAL ECONOMY

According to authoritative global economic agency reports, global economic growth is still weak; its fundamental dynamics are changing and with considerable downside risks. Recovering from the global downturn is continuing, but at a slow pace. Despite noticed improvement in growth in advanced economies such as the UK and US, the slower pace of expansion in emerging economies such as Brazil, Russia, India and China (BRIC) constitutes a drag on global expansion.

2014 witnessed a moderate expansion and at an uneven pace. The harsh economic realities left behind by the global financial crises of the past years continue to weigh heavily on growth with new emerging challenges.

Unemployment figures still remain very high in most of the advanced economies but appear to have stopped rising. Global inflation has remained docile with the spectrum ranging from deflationary risks especially in the euro area to high inflationary pressures in the developing economies. Some of the economic indicators are encouraging and moving in the right direction which is good for a gradual return to economic growth. However, risks and uncertainties still exist that can scuttle efforts to get the global economy on recovery pathway.

During the year 2014, global trade experienced a sharp decrease in commodity pricing. Crude oil and agricultural prices have seen some of the sharpest declines. The gyrations in prices due to a slowdown in the euro area and emerging economies, increased supply, good crop prospects and strong US dollar are expected to remain through into the coming year. The continued tension in the Gulf states may have long-term implications given the fact that OPEC's oil capacity is expected to originate from this region.

GDP in core Western Europe failed in 2014 to achieve its pre-recession high while the minor eurozone economies continued to feel the hangover of the past financial meltdown. Growth in this region was still very slow and unpredictable during the year. However, on the upside, the EU is beginning to see a gradual resolve of its debt crises, fiscal stability in minor EU member nations and ease in fiscal austerity measures.

The US is one of the advanced economies that fared very well in the year with a growth over 2%. Global economy and markets witnessed a heightened state of uncertainty as a result of the US Federal Reserve monetary policies such as stoppage in quantitative easing.

# 0.5%

Inflation rate reduced from 2.1% at the close of December 2013 to 0.5%

In the long term, the global economy (especially those that saw marginal or no-growth in 2014) is still vulnerable simply due to rise of nationalistic tendencies, heightened geopolitical tensions and tightening of global financial conditions. When we go past the current crisis, the economic activity is not expected to rise to pre-crisis levels. The reduced spending limits (expected to cut down on the budget deficit) will limit government spending and continue to be a drag on overall economic activity. In addition, while the private sector shows some resilience and the housing market remains on a recovery path, employers are likely to keep a tight grip on business investment and hiring because of global investors' uncertainty.

However, the impulse for global growth for the coming year is expected to come from the US, emerging markets growth momentum especially in Africa, Asia and the BRIC emerging economies.

## THE UK ECONOMY

The UK economy witnessed a steady and encouraging growth in 2014, according to data released by government agencies. On the positive, the UK Government unemployment rate remained below target and the inflation rate reduced from 2.1% at the close of December 2013 to 0.5% as at December 2014. The economy grew by 0.5% in the fourth quarter of 2014. Despite the positive response by employment to the UK economic recovery, growth in real earnings continues to remain weak and productivity has continued to show a disappointing sign. Aside downward pressure on real wages, household consumer spending has continuously provided a strong contribution to growth.

The construction industry witnessed increased positive contribution to economic growth. Contribution from investment was also strong but somewhat cooling-off in the last quarter due to decline in business investment. However, there are now real grounds for optimism that the economy is finally on the road to a sustained recovery.

The services sector continues to lead the recovery with retail sales picking up and hotels and restaurants generally seeming busier. The construction sector has picked up from a low base in the past year and this is expected to cool-off in 2015, but there should not be room for complacency as there are still plenty of economic risks out there to be monitored and managed.

## BANKING REGULATIONS

The regulatory environment, particularly in the UK, remained very challenging. Global regulators continued to put in place stringent rules in an effort to ensure banks are better prepared for any future financial crisis. Some of the rules are quite restrictive and costly, but are to become effective in the medium-term. However, the UK regulator has compelled UK-based banks towards early compliance. It is strongly evidenced that the application of liquidity rules has frustrated the supply of credit to the economy. It is hoped that current pronouncement and policies of the new Bank of England leadership will restore some confidence into the industry in the coming year 2015 and beyond.

## OUTLOOK

FBNBank UK will continue to be proactive in responding to the ongoing economic recovery and more stringent regulatory requirements through its conservative approach to business.

# Strategy and performance

## STRATEGIC OVERVIEW

Our mission is to provide world-class international banking services to African-related businesses and individuals, and in doing so, become the first choice UK and European bank for Africa. With our strong base of competitive differentiators, we aim to grow each of our various Strategic Business Units (SBUs) in two directions – vertically, to increase our market share in each unit, and horizontally, building synergies among the various SBUs through active cross-selling.

## WHAT DIFFERENTIATES US

Our competitive differentiators are:

- world-class services, delivered with a high degree of professionalism and flexibility;
- operational excellence, supporting the capacity to offer bespoke products to meet individual clients' needs; and
- a strong asset base with substantial shareholder support to pursue FBNBank UK's market penetration strategy.

## OUR BUSINESS MODEL

FBN Bank (UK) Ltd ('FBNBank UK', 'the Bank') is a wholly owned subsidiary of the FirstBank Group and has its offices in the City of London. FBNBank UK is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and provides a range of domestic and international banking and financial services. The Group now consists of the following:

- FBN Bank (UK) Ltd; and
- FBN Bank (UK) Ltd, Paris branch.

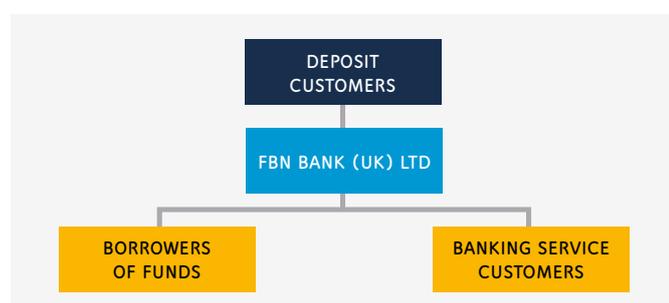
The principal activities are the provision of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance, and Structured Trade Commodity Finance to our clients.

FBNBank UK focuses on providing quality services to both new and existing customers, hence we target customers with business interests all over the globe, but predominantly in Africa and Europe.

FBNBank UK's core target markets are:

- mid-sized to large corporate organisations – financial solutions range from trade financing and working capital financing to project financing for expansion;
- affluent and high net worth individuals (HNIs) – to take advantage of London as a destination for West Africans, providing solutions for their personal banking and investment needs; and
- financial institutions, government agencies and parastatals – providing correspondent banking and cash management solutions.

Each SBU addresses one or more of these markets with adequate support from FBNBank UK's operational structure, management leadership and capital base. Our business model is couched within a strict risk, regulatory and governance framework, which supports our drive for sustainable growth and better corporate responsibility.



FBNBank UK operates a simple banking model. Primarily, it takes deposits from customers and lends them to borrowers through its various SBUs. Deposits are taken from individuals, corporate and financial institutions through several deposit products offered by FBNBank UK, and interest is paid based on the terms of the accounts held.

FBNBank UK accumulates funds from customer deposits, equity and debt capital, and these are lent to corporate businesses and individuals through different Bank business channels, e.g., Property Finance, Project Finance, Structured Commodity Finance, Corporate Finance and Traditional Trade Finance. Both interest and fee incomes accrue to FBNBank UK from the various lending activities.

In addition, FBNBank UK provides trade and investment advisory services to corporate and individual customers, from which commissions are earned.

As a wholly owned subsidiary of the FirstBank Group, FBNBank UK is adequately funded by its sole shareholder. In addition to this, an organic growth strategy has been adopted, which has seen FBNBank UK retain a significant percentage of its profit.

FBNBank UK recognises that its key assets are its people – staff, management and the Board. The front-facing staff provide excellent service and are supported by a highly experienced operational team. FBNBank UK's investment in the training and development of staff culminated in the regional recognition of our employees as the winners of the 2014 Global Trade Review award, as voted by the Global Trade Review's global and African editorial boards. This is the sixth consecutive year that FBNBank UK has won this award, bearing a testament to the high quality of our service delivery.

FBNBank UK has a physical presence in some of its main markets to help build closer relationships with its customers and to ensure we are able to respond quickly to changing markets. To this extent, the FBN Bank (UK) Paris branch keeps in close touch with Francophone West African nations, while our Nigerian representative office actively manages client relationships in Nigeria. The London business team regularly travels to the markets in which they do business, and in some cases collaborates with local banks to provide financial solutions.

The combination of sharp commercial awareness of the SBUs and strong technical know-how of operational teams, underlined by our robust risk and regulatory framework, helps FBNBank UK to structure and execute bespoke financial products and services to meet clients' needs.

Across all SBUs our aim is to consistently support our clients as they aspire to achieve their financial goals. SBUs take a holistic view of clients' businesses, working together to structure products for clients' maximum growth, while building a sustainable balance sheet and returns for FBNBank UK's shareholders.

## STRATEGY AND OBJECTIVES

FBNBank UK's mission continues to be to provide world-class international banking services to African-related businesses and individuals, which is supported by our market penetration strategy. As our SBUs are now well established in their markets, our focus going forward is growing market share as we expand operations in each of the markets we already operate in.

## STRATEGIC PROGRESS

FBNBank UK implemented a three-year business plan to December 2016, which sets out key financial objectives. Some of the objectives to be recorded in the current plan period are:

- balance sheet footing of over £2.9 billion;
- profit before tax of over £40 million;
- a strong capital adequacy position; and
- a more diversified funding base.

FBNBank UK achieved in excess of the set objectives as highlighted by the financial figures within the report.

## PRINCIPAL RISK SUMMARY

### KEY RISKS AND MITIGANTS

Within our business model there are a number of factors that can go wrong or could have a severe impact on the Business. FBNBank UK has a responsibility to identify these risks, understand the risks through analysis and put measures in place to mitigate these risks. This is to ensure that there are processes in place to minimise the impact. Risk is a natural part of the business landscape and if left unmanaged uncertainty can spread. If managed effectively, losses can be avoided and benefits obtained.

### THE KEY RISKS FACING OUR BUSINESS

#### Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due. Credit risk comprises counterparty risk, settlement risk and concentration risk.

Over the last year FBNBank UK has focused on operating within an environment and with counterparties with which it is not only familiar, but also comfortable. The focus has been on familiarising the Business with its existing customers, while continuing to gradually increase its market share within varying sectors.

This has enabled a greater understanding of the risks involved within the existing portfolios, while making sure an in-depth analysis is undertaken on review of new and existing transactions. Conscious efforts have also been made to increase staff awareness on risk factors within transactions.

#### Market risk

Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments, caused by the movements in market variables such as bond, equity or commodity prices, interest and exchange rates.

Market risk exists for FBNBank UK where it holds securities that are affected by market fluctuations. FBNBank UK's investment bonds are held-to-maturity and therefore bond prices are of less concern. FBNBank UK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

#### Liquidity risk

Liquidity risk is when FBNBank UK is unable to retain or create sufficient cash resources to meet its commitments. This happens when there is a shortfall between the amount available to FBNBank UK and the amount due to be paid out, which could either be due to a mismatch in deposit tenors or a lack of liquid assets.

FBNBank UK has continued to maintain a healthy liquidity position, with constant monitoring to make sure there is a good mix of wholesale and retail deposits, coupled with the support of its FirstSave products, which has been a dependable source of funding for FBNBank UK.

#### Legal risk

Legal risk is the risk of loss resulting from a defective transaction due to flawed documentation, failing to take appropriate measures to protect the assets of FBNBank UK, a claim being made that result in a liability for FBNBank UK or a change in law.

This risk is an important area of the Business to which FBNBank UK has paid particular attention. This has been mitigated out by recruiting experienced personnel in key departments to undertake the documentation process, including in-house legal and, where necessary, the appointment of external counsel, to ensure due care and attention is given to the entire documentation process for designated transactions.

#### Operational risk

Operational risk is defined as 'the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events'. This is an area that often does not receive enough emphasis within organisations. However, a defined operational risk management framework effectively applied within an organisation, coupled with a high awareness of the underlying causes of operational risk at all levels within the organisation, results in a control environment which is able to evolve with changing business needs, thereby ensuring operational losses within the Business are kept to a minimum.

FBNBank UK has placed particular emphasis on improvement in this area in recent years, and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

#### Regulatory risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators.

Regulatory risk governance must begin at the Board level and cascade throughout the organisation. FBNBank UK ensures there is governance through its compliance and internal audit functions, which ensure there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. This ensures regulatory risk is minimised and also ensures that the objectives of FBNBank UK are taken into consideration and not hindered.

#### IT/Systems risk

IT/systems risk is the risk of a failure or an issue arising within a bank's primary systems, which might hinder the functionality of the business with catastrophic consequences and eventually lead to a loss of revenue to the business.

FBNBank UK understands the risk, addresses the issues and maintains the most up to date systems and anti-virus software to ensure a high level of IT security is sustained.

#### Financial crime risk

Financial crime risk covers risks relating to money laundering, counter terrorist financing, fraud and bribery and corruption. These risks involve activities that dishonestly generate or preserve wealth and those activities that provide financial support to criminal groups.

As a bank, FBNBank UK is exposed to financial crime risks through its businesses, particularly in jurisdictions that are considered weak and less equivalent to the UK in terms of related regulatory and legal requirements.

Robust procedures are in place to mitigate the risks of financial crime, with strong emphasis on verifying customer identities, assessing levels of financial crime risks, determining politically exposed persons and sources of wealth and income. Business with countries that are linked to terrorism is generally discouraged.

FBNBank UK has no appetite for any form of financial crime and as such subscribes to the guiding principles of the Joint Money Laundering Steering Group.

## DIVISIONAL OPERATING REVIEW

### INTRODUCTION

The principal activities of the Business are the provision of various banking services in the form of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance and Structured Trade Commodity Finance for our clients.

These services are mainly targeted at corporate or high net worth individuals (HNIs) who are seeking a boutique service, or individuals seeking a bank offering a holistic approach towards their finances. FBNBank UK also aims to be the first point of call for African individuals or corporates seeking any form of banking services. Our contemporary approach to delivery of service is through our dedicated relationship managers, with a support team that is familiar with our clients' needs.

FBNBank UK has consistently delivered a blend of excellent, professional and innovative services to its customers and has won awards for the following:

- 2014, 2013, 2012, 2011, 2010 and 2009 Global Trade Review award – Best Trade Finance Bank in West Africa; and
- 2011 Deal of the year for a large multi-commodity and multi-jurisdictional facility.

In the face of increasing competition from other entities, our in-depth knowledge of the African market continues to give us a competitive advantage, coupled with the continued drive to retain the best possible staff to drive the business forward, while offering excellent expertise to customers.

### OVERVIEW

From inception 12 years ago, FBNBank UK has maintained steady business growth. This has been greatly influenced by business diversification, injection of additional capital, expansion of funding base, continued excellent service delivery and the attraction and retention of quality human capital resources.

Our business is Commercial Banking, but segmented into three main areas: Private Banking, Corporate Banking and Correspondent Banking.

#### Private Banking

The Private Banking arm of our business was established to take advantage of London as the chosen destination of high net worth individuals (HNIs) from West Africa. The business encompasses investment, personal banking, wealth protection, property investment and lifestyle. We aim to provide a highly professional and personal service by offering advice on investment products in addition to traditional banking services. Going forward, the strategic business focus will be to continue to work in synergy with our parent to create a global Private Banking brand that will offer a holistic wealth management service to Group customers.

Following a return optimism in the sustained growth of the UK economy, our Private Banking business has shown great potential and made great strides. While the lacklustre global equity market coupled with a low interest regime affected investors' appetite for further investment, our Private Banking business still had a total assets under management (AUM) of USD24.2 million, an increase of 40.70% compared to the 2013 amount of USD17.2 million. However, our AUM client base remained fairly stable in 2014. Property investment continued on its upward trend, comparable with previous years in line with strong recovery in the UK housing market. Gross income generated by Private Banking and wealth management in 2014 increased by 6% in comparison to 2013. The increase was on the back of a good performance from its property portfolio. The portfolio income performance represented 11.6% (2013: 11.7%) of FBNBank UK's total income.

#### Corporate Banking

This arm of FBNBank UK's business encompasses Corporate Finance, Project and Structured Finance, and Structured Trade and Commodity Finance. It provides financial solutions, particularly funding to both large and medium-sized firms. The financial solutions could be in the form of trade commodity loans, reserve-based funding, working capital and infrastructure finance.

The Corporate Banking Units earn fees and commission for facility and trade transaction management, as well as interest income on advances. About 80% of FBNBank UK's corporate facilities are short term and revolving, and mostly of Grade A performance. The major sectors served across these units include oil and gas, tobacco and mining.

To an extent, a major growth driver has been the strong economy in Africa, which has driven investors to the market. FBNBank UK is strategically placed as it has the credibility and strength of a UK institution and also a deep understanding of and close proximity to the African market.

FBNBank UK's corporate portfolio continues to expand, with substantial inroads made, especially with the Structured Trade Commodity and Project Finance businesses. Consequently, income generated from these businesses also increased in the year.

Income generated from the Corporate Banking business increased by 6% in 2014, compared to 2013. The total portfolio income represented 63.5% (2013: 64.5%) of FBNBank UK's total income.

#### Correspondent Banking

This business segment covers transactions with financial institutions – trade finance, letters of credit confirmations, foreign exchange transactions, payments and cash management, clearing, general lending, etc. FBNBank UK acts as a correspondent bank for a number of African banks and helps to facilitate trade flows between the various African countries and the rest of the world. FBNBank UK earns interest and fee incomes from balance sheet lending to bank customers while commissions are generated from trade finance business activities, remittances and foreign exchange transactions. The business continued to perform well, though its percentage share of income contribution increased in 2014 to 24.9% (2013: 23.8%) due to the significant expansion in our Corporate Banking SBU. Correspondent Banking will continue to be an important SBU of FBNBank UK.

Percentage income contribution of Strategic Business Units



# Financial review



Samuel Aiyere Executive Director/Chief Financial Officer

FBNBank UK posted a strong profit performance with a healthy growth in balance sheet footing in 2014, despite a continued difficult business environment and strict regulatory environment in the year 2014. Our capital position was strengthened through high retention of profit, while funding and liquidity positions remained solid throughout 2014.

## INCOME STATEMENT ANALYSIS

Gross earnings increased by 7.66% to £99.26 million. The increase in gross earnings compared to the prior year resulted from the expansion of customer lending activities. Portfolio of earning assets increased by 9.18% for the year to £2.26 billion (2013: £2.07 billion) driven by an increased lending and profitable assets mix.

Net interest income grew by 14.11% to £59.29 million (2013: £51.96 million) resulting from increased interest income driven by a combination of increased customer lending activities and improved asset yield. Interest costs decreased by 3.82%, to £27.97 million (2013: £29.08 million) as a result of favourable deposit liability mix.

Total commissions and fee income generated in 2014 increased by 25.26% to £8.48 million (2013: £6.77 million). The increase in commission and fee income is attributable to a good turnover of trade finance and other fee related activities. Our Private Banking business continued to show good potential and made great strides in the year. However, the unimpressive global equity market coupled with a low interest regime continued to affect investors' appetite for further investment.

Operating costs rose by 14.39% to £27.26 million (2013: £23.83 million). Appropriate levels of an operational framework and systems were put in place by FBNBank UK to support increased business and safeguard assets. This led to a rise in staff costs, professional fee, and premises costs. These additional expenses generated stronger growth in operating income. However, increased amounts of impaired loan charges resulted in a worse cost to income ratio of 52.68% (2013: 49.49%) compared to the previous year.

Specific credit impairment charges decreased to £6.59 million from £8.11 million in the last financial year. However for the first time the Bank decided to take a collective impairment provision of £3.83 million in 2014 in relation to performing assets portfolio.

Consequently, FBNBank UK posted a profit before tax (PBT) of £33.74 million for the year ended December 2014. The profit amount exceeded the prior year's PBT by £2.50 million (8.00%)

### Profit before tax (£'m)



— Profit before tax (£'m)

This is an IFRS classification of asset portfolio.

### Income (£'m)



■ Gross earnings (£'m) — Net interest income (£'m) — Non-interest income (£'m)

### Operating income and expense (£'m)



■ Gross earnings (£'m) — Operating expense (£'m)

## BALANCE SHEET ANALYSIS

The balance sheet expanded by £180 million to £2.27 billion (2013: £2.09 billion) driven by growth in customer deposits generated to support increased lending activities.

Earning assets increased by £190 million to £2.26 billion (2013: £2.07 billion) in 2014. Loans to customers increased by £140 million (12.39%) to £1.27 billion, loans to banks increased by £302 million (55.31%) to £848 million as FBNBank UK expanded its lending business to the productive sectors.

FBNBank UK further increased its exposure to short-term trade and commodity-related assets, mortgages and structured finance assets. The non-performing assets ratio remained low at 0.64% of total earning assets, and was fully provisioned net of collateral.

Deposit liabilities grew by 9.05% (£159 million) to £2.0 billion (2013: £1.8 billion) in 2014. The growth in deposits recorded was strategically driven to achieve an optimal funding mix and interest cost reduction.

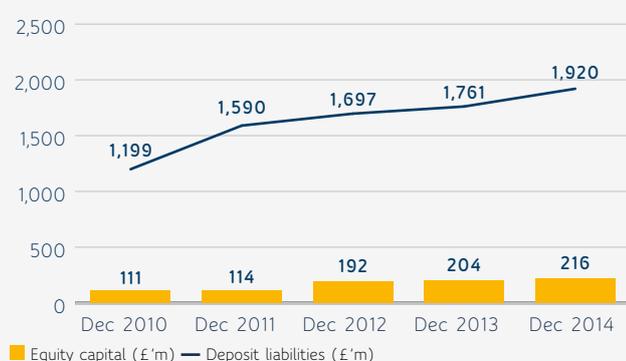
Total shareholders' equity increased by 5.88% to £216 million (2013: £204 million), as a result of profit retention to strengthen capital base. Dividend payments of £4.92 million were made in 2014 to the shareholders.

FBNBank UK continued to operate a sustainable business model based on its diversified stable funding base and high quality assets portfolio held.

### Movement in assets (£'m)



### Equity capital and deposit liabilities (£'m)



## CAPITAL MANAGEMENT

At 31 December 2014, FBNBank UK recorded a capital adequacy ratio of 18.60% (2013: 18.24%) with a core tier 1 capital ratio of 14.90% (2013: 14.30%), reflecting the contribution from a high percentage profit retention and optimal balance sheet management. The capital ratios were in excess of regulatory requirements as at the reporting date and demonstrated the strong capital position of FBNBank UK.

Risk-weighted assets increased by 6.31% (£78 million) to £1.35 billion in December 2014, reflecting increased lending activities, to financial and non-financial institutions.

It is expected that with the strength of our current capital ratios, our ability to retain future profit and our optimal mix of risk-weighted assets, FBNBank UK will be able to meet its regulatory capital requirements in the future.

### Equity capital and deposit liabilities



## LIQUIDITY AND FUNDING

FBNBank UK's funding strategy is to maintain a well-diversified funding base and to continually seek alternative funding sources in order to manage costs and guard against funding disruption.

At 31 December 2014, FBNBank UK had £1.92 billion in customer deposits, composed of £497 million in wholesale funding and £1.42 billion in retail customer deposits, diversified among over 39,000 retail customers. A significant percentage of the retail deposits was generated through the FirstSave deposit product. In 2014, FirstSave EURO deposit product was successfully launched whilst the FirstSave postal deposit product was retained and capital broadened the deposit source base.

Liquidity remained strong during the year as FBNBank UK continued to hold high quality unencumbered liquid assets and maintained reserve account at Bank of England in line with the regulatory buffer asset requirements. In addition, significant highly liquid money market instruments were held to support liquidity requirements.

Loans and advances to customers were largely funded by customer deposits, long-term wholesale debt and equity. Wholesale deposit funding was mostly matched with assets of a similar tenor to mitigate unnecessary liquidity stress.

FBNBank UK will continue to monitor compliance with existing regulatory buffer asset requirements and relevant Basel III metrics, including the liquidity coverage ratio and net stable funding ratio.

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## KEY PERFORMANCE INDICATORS

Return on shareholders' equity was 16.80% (2013: 17.22%) in 2014, while return on assets remained same compared to last year at 1.50% (2013: 1.50%).

## OUTLOOK

The near-term global economic outlook is positive and gives an indication of overall steady growth in the world economy. While appreciable economic growth is expected to be recorded by some of the advanced economies, less growth is expected in emerging and developing economies.

It is anticipated that 2015 will be challenging for FBNBank UK, particularly as fallen commodity prices remained low, the economic situation remains below full recovery and the regulatory environment continues to operate harder rules. Nevertheless, we look forward with optimism and confidence to identify and execute viable business opportunities, which in turn should produce excellent financial performance.

# CORPORATE GOVERNANCE

A good corporate governance framework is vital for supplying a stable structure to help FBNBank UK to achieve both its vision and mission.

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# Chairman's introduction



Oye Hassan-Odukale, MFR Chairman

We are committed to operating our businesses in a responsible and sustainable manner. The present vision of FBNBank UK is to be the first choice UK and European bank for Africa and the present mission statement of FBNBank UK is to be 'a UK subsidiary of the foremost Nigerian Bank, providing world-class international banking and trade services in support of commercial relations between Nigeria and Africa and the rest of the world'.

## HOW DO WE GOVERN LONG-TERM SUSTAINABILITY?

A good corporate governance framework is vital for supplying a stable structure to help FBNBank UK to achieve both its vision and mission. Our corporate governance framework forms an integral part of the approach in order to safeguard shareholder value.

### Compliance statement

The Board considers that it has fully complied with the applicable provisions of the UK Corporate Governance Code (the Code) during the financial year being reported.

### Monitoring risk

As required by the Prudential Regulation Authority (PRA), FBNBank UK has in place both the Internal Capital Adequacy Assessment Process (ICAAP) and the Individual Liquidity Adequacy Assessment (ILAA). These respective processes and documents give security that FBNBank UK has both sufficient capital and liquidity to continue to operate.

FBNBank UK has also put in place a Recovery and Resolution Plan (RRP) that enables the Board to plan actions it would take to recover from adverse conditions that would otherwise cause it to fail. The recovery plan details a 'menu of options' for FBNBank UK to deal with a firm-specific or market-wide stress.

### Leadership

A succession plan has been agreed for the key executive positions within FBNBank UK. Each position is covered at least once and potential candidates are receiving appropriate training.

Having been appointed as Chairman for FBNBank UK on 8 May 2013, I intend to continue my plan to help FBNBank UK develop and grow further with new drive and new ideas for its way forward.

### Focus on people

The Executive Management Committee (EMC) continued to provide an enabling environment in which employee relationships are strengthened. This has helped in building good customer and employee engagement.

### Delivering shareholder value

FBNBank UK continues to have a sole shareholder. It is vital that the shareholder, FirstBank, is satisfied with the performance of FBNBank UK.

In the last three years FBN (UK) had paid 20% of its final post tax profit by way of a dividend to its parent. This was agreed by FBNL to help build up the capital base of FBNBank UK in support of business growth and regulatory compliance. Going forward the percentage of post tax profit to be paid as dividend will be determined annually by the parent; this will depend on business need and regulatory requirements of FBN (UK).

# 20%

of FBNBank UK's final post-tax profit paid as a dividend to the parent company

The report that follows explains the key features of FBNBank UK's governance structure to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year. The report also includes items required by the Disclosure and Transparency Rules. The statutory disclosures required in the Strategic and Directors' Reports are set out in the Annual Report and Accounts section on pages 43 to 47. Our business model is explained on page 16, as required by the Code.

The climate in which FBNBank UK operated continued to be challenging but, despite this, it has continued to be successful and to grow steadily and profitably. It remains the leading bank of its peer group in London and the most profitable subsidiary of its parent. This has been due partly to strong governance - the strong controls and organisational framework applied has helped to ensure that few mistakes have been made. Good governance is the basis of any good business.

As FBNBank UK has grown, the governance structure has also evolved as necessary; a number of important changes and developments have been made over the last year and there are plans for further activities and changes in support of good governance, which I will explain in the following sections.

# Leadership

## OUR BOARD

The present members of the Board are as follows:

### Oye Hassan-Odukale, MFR (Chairman)

(Chairman of the Board and Chairman of the Board Governance Committee)

Oye Hassan-Odukale has held the position of Managing Director/ CEO of Leadway Assurance Company Limited, a foremost underwriting firm in Nigeria, since 1994. His appointment was preceded by over 14 years of experience in insurance brokerage, underwriting, investments and general management. Oye is a recipient of the national honour, Member of the Order of the Federal Republic (MFR), and sits on the Board of FBNBank UK, Seawolf Oilfield Services Limited, Leadway Pensure PFA Limited and the Governing Council of Babcock University. His experience in investments and as a Director on several boards informs his detailed insight, which keeps the Board ahead of competition in the financial services industry. Oye is a Munich Re scholar, Securities and Exchange Commission accredited Investment Manager and Portfolio Advisor and was a Non-Executive Director on the Board of FirstBank. He is married with children and enjoys listening to music, reading and travelling

### Michael Barrett (Managing Director and Chief Executive Officer)

(sits on Board Credit Committee, Board Establishment Committee and Board Strategy Review Committee).

Michael Barrett has more than 34 years' banking experience in the City and was appointed as MD/CEO of FBNBank UK in April 2014. Michael commenced his banking career in Barclays and moved into the field of international banking in 1986 and since this time has spent the majority of his time with banks specialising in facilitating trade flows in and around Africa. Michael specialises in credit risk management and was the former Head of Risk for Belgolaise SA, the African banking arm of Fortis Bank before taking over as the UK General Manager for Belgolaise in 2002.

Michael joined FBNBank UK in 2007 as Chief Risk Officer and grew the risk function from a team of three to nine, overseeing the substantial growth of the balance sheet from GBP800m to GBP2.5bn, and has played a key role in the strategy of the Bank over this time.

### Bisi Onasanya (Non-Executive Director)

(Chairman of Board Establishment Committee and sits on Board Governance Committee)

Bisi Onasanya was appointed Group Managing Director/Chief Executive Officer in 2009. He was previously Executive Director, Banking Operations and Services and the MD/CEO of First Pension Custodian, a subsidiary of FirstBank. He joined FirstBank in 1994 and coordinated the Century 2 Enterprise Transformation Project for the Bank. He is a highly respected and personable executive who has established a reputation at FirstBank for solid performance and sound judgement. Bisi is a Fellow of the Institute of Chartered Accountants of Nigeria, Fellow of the Chartered Institute of Bankers of Nigeria with 30 years' post-qualification experience and Associate Member of the Nigerian Institute of Taxation. He sits on the Board of several companies and has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal and Monetary Policies, as well as the Presidential Committee on Reduction of Interest Rates. He has attended various executive programmes at the London Business School, Harvard Business School and Wharton Business School. He loves swimming and is married with children.

### Sam Aiyere (Executive Director, Chief Financial Officer)

(sits on Board Strategy Review Committee)

Samuel is a dynamic Chief Financial Officer with proven success leading and directing financial operations of a leading mid-sized international financial institution. He has demonstrated ability to provide vision, focus and execution to achieve success in start-up and high growth business operations. A professional with passion and broad experience in strategic financial planning, forecasting, implementation and analysis.

He joined FBN Bank (UK) Ltd in the year 2002 as part of the start-up team and prior to that had worked in various roles with FirstBank, London Branch, FBN (Merchant Bankers) Limited and Grindlays Merchant Bank, both in Nigeria.

Samuel is a leader with over 24 years' comprehensive banking experience which cuts across business development, audit, strategic planning, regulatory matters, finance and risk. He has expertise in the following specific areas: strategic business planning, budgeting and business forecasting, financial control systems and reporting, regulatory compliance and reporting, balance sheet management, corporate tax management, product control, risk and internal control, liquidity and capital management, banking operations, and business performance management.

Samuel obtained Bachelor of Science (BSc) with honours in accounting from the University of Lagos and Masters in Business Administration (MBA) from the University of Hull (UK) with specialisation in business finance. He is a Chartered Accountant and has attended various leadership and strategic courses at world renowned business schools. Samuel is happily married with children.

### Michael Bamber (Executive Director/Chief Operations Officer)

(sits on Board Strategy Review Committee)

Michael Bamber joined FBNBank UK in July 2004, as Executive Director of Operations and brings with him more than 40 years of international banking, experience covering a multitude of operational support areas including: structured trade and commodity finance, project finance, trade finance, discount and collections, loans administration, securities, eurobond settlements, foreign exchange and Treasury back office, retail banking, IT, communications and buildings administration.

Michael was appointed Executive Director/Chief Operations Officer of FBNBank UK in January 2012 and is currently approved by the UK regulator as a CF1 (Director).

During his career, Michael has held several senior management positions with different London-based international banks and has previously been approved by the UK regulator to undertake Control Functions CF17 - Significant Management (Other Business Operations), CF20 - Significant Management (Settlements) and CF8 - Apportionment and Oversight.

### Rosemary David-Etim (Executive Director, Business Development)

(sits on Board Credit Committee and Board Strategy Review Committee)

Rosemary is the Executive Director, Business Development, of FBNBank UK and has more than 25 years of banking experience, spanning areas such as Treasury, trade and corporate banking (telecommunications, aviation and transport). Prior to her appointment to the Board of FBNBank UK, she was a group head in the Institutional Banking Group (IBG) of FirstBank, with responsibility for overseeing the Bank's telecommunications and transportation businesses. Under her leadership, both of these business segments achieved significant milestones in growth and contribution towards FBNBank UK's profits.

Rosemary has a multi-disciplinary background, and holds a BSc in Social Sciences and a master's degree in Business Administration and General Management. She has strong analytical, deal-structuring and relationship management skills, demonstrating leadership capabilities and a passion for motivating people and teams to achieve excellence in service delivery and a first-class corporate performance. All these skills will be brought to bear in supporting the growth aspirations of FBNBank UK.

### Urum Eke, MFR (Non-Executive Director)

(Chairman of Board Credit Committee, sits on the Board Audit & Risk Assessment Committee and the Board Strategy Review Committee)

Urum Eke joined the Board of FirstBank in 2011 as Executive Director, Public Sector South. Before his appointment, he was Executive Director, Regional Businesses, Lagos & West, Diamond Bank Plc. His work experience spans Deloitte Haskins & Sells International where he rose to a Senior Audit Consultant and Diamond Bank Plc, where he was Branch Manager, Regional Manager and Divisional Head before he became Executive Director. He has over 29 years' experience in financial services, auditing, consulting, taxation, process engineering and capital market operations. His sound managerial and motivational skills coupled with his vast experience have helped develop FBNBank UK's businesses within the public sector group as well as on the Board. Uru is a member of the Institute of Management Consultants and a Fellow of the Institute of Chartered Accountants of Nigeria. He is involved in philanthropy and mentoring, and is happily married with children.

### Peter Grafham (Non-Executive Director)

(Chairman of Board Audit & Risk Assessment Committee and sits on Board Establishment Committee and Board Strategy Review Committee)

Since completing his education in the UK, Peter has had 50 years of international banking experience, including some 25 years abroad with the Barclays Group. He has held a very broad range of positions dealing with commercial, institutional, international trade finance and multinational corporate clients. He is a graduate of the Chartered Institute of Bankers (now Institute of Financial Services) in the UK.

Peter started his banking career with Barclays Bank (DCO) in 1963 as an overseas trainee, then served time with international internal audit team in the UK and Nigeria, before transfer to Lagos in 1967 where he enjoyed a further three years of direct African experience, followed by a further two years in Sierra Leone earning steady promotion through management.

In 1972, he transferred to Fiji in the South Pacific where he was instrumental in establishing the first Barclays' presence in the islands. He returned to Europe in 1974 and, after undertaking an internal Barclays' MBA course at Manchester Business School, moved to Frankfurt Germany in 1975. He held various management positions in Germany, culminating in appointment as General Manager in 1983.

Peter returned to London in 1988 to a UK general management appointment as Financial Institutions Director. His responsibilities, until his retirement from Barclays in 1996, included the management of cross-border exposure and institutional credit risk and market risks with emerging markets in Sub-Saharan Africa and Central and Eastern Europe. For part of this time, simultaneously being MD Trade Finance Group, he also had global responsibility for the Bank's international trade finance business.

During these eight years in London he was also a Non-Executive Director of Anglo Romanian Bank London, in which Barclays Bank had a 30% shareholding until the mid-90s, and remained on that Board until 2006. Following his departure from Barclays he joined Standard Bank of South Africa, where he was European Representative for the Group for six years until 2001. While at Standard Bank he not only continued with his Board position at Anglo Romanian Bank, but also served as a Non-Executive Director on the Board of AY Bank London (formerly Anglo Yugoslav Bank) for some three years and on the Board of Moscow Narodny Bank London (now VTB Europe) from 1998 until 2006.

Throughout his banking career Peter has always valued the development of client relationships, rather than taking a short-term approach to business.

### Ibrahim Waziri (Non-Executive Director)

(sits on Board Credit Committee, Board Establishment Committee and Board Strategy Review Committee)

Ibrahim Waziri was appointed to the Board of FBNBank UK in 2011. He has over 30 years' professional experience in banking and oil and gas businesses. His work experience includes: Group Executive Director at the Nigerian National Petroleum Corporation (NNPC), Financial Analyst and Manager, International Merchant Bank Limited, Executive Director, Nigeria Gas Company Ltd and the Pipeline and Product Marketing Company Ltd, Deputy Managing Director, Nigeria LNG Limited, and Managing Partner, Gulf of Guinea Petroleum Consulting Limited. He is a fellow of the Institute of Directors (IOD) and his extensive experience across industries is brought to bear on his Board contributions. Ibrahim is married with five children and loves reading, swimming, golfing, listening to music and nature conservation.

### Anthony Williams (Non-Executive Director)

(Chairman of Board Strategy Review Committee and sits on Board Credit Committee, Board Audit & Risk Assessment Committee, Board Establishment Committee and Board Governance Committee)

Tony joined Barclays Bank (DCO) straight from school in 1959. After training in Lancaster, London and Liverpool he was posted to the Sudan where he did two tours - in Khartoum and Wad Medani. His next posting in 1965 was to Cameroon, where he spent six years in various managerial positions in Victoria and Buea. Returning to Head Office in 1970 he worked in the Chief Accountant's Department doing pioneering work on the costing of bank services.

In 1972, he moved to Manchester as Foreign Manager at the Co-operative Bank and developed correspondent relationships with cooperative banks in Nigeria and Ghana. He represented the UK at the Association of Co-operative Banks of the EEC in Brussels.

From 1976 to 1979 he was in Bahrain managing Gulf Financial Services - a joint venture with the ruling family. In 1979, he joined Midland Bank International (later HSBC) as an International Finance Executive at their London Head Office. After two years' managing the Iran team, he moved to the Africa desk where he became Regional Manager (Africa), responsible for the Group's Sub-Saharan African business - principally correspondent and corporate banking, and sovereign risk lending. He undertook regular travel to Africa and developed important relationships throughout the continent, in particular with the Central Bank of Nigeria, NNPC and Nigerian banks and corporates. He was on the Nigerian Debt Rescheduling Committee ('the London Club') for eight years.

After retiring in 1999, he set up a consultancy that did work for HSBC on operational risk before joining the Board of FBNBank UK in 2002. Tony is an Associate of the Chartered Institute of Bankers. For many years he was a Director of the West Africa Business Association. He was also Treasurer of the Britain Nigeria Association and the Alhaji Sir Abubakar Tafawa Balewa Memorial Trust.

## CHANGES TO THE BOARD AND ITS ACTIVITIES

Peter Hinson, who had been MD/CEO of FBNBank UK since 2002, retired in March 2014 and was succeeded by Michael Barrett who had formerly been the Chief Risk Officer at FBNBank UK.

Sam Aiyere, who was formerly the Chief Financial Officer, was promoted to Executive Director/Chief Financial Officer in January 2014. In addition, FBNBank UK also appointed a new full time Company Secretary, Parminder Nahl, who replaced the former Company Secretary, Venetia Carpenter in July 2014.

The Board meets quarterly, usually in the London office, with additional meetings being convened as required. The annual calendar of Board and committee meetings is approved in advance at the last meeting of the Board in the previous year, and all directors are expected to attend each meeting. Their record of attendance is provided on page 27, 'Board and committee governance structure'.

All the committees of the Board meet within two weeks or so before each Board meeting so that they can then give a report to the Board and also get approval to various recommendations made by the committees. The close dates between the Board and the committee meetings have proved to be very effective in ensuring that any issues of concern raised by the committees can be discussed and often resolved by the Board, while these matters are still foremost in the minds of the Directors and senior management.

The Board has embraced new technologies with the electronic distribution of Board papers by iPad. The use of electronic methods for the distribution of Board and committee papers makes the servicing of the meetings more efficient and environmentally friendly. In addition, FBNBank UK will also be adopting a dedicated computer package in 2015 to securely manage the electronic distribution of Board papers more effectively.

The Board agenda is carefully put together to allow sufficient time to debate each item. Board meetings are usually scheduled for a full day in case any matters need to be discussed in more detail.

Relevant members of the executive senior management team are often called into the Board meetings to give reports as relevant. If any further questions are raised, the non-executive directors always have direct access to senior management, both before and after Board meetings.

Strategy and product development are given sufficient time for discussion at Board meetings through the Board Strategy Review Committee reports. There is also a strong representation of the senior management of FBNBank UK at the Board Strategy Review Committee meetings that gives the non-executive directors, in particular, the opportunity to communicate with them about general matters.

Throughout 2014, there has continued to be considerable focus on risk management. FBNBank UK has sought to maximise its profitability but this has not been at the expense of prudent risk management which the Board has sought to further strengthen through the promotion of Michael Barrett, with his considerable depth of knowledge as the former CRO, to the role of MD/CEO and the recent appointment of the very experienced Chris Engel as the new CRO. It is within this framework, that FBNBank UK continues to look into developing new areas of business as opportunities arise.

## BOARD RESPONSIBILITIES

The Board continues to focus on the many regulatory changes and challenges in the financial sector and as a result has closely focused on Board responsibilities. Regulatory changes have been highlighted as part of the Directors' training programme for 2014. The Directors consider it very important that they understand all the regulatory documents produced by FBNBank UK, especially the RRP, ICAAP and ILAA.

They have agreed and understand that the following are their main responsibilities:

- the Board must always act in the best interests of FBNBank UK and its shareholders;
- the Board must provide leadership, set strategic aims, give direction to the management and ensure that the necessary financial and human resources are in place for FBNBank UK to meet its objectives;
- the Board must establish a framework of prudent and effective internal controls that enables risk to be assessed and managed, and monitor and assess the effectiveness of the internal controls established;
- the Board must review management performance and determine its remuneration; and
- the Board must set the Company's values and standards.

In order to help with these responsibilities, as well as reviewing the terms of reference of the Board committees on an annual basis, the Board agrees a list of matters reserved for the Board, that is, those matters that can only be decided by the Board and cannot be delegated to a committee or individual.

The list of matters reserved for the Board includes the requirement for the Board to agree long-term objectives and strategies, as well as having an oversight of FBNBank UK's operations, to ensure there is adequate control and compliance with regulatory requirements. The capital structure is seen as being an important focus for the Board, which is especially necessary in the current climate with liquidity and capital requirements being uppermost in the concerns of the banking sector. There is also a focus on financial reporting and controls and on internal control and risk management.

With regard to governance, the list of matters reserved for the Board also covers Board membership and the remuneration of the Directors, the Company Secretary and senior executives. The need for clear delegation of authority is covered, as well as the balance of interests between the shareholder and other stakeholders.

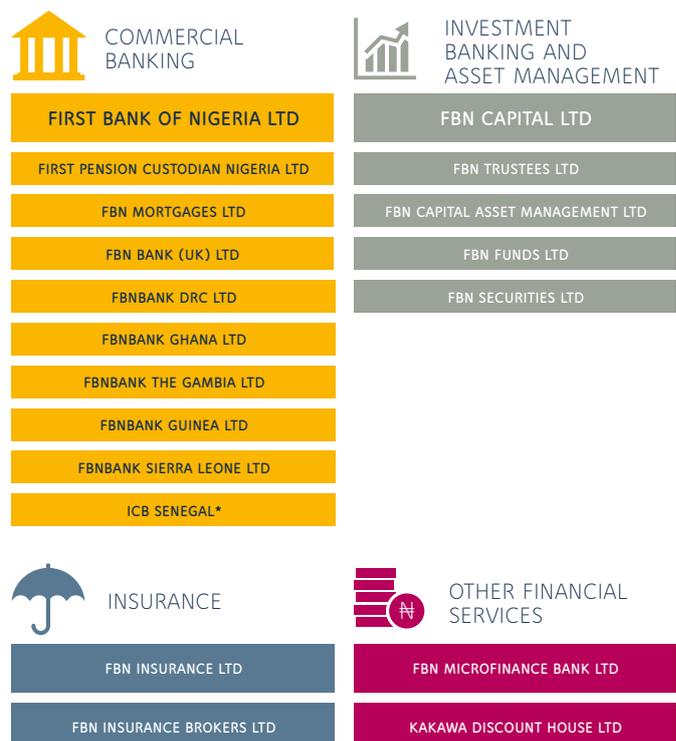
## GROUP CORPORATE GOVERNANCE FRAMEWORK

Below is a copy of the present FBN Group corporate governance framework, with FBNBank UK highlighted to show where it sits in the present structure.

In Nigeria, the banking business now has to be ring-fenced from non-banking businesses. Our parent, therefore has a corporate structure that complies with these requirements.

FBN Group has a holding company called FBN Holdings Plc, with a number of subsidiaries, each of which carries out a certain area of business. First Bank of Nigeria Ltd is one of these subsidiaries and is responsible for the Commercial Banking business. It is also the immediate parent for FBN Bank UK.

## FBN HOLDINGS PLC (FBNHoldings)



\* To be renamed and rebranded to FBNBank Senegal.

There may eventually be a requirement for banks to ring-fence non-banking businesses in the UK. The Board is watching developments in this area and, if this does happen, FBNBank UK will have to look at restructuring its business to comply with new governance requirements.

The present corporate governance framework of FBNBank UK is as detailed on the right.

## BOARD AND COMMITTEE GOVERNANCE STRUCTURE

As noted in the structure (right), the Board presently has five standing committees. The make-up and attendance of each committee during 2013 (as well as attendance at Board meetings) is shown in the following table.



Director	Position	Board	Board Credit Committee	Board Audit & Risk Assessment Committee	Board Strategy Review Committee	Board Establishment Committee	Board Governance Committee
<b>Oye Hassan-Odukale, MFR</b> (appointed on 8 May 2013)	<b>Chairman</b> (with effect from 8 May 2013)	4 out of 4 meetings		1 out of 5 meetings (not a member)	1 out of 4 meetings (not a member)		<b>Chairman</b> 5 out of 5 meetings
<b>Bisi Onasanya</b>	NED	3 out of 4 meetings				<b>Chairman</b> 3 out of 4 meetings	4 out of 5 meetings
<b>Peter Hinson</b> (resigned on 31 March 2014)	MD/CEO	1 out of 1 meeting	1 out of 1 meeting	1 out of 1 meeting	1 out of 1 meeting	1 out of 1 meeting	1 out of 1 meeting
<b>Michael Barrett</b> (appointed on 15 January 2014)	MD/CEO (with effect from 1 April 2014)	4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	5 out of 5 meetings (not a member)	<b>Member</b> 4 out of 4 meetings	<b>Member</b> 3 out of 4 meetings	4 out of 5 meetings (not a member)
<b>Michael Bamber</b>	ED Operations	4 out of 4 meetings		5 out of 5 meetings (not a member)	<b>Member</b> 4 out of 4 meetings		
<b>Urum Eke</b> (appointed on 27 September 2013)	NED	4 out of 4 meetings	<b>Chairman</b> 4 out of 4 meetings	<b>Member</b> 5 out of 5 meetings	<b>Member</b> 4 out of 4 meetings		
<b>Rosemary David-Etim</b>	ED Business Development	3 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	5 out of 5 meetings (not a member)	<b>Member</b> 4 out of 4 meetings		
<b>Peter Grafham</b>	Independent NED	4 out of 4 meetings		<b>Chairman</b> 5 out of 5 meetings	<b>Member</b> 4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	
<b>Sam Aiyere</b> (appointed on 15 January 2014)	ED Chief Financial Officer	4 out of 4 meetings	1 out of 4 meetings (not a member)	5 out of 5 meetings (not a member)	<b>Member</b> 4 out of 4 meetings		
<b>Ibrahim Waziri</b>	Independent NED	4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	5 out of 5 meetings (partial attendance - not a member)	<b>Member</b> 4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	
<b>Anthony Williams</b>	Independent NED	4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings	<b>Member</b> 5 out of 5 meetings	<b>Chairman</b> 4 out of 4 meetings	<b>Member</b> 4 out of 4 meetings (Chaired 1 meeting)	<b>Member</b> 5 out of 5 meetings

As for previous years, there has, again, been almost 100% attendance for all meetings of the committees and the Board. You will also note that, in line with good governance, the Board Audit & Risk Assessment Committee and the Board Governance Committee continue to be made up only of non-executive directors (NEDs) to ensure the independence of these committees.

## BOARD CREDIT COMMITTEE (BCC)

The objective of the BCC is to assist the Board in discharging its responsibilities relating to the approval and the periodic consideration of its credit and other risk policies and portfolios to ensure consistency with guidelines and limits established.

The BCC reviews and approves credit applications that are above the authority of the Executive Credit Committee. It grants credit facilities and monitors the resulting exposure, in compliance with FBNBank UK's policies and risk appetite. It recommends the need for any investigations on any credit matters. It reviews potential loss situations, and considers the adequacy of provisions and the recovery strategy. Finally, it considers proposals for changes to FBNBank UK's credit policies.

In addition to the three Independent Non-Executive Directors, other regular attendees at BCC meetings are the Chief Risk Officer, the Deputy Head of Risk and the Trainee Credit Analyst.

## BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

The objective of the BARAC is to assist the Board in discharging its responsibilities relating to FBNBank UK's risk management, accounting policies, internal control systems and procedures and financial reporting and to liaise with FBNBank UK's regulators and external auditors. The internal auditors report to the Chairman of the committee.

With regard to the audit responsibilities, the BARAC examines the manner in which the management of FBNBank UK ensures and monitors the adequacy and the nature, extent and effectiveness of FBNBank UK's accounting and internal control systems and procedures, in compliance with FBNBank UK's policies and rules and the standards of the regulatory regimes to which FBNBank UK is subject.

The committee is responsible for ensuring the integrity of FBNBank UK's financial information and other formal documents relating to its financial performance and for making appropriate recommendations to the Board before publication. A key factor in ensuring the integrity of the financial statements is compliance with accounting standards and consistency of accounting policies on a year on year basis and across FBNBank UK. Accounting for unusual transactions, significant reporting issues and decisions made by management, in particular the classification and treatment of exceptional items, are discussed and the views of the external auditors are taken into account.

With regard to risk assessment, the BARAC is responsible for the oversight of the management's responsibilities to assess and manage FBNBank UK's risk profile including credit risk, market risk, funding and liquidity risk and operational risk.

The BARAC has continued to focus on proposed regulatory changes that are expected to impact FBNBank UK, following on from the creation in 2013 of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), both of which FBNBank UK will have to liaise and comply with going forward. This, therefore, remains an area of continued focus for the committee. Further changes to regulatory requirements are expected during 2015 and, therefore, the BARAC will continue to monitor these developments.

Apart from the committee members and the Company Secretary, other regular attendees at BARAC meetings are the Managing Director, the Executive Director/Chief Operations Officer, the Executive Director/Chief Financial Officer, the Chief Risk Officer, the Head of Compliance and MLRO and the internal auditors. The external auditors also attend on an annual basis to report on the final audited annual accounts.

## BOARD STRATEGY REVIEW COMMITTEE (BSRC)

The objective of the BSRC is to assist the Board in discharging its responsibilities relating to FBNBank UK's future strategy. Its duties are to review progress against the agreed strategic plan, to consider proposals affecting the strategic direction of FBNBank UK and to make recommendations to the Board on these matters.

The BSRC also has a particular focus on the progress of new products or services that have been introduced by FBNBank UK as part of its strategy. If it considers that a particular service or product is not performing well, the BSRC will raise its concerns to the Board for further consideration and agreement as to the way forward.

All members of the Board are members of this committee, except for the present Chairman and Bisi Onasanya, one of the non-executive directors. Other regular attendees at this meeting are the Chief Risk Officer, the Head of Compliance and the Treasurer, as well as the Company Secretary.

## BOARD ESTABLISHMENT COMMITTEE (BEC)

The objective of the BEC is to assist the Board in discharging its responsibilities relating to FBNBank UK's capital expenditure, infrastructure and human resources (HR) requirements.

The duties of the committee include the following:

- the consideration and recommendation of certain expenditure outside the approved annual budget, significant changes to FBNBank UK's structure chart and to the remuneration structure and senior management appointments and being the final arbiter of disciplinary measures likely to lead to dismissal;
- the approval of capital and recurrent expenditure within the approved annual budget;
- the review and approval of FBNBank UK's HR policy, which includes the remuneration policy and a review of the remuneration policy and remuneration decisions on an annual basis (excluding those for Board directors); and
- the recommendation to the Board of any proposed remuneration incentive schemes.

As FBNBank UK continues to grow, this committee both ensures that there are sufficient human resources to cover the work, as well as control on the overall numbers of staff so that there is not overcapacity or overspend in this area.

Other than the committee members, regular attendees are the Head of human resources and the Company Secretary.

## BOARD GOVERNANCE COMMITTEE (BGC)

The objective of the BGC is to assist the Board in discharging its responsibilities relating to the nomination and remuneration of executives and to enhance FBNBank UK's governance through a continuing assessment of its approach to corporate governance.

The BGC covers three main areas, which are nominations of new directors, corporate governance matters and the remuneration of directors.

Apart from committee members, the only other regular attendee, other than the Company Secretary, is the Managing Director.

The BGC also has oversight of the annual review of the Board and its committees, and of any actions that fall out of that review each year. Following on from both the corporate governance audit undertaken by Grant Thornton LLP and the recent full time appointment of the new Company Secretary at the end of 2014 it was decided that an external Board appraisal should be conducted during 2015 and the BGC will oversee this process.

## BOARD APPOINTMENTS AND CONTRACTS

During the year, there have been a number of changes on the Board.

Firstly, there has been the appointment of a new MD/CEO, Michael Barrett, with effect from 1 April 2014.

Michael Barrett has more than 34 years banking experience in the City and was appointed as MD/CEO of FBNBank UK in April 2014. Michael commenced his banking career in Barclays and moved into the field of international banking in 1986 and since this time has spent the majority of his time with banks specialising in facilitating trade flows in and around Africa. Michael specialises in credit risk management and was the former Head of Risk for Belgolaise SA, the African banking arm of Fortis Bank before taking over as the UK General Manager for Belgolaise in 2002.

Michael joined FBNBank UK in 2007 as Chief Risk Officer and grew the risk function from a team of three to nine, overseeing the substantial growth of the balance sheet from GBP800m to GBP2.5bn, and has played a key role in the strategy of the Bank over this time.

In addition, Sam Aiyere, has also been promoted to Executive Director, CFO in 2014. This follows on from the plan agreed in 2013 for the appointment of additional executive directors to the Board to strengthen the executive range and knowledge on the Board.

Samuel is a dynamic Chief Financial Officer with proven success leading and directing financial operations of a leading mid-sized international financial institution. He has demonstrated ability to provide vision, focus and execution to achieve success in start-up and high growth business operations. A professional with passion and broad experience in strategic financial planning, forecasting, implementation and analysis.

He joined FBNBank UK in the year 2002 as part of the start-up team and prior to that had worked in various roles with FirstBank, London Branch, FBN (Merchant Bankers) Limited and Grindlays Merchant Bank, both in Nigeria.

Samuel is a leader with over 24 years' comprehensive banking experience which cuts across business development, audit, strategic planning, regulatory matters, finance and risk. He has expertise in the following specific areas: strategic business planning, budgeting and business forecasting, financial control systems and reporting, regulatory compliance and reporting, balance sheet management, corporate tax management, product control, risk and internal control, liquidity and capital management, banking operations, and business performance management.

Samuel obtained Bachelor of Science (BSc) with honours in accounting from the University of Lagos and Masters in Business Administration (MBA) from the University of Hull (UK) with specialisation in business finance. He is a Chartered Accountant and has attended various leadership and strategic courses at world renowned business schools. Samuel is happily married with children.

Subsequent to the year end date, Rosemary David - Etim resigned from the Board of FBNBank UK.

The Board, as a result of the above changes, has been further strengthened.

Presently, none of the executive directors have any external appointments.

## MANAGEMENT COMMITTEES

The executive management oversees the day-to-day management of FBNBank UK and operates through a number of committees, of which the following are the main management committees.

### Executive Management Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

### Executive Credit Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Rosemary David-Etim	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Sam Aiyere	Executive Director, Chief Financial Officer
	Grace Igbiniyesu	Deputy Head of Risk

### Anti-Money Laundering Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Michael Bamber	Executive Director, Chief Operating Officer
	Rosemary David-Etim	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Trevor Fall	Head of Customer Services

## Asset &amp; Liability Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Chris Edwards	Treasurer

## Risk Management Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Vanessa Murataj	Head of Human Resources
	Chris Edwards	Treasurer

## Conduct Risk &amp; Treating Customers Fairly Committee

	Name	Title
<b>Chairman</b>	Rosemary David-Etim	Executive Director, Business Development
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Michael Connell	Head of Compliance and MLRO
	Trevor Fall	Head of Customer Services
	Martin Barney	Director, Head of Property Finance

## New Products Committee

	Name	Title
<b>Chairman</b>	Sam Aiyere	Executive Director, Chief Financial Officer
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

## Investment Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Rosemary David-Etim	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

## Executive Paris Management Committee

	Name	Title
<b>Chairman</b>	Michael Barrett	Managing Director
<b>Members</b>	Michael Bamber	Executive Director, Chief Operations Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Frederic Le Bourgeois	Director General, Paris
	Jean-Pierre David	Deputy Director General, Paris

# Effectiveness

## HOW DO WE MAKE SURE OUR BOARD IS EFFECTIVE?

One of the main principles of the UK Corporate Governance Code (the Code) is a requirement to ensure the effectiveness of the Board and of its committees. We have done this by a variety of means.

Firstly, we have ensured that we have continued to have an appropriate balance of skills, experience, independence and knowledge at Board level. As a bank with a focus on African-related businesses, both here in the UK and in Africa, we have directors from both the UK and from Nigeria who have extensive knowledge of the African market. This helps the Board to understand both African needs and the relationship between Africa and the rest of the world with regard to both business and personal relationships.

We currently have a wide range of experience and skills on the Board. We particularly, have strong knowledge of credit and risk, strengthened following the appointment of both Michael Barrett as MD/CEO and Chris Engel as CRO, increasingly important areas for all banks. The extensive experience and wealth of knowledge of our non-executive directors in the banking world has been a great resource and support for the current executive team managing the operational side of FBNBank UK.

There is a good balance between the number of non-executive directors to executive directors on the Board. Six, including the present Chairman, of the current 10 directors are non-executive directors, with three of these directors being further classified as independent non-executive directors.

It remains the case that two of the Directors regarded as independent non-executive directors have now been on the Board for more than nine years. Consideration has, therefore, been given by the Board during 2014 as to whether these two directors continue to act in an effective and independent manner, and whilst it was concluded that this remained the case, following on from an independent corporate governance audit undertaken by Grant Thornton LLP, senior management are in the process of actively reviewing the position of all long serving independent non-executive directors to address this concern.

The Board continues to have a broad cross-section of cultural backgrounds, with a balance of both English and African members. Women are also represented – with one of the executive directors being a woman.

In accordance with the Code, there is a clear division of responsibilities at the head of FBNBank UK, between the running of the Board and the executive responsibility for the running of FBNBank UK's business. The roles of the Chairman and the Chief Executive are held by different individuals. The Chairman, who is a Non-Executive Director is responsible for the leadership of the Board and ensuring the effectiveness of the Board. To ensure clarity in this structure, the Board also has an agreed job description for the Chairman's role.

All directors have access to the Company Secretary, who is accountable to management, through the Chief Executive and to the Board through the Chairman, on all corporate governance matters. The Company Secretary provides the Directors with guidance on their responsibilities and good governance and ethics, as required. He ensures that Board procedures are followed, and applicable rules and regulations are complied with. He plays an active role in directors' induction and training. The Board has ultimate responsibility for the appointment and removal of the Company Secretary.

The Board has the power to obtain advice and assistance from, and to retain, at FBNBank UK's expense, subject to prior approval, such independent or outside professional advisers and experts as it deems necessary or appropriate to its duties.

At each meeting of the Board, the progress of FBNBank UK is reviewed against budget and against its targets for the year, and actions are followed up to confirm that they have been completed. The Board is therefore working effectively in its oversight of the operations of FBNBank UK.

## BOARD REVIEW

As a growing bank, we recognise the importance of aspiring to, and maintaining, the highest standards of governance. Further to the initial Board evaluation that was undertaken in 2012, the Board has indicated that such Board appraisals should be held annually. However, with the recent corporate governance audit undertaken by Grant Thornton LLP and the appointment of a new full time Company Secretary, it was agreed that the independent appraisal for 2014 would be rescheduled for early 2015 in order to allow the Board to fully consider and have implemented some of the suggestions raised in the corporate governance audit.

The ongoing aim of such Board evaluations is to identify areas where improvements in Board effectiveness and efficiency could be made and to agree on specific actions to put any necessary improvements in place.

Areas which are actively considered are:

- the roles and responsibilities of the Board and its committees, and how successful they are in fulfilling their key roles and responsibilities;
- the extent to which the Board and its committees adhere to best practice in their structure and procedures; and
- the extent to which the culture of the Board and committees is supportive of the effective functioning of the Board.

For the next Board evaluation, it is envisaged that an external firm specialising in this area will be instructed to consider the effectiveness of the Board in detail as part of the process of ensuring that the Board continually adopts appropriate best practice.

In addition, the Articles of Association of FBNBank UK are being reviewed with the intention to update them in line with the Companies Act 2006. The Board committee terms of reference will also be reviewed and updated as necessary to reflect the revised Articles. Going forward, an annual review of the Board committee terms of reference will be undertaken to ensure that the Board committees remain effective, with adequate authority to perform and controls in place where necessary.

## APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

When FBNBank UK needs a new director, the responsibility for giving this matter consideration is initially with the Board Governance Committee, with the Committee's final recommendations then being put to the Board for approval.

The objective when making any appointment to the Board is to recruit candidates who have a good understanding of banking in Africa, particularly in Nigeria, as well as in the UK and Europe (as FBNBank UK has a Paris branch). This has resulted in the Board consisting of a mixture of Nigerian and English non-executive directors, as well as a mixture of English and Nigerian executive directors.

Where there is a lack of experience on the Board in a particular area, there is a focus on finding someone with the requisite knowledge in that area. Any non-executive director chosen must also have sufficient time to devote exclusively to FBNBank UK in order to be able to best discharge his/her responsibilities effectively.

Once appointed, a new director, whether executive or non-executive, is expected to go through an induction process. Each new director also receives an induction manual that gives all the basic information regarding FBNBank UK (including such things as the Articles of Association, the committees' terms of reference and the main policies) as well as guidance on directors' responsibilities generally, taking into account legal requirements and responsibilities under the Companies Act and English law and their responsibilities as authorised persons in accordance with the regulatory requirements of the financial regulatory bodies, is supplied to any new director. This induction manual is reviewed and updated, as necessary, on an annual basis.

Any new director is also expected to meet with the head of each department in FBNBank UK to help them to learn about the business of FBNBank UK. In addition, the new director is expected to have a training session with the Company Secretary on his basic legal responsibilities. All these meetings help to reinforce what is covered in the induction manual.

Once recruited, an effort is made by FBNBank UK to continually update the Board on the challenges, opportunities and risks facing the business areas and FBNBank UK generally.

This is achieved by management reporting at Board and committee meetings, and occasional training sessions, either at a separate meeting specifically for training purposes or, when considering a particular and/or urgent topic, at the start of a quarterly Board meeting. As an example, due to all the recent changes taking place to regulatory requirements for banks in the UK, the Directors had a full day's training on new regulatory requirements coming into effect.

FBNBank UK attaches significant premium to the training of its directors and recognises the importance of training to improve the effectiveness of the Directors in their work for FBNBank UK.

## ACTION PLAN FOR 2015

There are a number of areas that will need to be actioned/completed in 2015, which are as follows:

- a) an update of the Articles of Association of FBNBank UK;
- b) an annual update of the induction manual for new directors;
- c) an annual review of the Board committees' respective terms of reference;
- d) an annual review of the Board's effectiveness;
- e) the completion of the Directors' training programme for 2015;
- f) a continual watch on the development of regulatory requirements and actions by FBNBank UK to ensure that it complies with any new or changed requirements; and
- g) the implementation of a dedicated computer package for the distribution of Board papers to the Board.

## ENGAGEMENT

Another main principle of the UK Corporate Governance Code (the Code) is that there should be a dialogue with shareholders based on the mutual understanding of objectives. As FBNBank UK is a wholly owned subsidiary of FirstBank it, therefore, only has to engage with one shareholder.

FBNBank UK does not hold Annual General Meetings because, as it is a private limited company, it is not required to hold them under UK company law. However, the parent presently has two representatives sitting on the Board of FBNBank UK, which gives it comfort that its wishes are being considered in any decisions made by the Board. Of course, they have a risk of conflict of interest with their responsibilities for the parent bank, but the two directors concerned are always conscious of this risk in all their dealings and declare possible conflicts as and when they should arise.

The Board considers it very important that it maintains a good relationship with its parent. Engagement is achieved by various means. A lot of work has been done by both FBNBank UK and its parent to make this relationship work effectively.

As a result, there are a number of ongoing initiatives. It was agreed, in 2012 that it is important that the strategy of FBNBank UK should be in line with the strategy of its parent. To help in this process, a strategy day is now held annually by FBNBank UK, which is attended not only by FBNBank UK's Board and senior management, but also by senior representatives of FirstBank.

There has been a continued drive, during 2014 to develop more business through referrals between FBNBank UK and its parent. This was encouraged through events for and information being given to the relationship managers of the parent to raise their awareness of what FBNBank UK has to offer its clients.

FBNBank UK's relationship with its parent is therefore close, being both very positive and very productive

# Accountability

## RISK MANAGEMENT FRAMEWORK

### RISK MANAGEMENT PHILOSOPHY

FBNBank UK strictly follows the Group risk management philosophy, which includes:

- FBNBank UK considers robust risk management to be the bedrock of a sound financial institution;
- risk personnel are duly empowered and encouraged to perform their duties professionally and independently without undue interference;
- risk management is governed by detailed policies that are approved by the Board and communicated effectively throughout FBNBank UK;
- clear segregation of responsibilities and duties between market facing business units and risk management functions, while also recognising that business unit personnel are the first line of risk management defence;
- risk-related issues are taken into consideration in all business decisions;
- risk personnel act as allies and advisers to other stakeholders both within and outside FBNBank UK;
- FBNBank UK only grants credit to customers that fall within its risk appetite parameters that can be monitored by market sector and geography;
- FBNBank UK ensures that it achieves diversification by counterparty, economic sector and country;
- FBNBank UK sets general and specific rules in respect of counterparty risks, market-sector risks, geographical risks and credit products; and
- FBNBank UK complies with the legal, regulatory and conduct requirements that govern its activities, in all the countries in which it operates.

### RISK CULTURE

- The Board and management promote a responsible approach to risk. The long-term survival and reputation of FBNBank UK will not be jeopardised by irresponsible risk management practices
- The responsibility of risk management is fully vested in the Board of Directors, which in turn delegates this to senior management
- FBNBank UK pays close attention to both quantifiable and unquantifiable risks
- FBNBank UK's management ensures that a risk culture and risk management awareness is practised throughout FBNBank UK
- FBNBank UK avoids any business where the associated risks cannot be objectively assessed or managed.

### RISK APPETITE

FBNBank UK's risk appetite is established by the Board and reviewed on a quarterly basis. FBNBank UK's appetite for risk is governed by the following:

- high quality risk assets as measured by ratio of non-performing loans to total loans and maximum average internal risk rating of the lending portfolio;
- a diverse lending portfolio to ensure there are no undue concentration concerns taking into consideration the following:
  - business unit;
  - business sector;
  - country at risk; and
  - asset portfolio tenor;
- losses due to operational risk to be constantly monitored and to be lower than industry averages;
- financial and prudential ratios to be pegged at levels more conservative than regulatory requirements, in particular loan to deposit, capital adequacy, liquidity cover, deposit concentration etc.; and

- FBNBank UK strives to minimise the following independent indicators of an excessive risk culture:
  - overdue audit queries;
  - adverse publicity; and
  - fines and regulatory penalties.

FBNBank UK will not compromise its reputation through unethical, illegal or unprofessional conduct and FBNBank UK has a zero appetite for association with disreputable individuals and entities.

### RISK MANAGEMENT OVERSIGHT

FBNBank UK's risk management function provides central oversight of risk management across FBNBank UK to ensure that the full spectrum of risks facing FBNBank UK are properly identified, measured, monitored and controlled and reported to minimise adverse outcomes. The risk management function is complemented by other departments/committees in the management of certain important risks as detailed below.

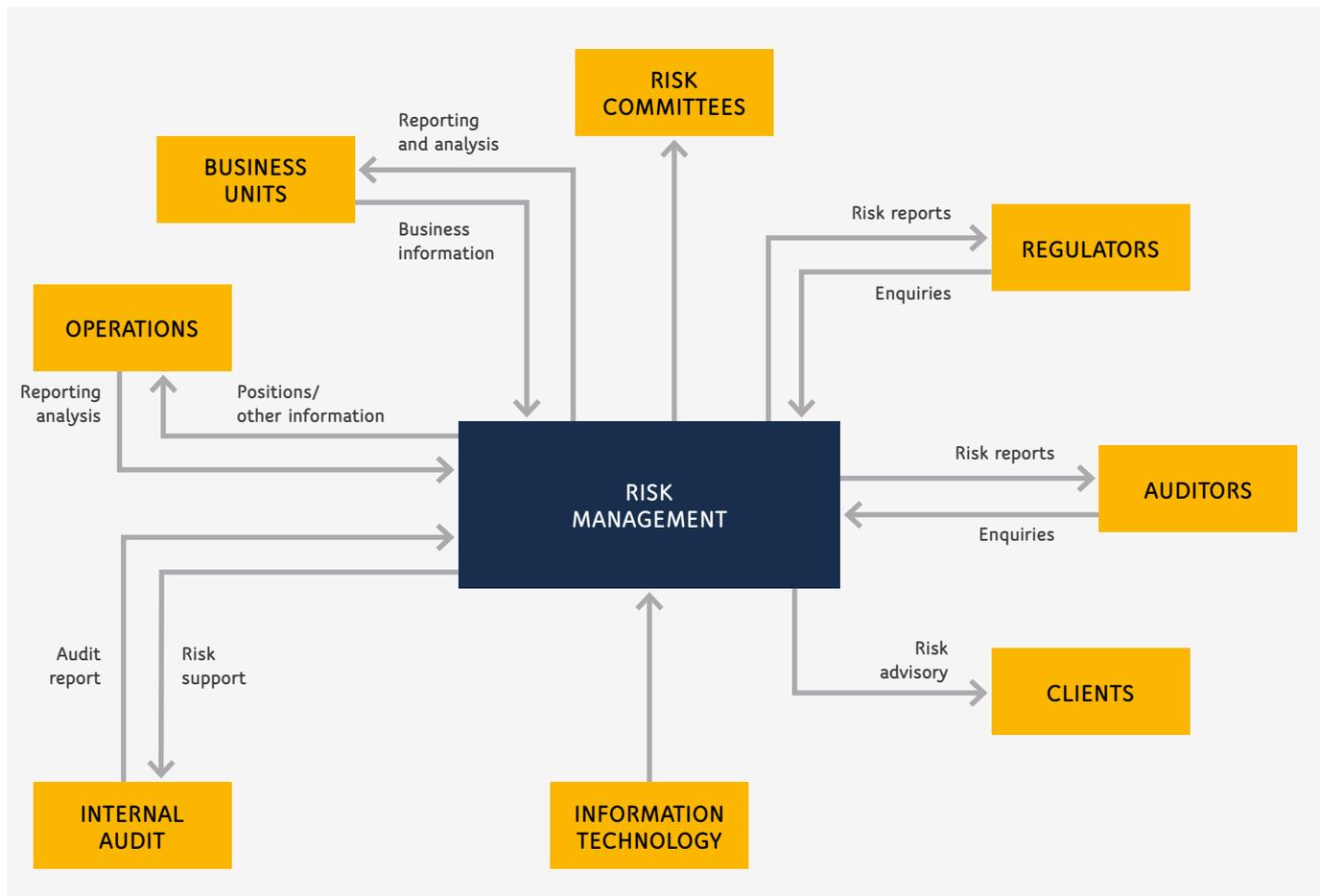


Risk management coordinates the monitoring and reporting of all risks across FBNBank UK and is headed and staffed by highly experienced and competent risk personnel.

Internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively. Internal audit also tests the adequacy of internal controls and makes recommendations where deficiencies are identified.

## BUSINESS UNITS RISK COMMITTEES REGULATORS

- Risk management sets policies and defines limits for other units of FBNBank UK
- Risk management performs FBNBank UK's risk monitoring and reporting and provides a framework for management of risk
- Other units provide data to risk management for risk identification, monitoring and reporting
- Risk management collaborates with business units in designing new products
- Risk management works closely with internal audit to provide a comprehensive view of risks across FBNBank UK.



## RISK MANAGEMENT GOVERNANCE FRAMEWORK



## ROLES AND RESPONSIBILITIES

### Board of Directors

It is the responsibility of the Board of Directors to:

- approve and review risk strategy and policies;
- approve risk appetite and monitor profile against appetite;
- ensure that management takes steps necessary to monitor and control risks;
- ensure that management maintains appropriate risk management systems and reviews effectiveness;
- ensure that the risk strategy reflects the Group's tolerance for risk;
- review and approve amendments to the risk management framework;
- review and approve risk management procedures and control for new products and activities;
- review periodic risk reports from management highlighting the key risk areas, control failures and remedial action taken by management;
- ensure that management and staff responsible for risk management possess the requisite expertise, knowledge and support to efficiently accomplish the role;
- ensure that FBNBank UK implements a sound methodology that allows the identification, monitoring, control and reporting of risk;
- ensure that detailed policies and procedures for risk creation, management and recovery are in place; and
- appoint credit officers and delegate approval authorities to individuals and committees.

### Board committees

The above responsibilities of the Board of Directors are discharged primarily by two Board committees, namely:

- Board Audit & Risk Assessment Committee; and
- Board Credit Committee.

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management.

### Board Audit & Risk Assessment Committee

The primary role of the committee is to report to the Board and provide appropriate recommendations on matters relevant to risk management and internal audit. The committee is made up of four non-executive directors. The Chief Risk Officer provides periodic reports to this committee and attends its meetings.

### Board Credit Committee

The Board Credit Committee ensures effective management of credit risk by FBNBank UK. It is also responsible for approving:

- credit risk management, strategy and policies;
- credit products, processes and approving authorities;
- credit risk appetite and limits;
- credit provisioning and write-offs recommended by the Executive Credit Committee; and
- credit requests above Executive Credit Committee approval limits, including recommendations to the full Board for approval.

The committee is made up of the Managing Director, Executive Director, Business Development, and three non-executive directors. The Chairman is a non-executive director. The Chief Risk Officer provides periodic reports to this committee and attends its meetings.

### Executive Credit Committee

It is the responsibility of this committee to:

- establish and maintain an effective risk management environment in FBNBank UK;
- review proposals in respect of credit policies and standards, and recommend them to the Board for approval;
- define FBNBank UK's risk and return requirements and target risk portfolio;
- monitor, on an ongoing basis, FBNBank UK's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance;
- define credit approval framework and assign credit approval limits in line with FBNBank UK's policy;
- review credit policy changes initiated by the management of FBNBank UK and recommend to the Board for approval;
- ensure compliance with FBNBank UK's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
- approve credit facility requests within limits defined by credit policy;
- review and recommend to the Board Credit Committee facilities beyond Executive Credit Committee approval limits;
- review monthly credit portfolio reports and assess portfolio performance; and
- recommend to the Board Credit Committee any credit provisioning or write-offs.

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# RISK FACTORS

At all times, FBNBank UK strives to ensure that its risk management framework is robust, up to date and in line with prevailing international best practice.

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The risk management disclosure is evidence of the Company's commitment towards promoting sound corporate governance

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### CREDIT RISK →

An overview of how we create, monitor and manage credit risk

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How we ensure that all anticipated funding commitments can be met when due

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# Chief Risk Officer's report



Chris Engel Chief Risk Officer

Effective risk management and a risk culture is a fundamental part of the business of FBNBank UK. The Board of Directors has ultimate responsibility for risk management and various committees within FBNBank UK enable the Board and Executive Management to evaluate the risks faced by FBNBank UK and the effectiveness of FBNBank UK's management of these risks. These committees and risk policies are integral to FBNBank UK's risk management framework.

At all times, FBNBank UK strives to ensure that its risk management framework is robust, up to date and in line with prevailing international best practice. This supports the commitment of the Board of Directors to adopt and fully respect sound corporate governance standards within the banking industry. FBNBank UK also periodically reviews and constantly measures its risk appetite metrics to ensure that its performance is in line with budgets, and within risk appetite. Forecasts, both under normal and stressed conditions, provide insight into the likelihood of possible adverse impacts on the business.

FBNBank UK's lending portfolio continues to be diversified in terms of counterparty, business unit, business sector and country at risk. Although there are higher indirect exposures to certain sectors such as commodities given that they focus on trade, concentrations are managed by diversification within the sectors. Naturally with a diverse portfolio, certain sectors and regions have experienced some difficulties relating to commodity price falls, political tensions and pandemics during the year. However, there has continued to be many attractive funding propositions open to FBNBank UK in the five main business lines where it operates:

- Corporate Banking;
- Financial Institutions;
- Private Banking;
- Project and Structured Finance;
- Property Finance; and
- Structured Trade Commodity Finance.

Evolution of the portfolio of assets by business lines 2012-2014 (£'m)



The above graph demonstrates that recent growth of FBNBank UK over the last few years has been primarily in the corporate sector from Project Finance, Property Finance and Structured Trade Commodity Finance business, which are all typically highly structured and or secured by tangible security in order to provide FBNBank UK with additional comfort. This was very much in line with the strategy of FBNBank UK.

Additional growth has been achieved in corporate banking following intensive marketing and the appointment of further experienced persons.

Business from Nigerian financial institutions and correspondent banking relationships remains important.

FBNBank UK has continued to adopt, refine and develop more sophisticated risk management procedures to reflect both the changing structure of our lending portfolio and the increasing requirements by the regulatory environment. This includes the introduction of various Target Market Risk Acceptance Criteria models for various matters, such as insurance counterparties, Treasury counterparties and country risk. FBNBank UK has made a number of key hires to fill senior risk positions over the last three years to assist with the further development of its risk function within FBNBank UK.

# Risk management disclosures

## CREDIT RISK

**Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due. Credit risk comprises counterparty risk, settlement risk and concentration risk.**

Over the last year FBNBank UK continued to provide and enhance its product and service offerings to meet market demands. However, FBNBank UK remains a relatively niche product provider, concentrating its efforts on facilitating trade flows between Africa and the rest of the world. Following years of rapid growth FBNBank UK concentrated on its existing business sectors, rather than developing new sectors. FBNBank UK will continue to operate in countries, business sectors and with counterparties where it believes it fully understands the risks involved. Risks are mitigated using security and robust structures as well as transferring risk away where lower exposures are required.

In-depth analysis continues to be carried out both on the existing portfolio and new propositions in an attempt to ensure that acceptable risks are being undertaken in line with FBNBank UK's risk appetite framework. Constant staff training ensures that risk skills and awareness are enhanced throughout FBNBank UK and business developers are constantly reminded that they are the first line of defence in the management of risk. This is instrumental in keeping a clean lending portfolio.

FBNBank UK constantly monitors its credit risks and takes swift action with credit exposures showing any signs of deterioration or concern. This policy of early intervention has been very successful to date in bringing facilities back to performing before they deteriorate too far, thereby reducing the amount of bad and doubtful debts that we encounter. The bad and doubtful classification and provisioning policy is considered to be prudent and in line with our peers.

These policies ensure that potential problems are highlighted at a very early stage and, where considered necessary, capital and interest provisions are made. A facility is immediately considered as 'bad and doubtful' when interest and/or repayments fall more than 90 days in arrears, although circumstances relating to each exposure are taken into account when a decision to provide is made. Procedures ensure that all overdue and arrear exposures are brought to the attention of FBNBank UK's management when they first occur. A capital provision is immediately made, and it is assessed whether there is a 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.

FBNBank UK is actively involved in arranging syndicated transactions, which individually may be in excess of our regulatory single obligor limit. As a result, these transactions are carried out in association with partner financial institutions as risk participants both on a funded and unfunded basis and in conjunction with the insurance market. We are often partnered on these transactions by two substantial multilateral development banks specialised in Sub-Saharan Africa financial transactions who participate in individual transactions within the approved structure of the facility. FBNBank UK may retain an exposure close to our regulatory single obligor limit at times.

## MARKET RISK

**Market risk is the risk of loss arising from a change in the market value, earnings or future cash flows, caused by the movements in market variables such as equity or commodity prices, interest and exchange rates.**

FBNBank UK does not have a trading portfolio and assets are purchased predominantly on a 'hold to maturity' basis. In addition to the Individual Liquidity Assessment Standards (ILAS) buffer bond holdings, FBNBank UK has a relatively small portfolio of investment bonds that are directly related to our core business sectors and presently amounts to less than 5% of our total assets. FBNBank UK has an exposure to interest rate risk on these investment bonds. The risk appetite for the portfolio of investment bonds is a maximum of 10% of total assets. The impact of interest rate risk is minimized by basing assets on floating rates which are regularly re-fixed while the majority of liabilities are subject to reset at regular intervals, although a certain percentage of liabilities are contracted for longer maturities (FirstSave bonds) for liquidity management purposes.

FBNBank UK has no direct exposure to equities or commodities risk, although it is acknowledged that it has exposure to the latter to some degree indirectly via credit facilities granted to Structured Commodity Trade Finance customers. FBNBank UK has a very low risk appetite for currency risk with the adoption of a relatively small maximum open position limit of USD10 million being imposed in association with stop loss positions. The major source of market risk in FBNBank UK's books has been identified as currency risk and is managed using swaps in the forward currency market.

FBNBank UK does not undertake any risk that cannot be managed, or risks that are not fully understood. All new products are subject to the close scrutiny of the New Products Committee.

**5%** Less than 5% of our total assets are investment bonds

## LIQUIDITY RISK

**Liquidity risk is the inability to repay liabilities or commitments when due at reasonable cost. This occurs when counterparties who provide funding to FBNBank UK withdraw or do not roll-over funding, or during times of stress or market disruption in asset markets, rendering normally liquid assets illiquid.**

The liquidity position of FBNBank UK has continued to be very sound and robust over the last year, with a good mix of both retail and wholesale deposits. The FirstSave internet-based product has proved to be an extremely reliable source of liquidity as and when required and is now a well-established and recognised name in this sector. During the year EUR denominated deposits have commenced and this will provide further diversification of funding by currency. Key liquidity metrics that are considered include the percentage mismatch in the sight to one-month period, percentage of core funding to total funding base, Individual Liquidity Guidance (ILG) buffer requirement, liquidity coverage ratio and net stable funding ratio.

## OPERATIONAL RISK

**Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.**

In view of the type of transactions to which FBNBank UK is typically exposed, it has fully recognised the importance of operational risk and has established an operational risk team headed by an experienced senior member of staff to oversee this important area, with a reporting line to the Chief Risk Officer. A robust operational risk management (ORM) framework has been adopted and implemented including a program of risk control self assessments and control assurance testing as well as a detailed training programme to ensure that each member of staff is fully cognisant of operational risk and to ensure it is fully embedded in our culture.

FBNBank UK is fully dedicated to the management of operational risks. The framework aims to:

- reduce losses arising from operational risk;
- tighten control of operations where necessary;
- improve performance measurement;
- provide early warning signals of internal control system failings; and
- heighten operational risk awareness.

Internal loss event data is reported and maintained throughout FBNBank UK and analysed in detail in order to prevent recurrence and avoid future losses. Risk and control self assessment is a key facet of FBNBank UK's operational risk framework. This, facilitated by the operational risk function, involves each business unit proactively identifying and assessing its significant operational risks and the controls in place to manage those risks. This includes workplace safety and employment practices.

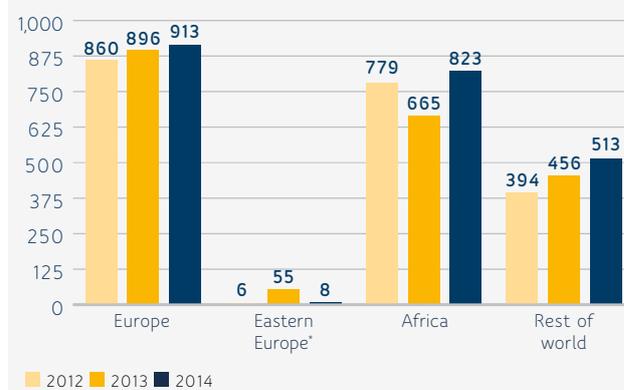
Typical with other financial institutions, FBNBank UK has a robust and comprehensive business continuity management framework that is regularly tested. The framework is in line with global best practice, ensuring safety and protection of FBNBank UK's assets, systems, staff and customers and reassures the various FBNBank UK stakeholders that the Bank has the ability to continue business as and when various business disruptions are encountered.

## COUNTRY AND CROSS-BORDER RISK

**Country risk is the risk of loss arising when political or economic conditions or events in a country negatively impact the ability of counterparties to meet their financial obligations to FBNBank UK. Country risk events may include banking or currency crises, social instability, sovereign defaults and changes in government policies such as expropriation, nationalisation and confiscation of assets. Country risk also includes cross-border risk, which is the risk that government action may restrict the transfer and convertibility of funds, thereby affecting the ability to obtain payment from counterparties on their financial obligations to FBNBank UK.**

FBNBank UK currently has exposure to approximately 60 countries globally, with almost 30 of these being in Africa. We actively manage our country risk and regularly review our risk appetite for exposures in each country. We also manage this via the risk appetite statement in which we have placed limits on the level of business in Europe, Africa and the rest of the world. We regularly have a presence in-country to ensure we obtain relevant, up to date information where there are concerns with country or cross-border risk, FBNBank UK has no hesitation in reducing or cutting limits or using the insurance market to mitigate this risk where appropriate.

Evolution of commercial portfolio by area (£'m)



\* Eastern Europe is no longer within risk appetite and any exposure has run-off.

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## LEGAL RISK

**Legal risk is the risk of loss resulting from flawed documentation, failing to take appropriate legal measures to protect the assets of FBNBank UK, a claim being made that results in a liability for FBNBank UK, or changes in laws and regulations.**

In view of our niche market being trade finance solutions to facilitate trade flows throughout the world, it is acknowledged that it is of critical importance that our documentation is accurate, robust and legally sound taking into consideration the various jurisdictions to which we may be exposed. FBNBank UK has a thorough understanding in this area and has resourced the key areas of FBNBank UK with highly experienced personnel in an attempt to ensure that we are not exposed to this important area of risk.

In this respect, the documentation for transactions with these dynamics is usually drafted and perfected using FBNBank UK's approved external law firms, with expertise in the relevant area. In addition to this, FBNBank UK has a number of close working relationships with major law firms to ensure we are fully cognisant of the rapidly changing regulatory framework of the banking sector. Standardised documentation, which is subject to ongoing review, is used for more routine transactions. FBNBank UK has an in-house Head of Legal to oversee this important area.

To date there has never been an incident where FBNBank UK has suffered a loss as a result of any circumstance of legal risk and there are currently no 'near-misses' or potential losses relating to this risk area.

## REPUTATIONAL RISK

**Reputational risk results from the damage to FBNBank UK's image, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding FBNBank UK's reputation is of vital importance to its continued success and is the responsibility of every member of staff.**

Throughout FBNBank UK it is recognised that its reputation is key to its future, and this is instilled throughout the organisation to ensure that borrowing counterparties, depositors, regulators and shareholders – to name but a few – have faith in the organisation's ability to conduct itself well. The Bank's reputation can be adversely affected by negative publicity, legal disputes and association with undesirable persons and activities. FBNBank UK fully recognises that it is dealing in territories considered as high risk for compliance concerns, such as financial crime and money laundering, and treats this with the seriousness that it deserves.

Financial crime and anti-money laundering training is provided to all members of staff and everyone is tested regularly for competence in this important area. During the year FBNBank UK has focused on this area, including the use of outside consultants, to ensure that systems are fully compliant with our regulatory obligations with regard to the prevention of financial crime.

Treating customers fairly is necessary to maintain and enhance FBNBank UK's reputation. Bespoke policies and procedures are in place to ensure all customer complaints are recorded and appropriate action is taken to resolve any complaints within strict time limits.

Outsourced activities are regularly monitored to ensure the performance and control standards required by the Bank are satisfied. FBNBank UK remains accountable for all activities outsourced.

## E-BUSINESS

FBNBank UK provides an internet banking facility to all its customers, which enables them to make account enquiries, account-to-account transfers and third-party payments. The internet banking facility is periodically upgraded to promote better customer experience and provide enhanced levels of security and secure delivery. As part of our strategy to drive more e-business, the upgraded version of the internet banking facility empowers customers to take greater control over their accounts and help them to interact with FBNBank UK from anywhere in the world, 24 hours a day.

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# FINANCIAL STATEMENTS

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# Officers and professional advisers

## DIRECTORS

<b>Oye Hassan-Odukale (MFR)</b>	Chairman
<b>Michael John Barrett</b>	Managing Director/Chief Executive Officer, (Appointed 1 April 2014)
<b>Peter Stuart Hinson</b>	Managing Director/Chief Executive Officer, (Retired 31 March 2014)
<b>Samuel Oladipupo Aiyere</b>	Executive Director/Chief Financial Officer, (Appointed 15 January 2014)
<b>Michael John Bamber</b>	Executive Director/Chief Operations Officer
<b>Rosemary Ifiook David-Etim</b>	Executive Director, Business Development
<b>Urum Kalu Eke (MFR)</b>	
<b>Peter Arnhem Grafham</b>	
<b>Bisi Onasanya</b>	
<b>Ibrahim Dahiru Waziri</b>	
<b>Anthony Robert Paget Williams</b>	

## SECRETARY

Parminder Nahl (Appointed 30 June 2014)  
**Registered Office**  
 28 Finsbury Circus  
 London  
 EC2M 7DT

## BANKERS

HSBC Bank plc, London  
 Standard Chartered Bank PLC, New York  
 Deutsche Bank, Frankfurt  
 The Bank of Tokyo - Mitsubishi UFJ, Ltd, Tokyo  
 Credit Suisse, Zurich

## SOLICITORS

DLA Piper UK LLP  
 London

## AUDITOR

Deloitte LLP  
 London

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# Strategic report

## STRATEGIC OVERVIEW

Our mission is to provide world-class international banking services to African-related businesses and individuals, and in doing so, become the first choice UK and European bank for Africa. With our strong base of competitive differentiators, we aim to grow each of our various Strategic Business Units (SBU) in two directions – vertically, to increase our market share in each unit; and horizontally, building synergies among the various units through active cross-selling.

## WHAT DIFFERENTIATES US?

Our competitive differentiators are:

- world-class service, delivered with a high degree of professionalism and flexibility;
- operational excellence, supporting the capacity to offer bespoke products to meet individual clients' needs; and
- a strong asset base with substantial shareholder support to pursue the Bank's market penetration strategy.

## OUR BUSINESS MODEL

FBN Bank (UK) Ltd ('FBNBank UK', 'the Bank') is a wholly owned subsidiary of First Bank of Nigeria Ltd and has its offices in the City of London. FBNBank UK is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and provides a range of domestic and international banking and financial services. The Bank consists of the following:

- FBN Bank (UK) Ltd; and
- FBN Bank (UK) Ltd, Paris branch.

The principal activities are the provision of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance and Structured Trade Commodity Finance to our clients.

FBNBank UK focuses on providing quality services to both new and existing customers hence we target customers with business interests all over the globe but predominantly in Africa and Europe.

FBNBank UK's core target markets are:

- mid-sized to large corporate organisations – financial solutions range from trade financing and working capital financing to project financing for expansion;
- affluent and high net worth individuals – to take advantage of London as a destination for West Africans, providing solutions for their personal banking and investment needs; and
- financial institutions, government agencies and parastatals – providing correspondent banking and cash management solutions.

Each SBU addresses one or more of these markets with adequate support from FBNBank UK's operational structure, management leadership and capital base. Our business model is couched within a strict risk, regulatory and governance framework, which supports our drive for sustainable growth and better corporate responsibility.

FBNBank UK operates a simple banking model. Primarily the Bank takes deposits from customers and lends them to borrowers through its various SBUs. Deposits are taken from individuals, corporate and financial institutions through several deposit products offered, and interest is paid based on the terms of the accounts held.

FBNBank UK accumulates funds from customer deposits, equity and debt capital, and these are lent to corporate businesses and individuals through different bank business channels, e.g., Corporate Finance, Project Finance,

Property Finance, Structured Commodity Trade Finance and Traditional Trade Finance. Both interest and fee incomes accrue to the Bank from the various lending activities.

In addition, FBNBank UK provides trade and investment advisory services to corporate and individual customers from which commissions are earned.

As a wholly owned subsidiary of First Bank of Nigeria Ltd, FBNBank UK is adequately funded by its sole shareholder. In addition to this, an organic growth strategy has been adopted, which has seen FBNBank UK retain a significant percentage of its profit.

FBNBank UK recognises that its key assets are its people – staff, management and the Board. The front-facing staff provides excellent service and are supported by a highly experienced operational team. FBNBank UK's investment in the training and development of the staff culminated in a regional recognition of our employees as the winners of the 2014 Global Trade Review award as voted by GTR's Global and Africa editorial boards. This is the sixth consecutive year that FBNBank UK has won this same award, bearing a testament to the high quality of our service delivery.

FBNBank UK has a physical presence in some of its main markets to help build closer relationships with our customers and to ensure we are able to respond quickly to changing markets. To this extent, FBNBank UK, Paris branch keeps in close touch with Francophone West African nations, while our Nigerian representative office actively manages client relationships in Nigeria. The London business team regularly travels to the markets in which they do business and in some cases collaborates with local banks to provide financial solutions.

The combination of sharp commercial awareness of the SBUs and strong technical know-how of operational teams, underlined by our robust risk and regulatory framework, helps FBNBank UK to structure and execute bespoke financial products and services to meet clients' needs.

Across all SBUs our aim is to consistently support our clients as they aspire to achieve their financial goals. SBUs take a holistic view of clients' businesses, working together to structure products for clients' maximum growth, while building a sustainable balance sheet and returns for FBNBank UK's shareholders.

## STRATEGY AND OBJECTIVES

### MISSION

FBNBank UK's mission continues to be to provide world-class international banking services to African-related businesses and individuals, which is supported by our market penetration strategy. As our SBUs are now well established in their markets, our focus going forward is growing market share as we expand operations in each of the markets in which we already operate in.

## PRINCIPAL RISK SUMMARY

### KEY RISKS AND MITIGANTS

Within our business model there are a number of factors that can go wrong or could have a severe impact on the business. FBNBank UK has a responsibility to identify these risks, understand the risks through analysis and put measures in place to mitigate these risks. This is to ensure that there are processes in place to minimise the impact. Risk is a natural part of the business landscape and if left unmanaged uncertainty can spread. If managed effectively, losses can be avoided and benefits obtained.

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## THE KEY RISKS FACING OUR BUSINESS

### Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due. Credit risk comprises counterparty risk, settlement risk and concentration risk.

Over the last year FBNBank UK has focused on operating within an environment and with counterparties with which it is not only familiar, but also comfortable. The focus has been on familiarising the Business with its existing customers, while continuing to gradually increase its market share within varying sectors.

This has enabled a greater understanding of the risks involved within the existing portfolios, while making sure an in-depth analysis is undertaken on review of new and existing transactions. Conscious efforts have also been made to increase staff awareness on risk factors within transactions.

### Market risk

Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments, caused by the movements in market variables such as bond, equity or commodity prices, interest and exchange rates.

Market risk exists for FBNBank UK where it holds securities that are affected by market fluctuations. FBNBank UK's investment bonds are held-to-maturity and therefore bond prices are of less concern. FBNBank UK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

### Liquidity risk

Liquidity risk is when FBNBank UK is unable to retain or create sufficient cash resources to meet its commitments. This happens when there is a shortfall between the amount available to FBNBank UK and the amount due to be paid out, which could either be due to a mismatch in deposit tenors or a lack of liquid assets.

FBNBank UK has continued to maintain a healthy liquidity position, with constant monitoring to make sure there is a good mix of wholesale and retail deposits, coupled with the support of its FirstSave products, which has been a dependable source of funding for FBNBank UK.

### Legal risk

Legal risk is the risk of loss resulting from a defective transaction due to flawed documentation, failing to take appropriate measures to protect the assets of FBNBank UK, a claim being made that result in a liability for FBNBank UK, or a change in law.

This risk is an important area of the Business to which FBNBank UK has paid particular attention. This has been mitigated out by recruiting experienced personnel in key departments to undertake the documentation process, including in-house legal and, where necessary, the appointment of external counsel, to ensure due care and attention is given to the entire documentation process for designated transactions.

### Operational risk

Operational risk is defined as 'the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events'. This is an area that often does not receive enough emphasis within organisations. However, a defined operational risk management framework effectively applied within an organisation, coupled with a high awareness of the underlying causes of operational risk at all levels within the organisation, results in a control environment, which is able to evolve with changing business needs, thereby ensuring operational losses within the Business are kept to a minimum.

FBNBank UK has placed particular emphasis on improving in this area in recent years, and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

### Regulatory risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators.

Regulatory risk governance must begin at the Board level and cascade throughout the organisation. FBNBank UK ensures there is governance through its compliance and internal audit functions, which ensure there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. This ensures regulatory risk is minimised and also ensures that the objectives of FBNBank UK are taken into consideration and not hindered.

### IT/Systems risk

IT/systems risk is the risk of a failure or an issue arising within a bank's primary systems, which might hinder the functionality of the business with catastrophic consequences and eventually lead to a loss of revenue to the business.

FBNBank UK understands the risk, addresses the issues and maintains the most up to date systems and anti-virus software to ensure a high level of IT security is sustained.

### Financial crime risk

Financial crime risk covers risks relating to money laundering, counter terrorist financing, fraud and bribery and corruption. These risks involve activities that dishonestly generate or preserve wealth and those activities that provide financial support to criminal groups.

As a bank, FBNBank UK is exposed to financial crime risks through its businesses, particularly in jurisdictions that are considered weak and less equivalent to the UK in terms of related regulatory and legal requirements.

Robust procedures are in place to mitigate the risks of financial crime, with strong emphasis on verifying customer identities, assessing levels of financial crime risks, determining politically exposed persons and sources of wealth and income. Business with countries that are linked to terrorism is generally discouraged.

FBNBank UK has no appetite for any form of financial crime and as such subscribes to the guiding principles of the Joint Money Laundering Steering Group.

## PERFORMANCE HIGHLIGHTS

### FINANCIAL HIGHLIGHTS

As shown in FBNBank UK's income statement, the net interest income increased by 14% compared to prior year (2013: 46% increase), fee income also increased by 25% over the prior year (2013: 15% decrease). Overall, operating income increased by 13% (2013: 35% increase) a reflection of increased business volume.

One of FBNBank UK's key measurements of the effectiveness of its operations is calculating operating margin after direct costs. FBNBank UK achieved an operating margin after direct costs of 47% (2013: 50%). The commendable operating margin is attributable to strong operating income earned despite the loan impairment charge made during the year.

The balance sheet shows that the Bank's net assets at the year-ended 31 December 2014 have increased compared to the prior year ended 31 December 2013. FBNBank UK's asset level has increased by 9.0%, from £2,088m at 31 December 2013 to £2,268m at 31 December 2014. The growth in the balance sheet size is due to general increase in customer base and continued diversification of business conducted.

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## NON-FINANCIAL HIGHLIGHTS

### Conduct risk culture and corporate values

The last 12 months has seen some significant regulatory changes in the UK banking industry. To ensure that we are proactive, and not reactive, to such changes, we have introduced a number of measures to enhance our commitment to our customers.

FBNBank UK places the needs of customers at the heart of its day-to-day operations. With a commitment from the Board, fairness to our customers is a key consideration and objective at all stages of the lifetime of a transaction.

We have always been committed to treating our customer fairly and had a Treating Customers Fairly (TCF) Committee to oversee the application of the TCF principles. As part of our increased focus the remit of the Committee was expanded to include conduct risk and as such was renamed the TCF & Conduct Risk Committee. The objective of the TCF & Conduct Risk Committee is to regularly review and monitor the application of the TCF principles and the application of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers. The results of the annual TCF survey are reported to the Board, and in 2014, 698 customers very kindly responded to the survey.

The Committee also monitors the application of our conduct risk policy, which is to deliver fair, transparent and appropriate outcomes to its customers and counterparts and preserve market integrity at all times. To further evidence the introduction and embedding of conduct risk into our organisation, we received a satisfactory conduct risk audit result from our internal auditors, Grant Thornton. We have also started issuing a regular conduct risk newsletter to all employees which provides a summary of the latest regulatory conduct risk issues and developments.

We also provide regular online treating customer fairly and conduct risk training for employees who must pass a test to evidence their understanding of this important area. In addition employees were also provided with face-to-face training on conduct risk and other key areas.

Earlier this year we also introduced a new Code of Conduct that all employees were required to sign to evidence that they had read and understood the content. The Code of Conduct provides a guiding set of principles intended to assist employees in their daily decision-making, as how we behave forms the character of our company and dictates how others see us and determines if people will want to do business with us. As part of our increased focus on conduct risk we have introduced a set of corporate values. Our corporate values are at the heart of our business. They are the drivers of our corporate culture and are the basis of everything we do. These values will guide our behaviour and define the type of organisation that we want to be.

Our corporate values are:

**Integrity** – we act with honesty and integrity in everything we do.

**Culture** – everything we do begins and ends with our customers.

**Accountability** – we are individually responsible for the decisions we make and the actions we take.

**Respect** – understand and consider the diverse needs of others.

**Ethics** – demonstrating ethical behaviour in everything we do to drive the values that shape our culture.

To further embed the understanding of our corporate values, all employees have been provided with face-to-face training and a number of tools will be used to measure the understanding and application of these values in the coming year. This initiative has helped develop a conscious effort in understanding conduct risk in its entirety and valuing cultural diversity. It has also helped strengthen the staff's commitment to one another and to customers.

### Service delivery and operational efficiency

During the year, FBNBank UK has delivered products and services to its customers in a highly cost-effective approach, while maintaining the high quality of its products, services and support. We have been able to streamline FBNBank UK's core processes and strategy to effectively respond to continued changing market conditions. As part of this initiative, FBNBank UK embarked on the upgrade of its main banking software, to enhance its internal process, its e-business offering and improve general customer experience.

### Systems efficiency/effectiveness

The Bank keeps upgrading its technology to have an efficient working environment. The internal banking software was upgraded in 2013 with further enhancements this year to support operations. This was a significant undertaking in light of incorporating the old with the new software, while making sure disruptions to its banking activities were kept to a minimum. The software upgrade has been hugely advantageous to FBNBank UK in the sense that it has sped up its internal processing system; it is more up to date and in line with other technological advances in the banking system. The system is also more tailored to FBNBank UK's current banking requirement and needs, with its functionality adaptable to its future requirements.

### Customer satisfaction

Feedback from the annual Know Your Customer survey showed a high level of satisfaction with our service delivery. FBNBank UK's business managers travelled extensively to meet with customers, especially in Africa and other parts of the World, enabling them to gain a better understanding of customer needs and requirements, while also fully assessing the associated risks.

## FUTURE PROSPECTS AND GOING CONCERN

FBNBank UK's capacity to identify, generate and deliver new business remains satisfactory despite the prevailing economic climate and increased market competition. The focus is principally on profitable business and sustainable balance sheet growth with a well diversified risk asset portfolio.

FBNBank UK will continue to assess and respond as appropriate to the global economic situation, particularly the unabated economic crises in the eurozone and general fall in commodity prices. It will continue to restrict exposure to higher risk counterparties.

A high capital adequacy ratio of 18.6% (2013: 18.2%) was recorded at the year end and it will be maintained at a satisfactory level in future. Liquidity is key to the Business and as a policy due consideration is given to ensure FBNBank UK maintains a strong liquidity position at all times in order to meet its financial obligations. The Directors believe that FBNBank UK is well placed to manage its business risk successfully; hence they continued to adopt the going concern basis in preparing the annual report and accounts.

FBNBank UK looks forward with confidence to a future of continued prudent business growth and outstanding financial performance for the benefit of its customers and shareholders.

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## CORPORATE AND SOCIAL RESPONSIBILITY

### COMPLAINT HANDLING

FBNBank UK is committed to handling complaints and expressions of dissatisfaction in the most efficient and sympathetic manner to ensure all customers are treated in an honest and fair way. Although the regulatory responsibilities extend only to eligible complainants, FBNBank UK demands that all complaints are dealt with to the same standards. FBNBank UK's Board and management expressly support these procedures and are committed to ensuring the highest standards are met. A positive approach is essential to ensure complaints are handled correctly and controls have been put in place so that any recurring or systematic problems will be identified and corrective action taken. Root cause analysis will be conducted to see if there are any trends emerging. Senior management will also acknowledge and act on any concerns expressed by managers and staff.

### CHARITABLE CONTRIBUTIONS

FBNBank UK provides funding and support to a number of charities and voluntary organisations. Several worthy projects have been supported in the past in demonstration of the Bank's commitment to its social responsibility. FBNBank UK donated £5,540 in 2014.

### TAXATION PAYMENTS

FBNBank UK is resident and operates only in the United Kingdom and France. It makes appropriate periodic tax payments including corporation tax, PAYE and national insurance contributions deducted from employee wages and salaries, to the tax authorities in both jurisdictions. FBNBank UK complies with the United Kingdom voluntary tax code.

By Order of the Board



**Parminder Nahl**  
Company Secretary

For and on behalf of  
**FBN Bank (UK) Ltd**  
16 April 2015  
Registered Office Address:  
28 Finsbury Circus, London EC2M 7DT

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# Directors' report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2014. The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

## ACTIVITIES

FBN Bank (UK) Ltd ('FBNBank UK') is authorised under the terms of the Financial Services and Markets Act 2000. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

FBNBank UK continued to provide banking services to existing and new customers with business interests spanning Africa, Europe and the rest of the World.

## BUSINESS REVIEW

FBNBank UK is an authorised banking institution and provides a range of banking and financial services. There have not been any significant changes in FBNBank UK's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely changes in FBNBank UK's activities in the forthcoming period.

FBNBank UK continues to invest in human capital and technology, which has resulted in improved productivity. The Directors regard such investment as necessary for the continued success in the medium- to long-term future of the Business.

## DIRECTORS

The Directors, who all served throughout the year, unless otherwise shown, are as listed on pages 8-9 of the report.

## RESULTS AND DIVIDEND

FBNBank UK's profit for the year after taxation amounted to £26,299,073 (2013: £23,948,664).

An interim dividend of £4,922,108 was paid by the Bank in respect of the year ended 31 December 2014 (2013: £4,600,000). A final dividend of £337,882 was proposed (2013: £nil).

Dividend per share was 3.98 pence (2013: 6.44 pence).

## GOING CONCERN BASIS OF ACCOUNTING

The financial statements have been prepared on the going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future. Please refer to note 1 for a more comprehensive going concern report.

## CHARITABLE CONTRIBUTIONS

During the year the Bank made charitable contributions totalling £5,540 (2013: £5,270).

## CAPITAL STRUCTURE

FBNBank UK has two key components to its capital structure, being £216m equity share capital and subordinated debt amounting to £50m. Whilst the subordinated debt is disclosed as a liability in the financial statements, it counts as upper tier 2 capital for the regulatory capital base.

No new ordinary shares were issued during the year (2013: £nil). There was no increase in FBNBank UK's authorised share capital during the year.

No additional subordinated debt was issued by FBNBank UK during the year (2013: £nil).

Further information regarding FBNBank UK's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the current regulatory capital requirements (the Pillar 3 disclosures). These disclosures are published on FBNBank UK's website shortly after the approval of these financial statements at <http://www.fbnbank.co.uk>

## AUDITOR

Each of the Directors as at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP is deemed to have been reappointed as auditor of the Bank.

By Order of the Board



**Parminder Nahl**

Company Secretary

For and on behalf of

**FBN Bank (UK) Ltd**

16 April 2015

Registered Office Address:

28 Finsbury Circus, London EC2M 7DT

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# Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

1. properly select and apply accounting policies;
2. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
3. provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
4. make an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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# Independent auditor's report to the members of FBN Bank (UK) Ltd

We have audited the financial statements of FBN Bank (UK) Ltd for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes to the accounts 1–33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Bank's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As explained in note 1 to the financial statements, the Bank, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Bank financial statements comply with IFRSs as issued by the IASB.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Christopher Brough (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
16 April 2015

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 £	31 Dec 2013 £
<b>Continuing activities</b>			
Interest receivable	4	87,261,289	81,047,287
Interest payable	4	(27,971,288)	(29,084,041)
<b>Net interest income</b>		<b>59,290,001</b>	<b>51,963,246</b>
Fees and commissions income	5	8,481,804	6,768,204
Dealing and exchange profits		2,387,633	2,166,293
Other operating income		1,087,437	751,751
Investment revenues	4	48,086	1,467,967
<b>Operating income</b>		<b>71,294,961</b>	<b>63,117,461</b>
Administrative expenses	6	(27,261,669)	(23,825,384)
Impairment charge	24	(10,418,371)	(8,110,683)
Loan recovery	24	123,722	57,233
<b>Profit on ordinary activities before taxation</b>		<b>33,738,643</b>	<b>31,238,627</b>
Tax expense		(7,439,570)	(7,289,963)
<b>Profit on ordinary activities after taxation</b>		<b>26,299,073</b>	<b>23,948,664</b>
<b>Not to be reclassified to profit and loss</b>			
Revaluation of available-for-sale financial assets		(11,638,819)	(5,002,099)
Tax effect of other comprehensive income		2,507,002	1,162,988
<b>Total comprehensive income for the year</b>		<b>17,167,256</b>	<b>20,109,553</b>

The accompanying notes are an integral part of these financial statements.

The results above arose wholly from continuing activities.

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## BALANCE SHEET

### AS AT 31 DECEMBER 2014

	Note	31 Dec 2014 £	31 Dec 2013 £
<b>Assets</b>			
Cash at bank and in hand	11	28,325,418	93,269,164
Loans and advances to banks	12	848,509,459	545,551,714
Loans and advances to customers	13	1,271,078,493	1,134,069,198
Investment - royalty	14		
Available-for-sale financial assets	15	108,838,906	298,850,515
Property and equipment	16	2,786,142	1,677,923
Intangible fixed assets	17	1,775,383	2,112,583
Other assets	18	2,033,977	2,739,195
Deferred tax asset		-	51,812
Financial assets - derivatives		4,986,610	9,812,485
<b>Total assets</b>		<b>2,268,334,388</b>	<b>2,088,134,589</b>
<b>Liabilities</b>			
Deposits by banks	19	496,735,826	608,308,121
Customer accounts	20	1,423,238,940	1,152,290,948
Other liabilities	21	75,504,599	73,813,061
Financial liabilities - derivatives		6,765,224	15,459
Deferred tax liability		131,879	
Subordinated liabilities	22	50,017,043	50,011,271
<b>Total liabilities</b>		<b>2,052,393,511</b>	<b>1,884,438,860</b>
Called up share capital	23	132,000,000	132,000,000
Revaluation reserves		(6,204,981)	2,926,836
Retained earnings		90,145,858	68,768,893
<b>Equity shareholders' funds</b>		<b>215,940,877</b>	<b>203,695,729</b>
<b>Total liabilities and shareholders' funds</b>		<b>2,268,334,388</b>	<b>2,088,134,589</b>

Company Registration No. 4459383

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 April 2015.

Signed on behalf of the Board of Directors



**Oye Hassan-Odukale (MFR)**  
Chairman



**Michael John Barrett**  
Managing Director/Chief Executive Officer

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## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £	Revaluation reserve £	Retained earnings £	Total equity £
<b>Balance attributable to equity shareholders as at 31 December 2012</b>	132,000,000	6,765,947	53,391,090	192,157,037
Issued share capital	-	-	-	-
Revaluation of available-for-sale financial assets	-	(5,002,099)	-	(5,002,099)
Current tax charge on available-for-sale financial assets	-	1,162,988	-	1,162,988
Profit for the year	-	-	23,948,664	23,948,664
Profit adjustment	-	-	(70,861)	(70,861)
Dividend paid	-	-	(8,500,000)	(8,500,000)
<b>Balance attributable to equity shareholders as at 31 December 2013</b>	132,000,000	2,926,836	68,768,893	203,695,729
Revaluation of available-for-sale financial assets	-	(11,638,819)	-	(11,638,819)
Current tax credit on available-for-sale financial assets	-	2,507,002	-	2,507,002
Profit for the year	-	-	26,299,073	26,299,073
Dividend paid	-	-	(4,922,108)	(4,922,108)
<b>Balance attributable to equity shareholders as at 31 December 2014</b>	132,000,000	(6,204,981)	90,145,858	215,940,877

The accompanying notes are an integral part of these financial statements.

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 £	31 Dec 2013 £
<b>Cash flow from operating activities</b>			
Profit before tax		33,738,643	31,238,627
<b>Adjustment to reconcile net profit to cash flow from (used in) operating activities</b>			
Depreciation of property and equipment		392,928	226,059
Depreciation of intangible assets		601,010	539,808
Profit from sale of investment securities		(48,086)	(1,467,967)
Movement in accrued interest and provisions		814,823	361,487
Impairment charge		10,418,371	8,053,451
Profit on sale of fixed assets		(3,811)	-
		45,913,878	38,951,465
<b>Net decrease/(increase) in assets relating to operating activities</b>			
Loans and advances to banks		(338,054,137)	327,828,323
Loans and advances to customers		(86,727,116)	(169,188,674)
Available-for-sale financial assets		178,011,790	(102,663,626)
Investment - royalty		(5,045,223)	(7,955,925)
Other assets		5,212,712	(8,402,838)
		(200,688,096)	78,568,724
<b>Net increase/(decrease) in liabilities relating to operating activities</b>			
Due to banks		(111,572,295)	4,394,581
Due to customers		270,947,992	59,458,502
Other liabilities		9,046,255	(32,304,691)
		168,421,952	31,548,392
Corporation tax paid		(5,889,952)	(8,158,949)
<b>Net cash from operating activities</b>		<b>(38,156,096)</b>	<b>101,958,167</b>
<b>Cash flow from investing activities</b>			
Acquisition of fixed assets		(1,766,977)	(2,203,457)
Disposal of fixed assets		3,811	810
Net cash used in investing activities		(1,763,166)	(2,202,647)
<b>Cash flow from financing activities</b>			
Dividend paid		(4,922,108)	(8,500,000)
Proceeds from issue of share capital		-	-
<b>Net cash (used in)/from financing activities</b>		<b>(4,922,108)</b>	<b>(8,500,000)</b>
Net increase in cash and cash equivalents		(44,841,370)	91,255,520
Cash and cash equivalents at the beginning of the year	30	331,129,501	239,873,981
<b>Cash and cash equivalents at the end of the year</b>	30	<b>286,288,131</b>	<b>331,129,501</b>

The accompanying notes are an integral part of these financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 1 ACCOUNTING POLICIES

#### GENERAL INFORMATION

FBN Bank (UK) Ltd ('FBNBank UK') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 42. The nature of the Bank's operations and its principal activities are set out in the Directors' report.

#### BASIS OF PREPARATION

FBNBank UK has prepared these financial statements using International Financial Reporting Standards (IFRSs) as adopted in the EU and has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

The financial statements are expressed in pounds sterling (£), which is the functional currency of the Bank as this is the currency of the primary economic environment in which the Bank operates.

#### GOING CONCERN

FBNBank UK's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and Directors' report on pages 43-47. The financial position of the Bank, its cash flow and capital position are as described on pages 11-20. In addition, FBNBank UK's business objectives, capital structure policies and financial risk management objectives are as stated in the Strategic and Directors' reports. Details of its financial instruments and hedging activities, and its exposures to credit and liquidity risks are in notes 27 and 28 of the financial statements.

FBNBank UK has considerable financial resources as evidenced by its high capital adequacy ratio, together with long-term deposit and loan contracts with a number of customers across different geographic areas and strong support from the shareholder. Also, FBNBank UK has developed a broad customer base thereby ensuring stable and long tenured deposits to support profitable business growth. The financial forecasts indicate that FBNBank UK will continue to operate profitably in the future. As a consequence, the Directors believe that FBNBank UK is well placed to manage its business risks successfully despite the prevailing uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continued to adopt the going concern basis in preparing the annual report and accounts.

#### ACCOUNTING CONVENTION

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are described below:

#### INCOME RECOGNITION

##### a) Interest income and expense

Interest income on financial assets and interest expense on financial liabilities are recognised in 'interest income' and 'interest expense' in the income statement using the 'effective interest rate' method.

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 financial instrument. The effective interest rate incorporates fees receivable that are an integral part of the 'effective interest rate' of a financial instrument.

All income derives from banking business carried out in the United Kingdom and France.

##### b) Non-interest income

###### Fees and commissions

Fees and commissions are accounted for depending on the services to which the income relates to as follows:

- fees earned on the execution of a significant act are recognised in 'fee income' when the act is completed;
- fees earned in respect of services are recognised in 'fee income' as the services are provided; and
- fees which form an integral part of the 'effective interest rate' of a financial instrument are recognised as an adjustment to the effective interest rate and recorded in 'interest income'.

#### FOREIGN CURRENCY

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange as at the balance sheet date and resulting gains and losses on translation are included in the income statement.

Exchange profits on foreign exchange transactions with customers are recognised as income during the year.

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## FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in FBNBank UK's balance sheet when FBNBank UK becomes a party to the contractual provisions of the instrument.

FBNBank UK classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale investments.

Management determines the classification of financial assets at the time of initial recognition.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit or loss comprise financial assets that are held for trading, and those designated by management as being at fair value through profit or loss on initial recognition.

Financial assets may be designated at fair value through profit or loss only if such a designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities, or both that the FBNBank UK manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not closely related to the host contract.

Financial assets at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the income statement. Subsequently, gains and losses arising from changes in fair value are recognised as they arise.

### LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified upon initial recognition as available-for-sale or at fair value through profit and loss.

Loans and receivables are initially recognised at fair value, including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

### FINANCIAL ASSETS AVAILABLE-FOR-SALE

Available-for-sale investments are those 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.

Available-for-sale financial assets are recognised on settlement date and are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are generally recognised directly in equity until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit and loss.

### IMPAIRMENT OF FINANCIAL ASSETS HELD AT AMORTISED COST

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as held-to-maturity or loans and receivables has been incurred, the amount of impairment loss is measured as the difference between the asset or group of assets carrying amount and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate determined on initial recognition.

Impairment losses are recognised in the income statement and the carrying amount of the financial assets or group of financial assets are reduced by establishing an allowance for impairment losses.

If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

### IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

FBNBank UK assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or proportioned decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss which is removed from the balance sheet and recognised in the income statement. If in the subsequent period, the fair value of the investment classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised as profit or loss, the impairment loss is reversed through the income statement.

### FINANCIAL LIABILITIES

FBNBank UK classifies its financial liabilities in the following categories:

- financial liabilities designated at fair value through profit or loss; and
- other financial liabilities.

Management determines the classification of financial liabilities at initial recognition.

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## FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, and those designated by management as being at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are acquired principally for the purposes of generating a profit from short-term fluctuations in price or dealer's margin, or form part of a portfolio of similar liabilities for which there is evidence of a recent actual pattern of short-term profit-taking, or are derivatives (not designated into a qualifying hedge relationship).

Financial liabilities may be designated at fair value through profit or loss only if such a designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities, or both that FBNBank UK manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the income statement. Subsequently, gains and losses arising from changes in fair value are recognised as they arise.

## OTHER FINANCIAL LIABILITIES

Other financial liabilities are initially recognised at fair value including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

## DETERMINING FAIR VALUE

All financial instruments are recognised initially at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price.

Subsequently, the fair values of financial instruments that are quoted in an active market are based on bid price (for assets) and offer price (for liabilities). Where there is no quoted market price in an active market, fair values are determined using valuation techniques including discounting future cash flows, option pricing models and other methods used by market participants.

Where the fair value cannot be reliably determined for an investment in an equity instrument, the instrument is measured at cost.

## 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. Gains/losses from derivatives are recognised in the dealing and exchange profits line of the income statement.

## PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis at the following rates to write off the cost of the fixed assets over their estimated useful life as follows:

Leasehold improvement	ten years (or lease period if shorter)
Office equipment/furniture	five years
Computer hardware	three years
Motor vehicles	four years.

At each balance sheet date, property and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

## INTANGIBLE ASSETS

Intangible assets are stated at cost less amortisation and provisions for impairment. The assets are primarily computer software and amortised on a straight-line basis over their useful life, five years, in a manner that reflects the pattern to which they contribute to future cash flows.

## LEASES

A lease is classified as a finance lease when the risks and rewards of ownership are substantially transferred to the lessee. All other leases are classified as operating leases (operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term).

FBNBank UK leases are all classified as operating leases. Operating lease rentals are recognised on a straight-line basis over the life of the lease.

## PROVISIONS

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

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## TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. FBNBank UK liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## PENSION COSTS

FBNBank UK operates a defined contribution pension scheme and the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and for the purposes of the cash flow statement, include loans repayable on demand.

## USE OF ESTIMATES

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as fair value of financial instruments and loan loss impairment.

## CAPITAL INSTRUMENTS

FBNBank UK classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of FBNBank UK after the deduction of liabilities. The components of a compound financial instrument issued by FBNBank UK are classified and accounted for separately as financial liabilities or equity as appropriate.

## ADOPTION OF NEW AND REVISED STANDARDS

As at the date of authorisation of these financial statements, the following standards, improvements and interpretations have been adopted in the current year.

IFRS 1	Exemption from the requirement to restate comparative information for IFRS 9 – government loans <sup>1</sup>
Amendments to IFRS 7	Disclosures – offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to IFRS 10, 11 and 12	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: transition guidance <sup>1</sup>
IFRS 10	Consolidated financial statements <sup>1</sup>
IFRS 11	Joint arrangements <sup>1</sup>
IFRS 12	Disclosure of interests in other entities <sup>1</sup>
IFRS 13	Fair value measurement <sup>2</sup>
IAS 19 (as revised in 2011)	Employee benefits <sup>1</sup>
IAS 27 (as revised in 2011)	Separate financial statements <sup>1</sup>
IAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>1</sup>
IFRS 1	Repeated application of IFRS 1 and borrowing costs <sup>1</sup>
IAS 1	Clarification of the requirements for comparative information <sup>1</sup>
IAS 16	Classification of servicing equipment <sup>1</sup>
IAS 32	Tax effect of distribution to holders of equity instruments <sup>1</sup>
IAS 32	Interim financial reporting and segment information for total assets and liabilities <sup>1</sup>
Amendments to IAS 32	Offsetting financial assets and financial liabilities <sup>4</sup>
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets <sup>4</sup>
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting <sup>4</sup>
IFRIC 20	Stripping costs in the production phase of surface mine <sup>1</sup>
IFRIC 21	Levies <sup>4</sup>

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FBNBank UK has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRS 7 and 9                      Mandatory effective date of IFRS 9 and transition disclosures<sup>3</sup>

Amendments to IAS 1                              Presentation of Items of other comprehensive income<sup>3</sup>

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 July 2012

3 Effective for annual periods beginning on or after 1 January 2015

4 Effective for annual periods beginning on or after 1 January 2014

## CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of FBNBank UK's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and may make necessary provisions in accordance with their assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## LOAN IMPAIRMENT PROVISIONS

FBNBank UK's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows at the loan's original effective interest rate.

The impairment losses are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held. The actual amount of the future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in these financial statements.

## FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

As described in note 29, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

## 2 DEALING AND EXCHANGE PROFITS

Dealing and exchange profits relate to foreign exchange income derived from customer foreign exchange transactions and the revaluation of foreign currency assets and liabilities.

## 3 SEGMENTAL INFORMATION

FBNBank UK's main activity is Commercial Banking which is carried out in the United Kingdom and France.

## 4 NET INTEREST INCOME

### (a) Net interest income

	31 Dec 2014 £	31 Dec 2013 £
<b>Interest and similar income</b>		
Due from banks	25,137,939	22,343,862
Loans and advances to customers	56,524,787	49,538,696
Available-for-sale financial assets	5,598,563	9,164,729
	<b>87,261,289</b>	<b>81,047,287</b>

Interest accrued £10,644 (2013: £198,191) on impaired loans is included in the total interest income above unless this was suspended.

	31 Dec 2014 £	31 Dec 2013 £
<b>Interest expense and similar charges</b>		
Due to banks	1,671,405	2,198,129
Due to customers	24,235,299	24,835,791
Debt issued and other borrowed funds	2,064,584	2,050,121
	<b>27,971,288</b>	<b>29,084,041</b>

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## (b) Investment revenue

	31 Dec 2014 £	31 Dec 2013 £
Gain on sale of available-for-sale investments	48,086	1,467,967
	48,086	1,467,967

## 5 FEES AND COMMISSIONS INCOME IS DERIVED FROM

	31 Dec 2014 £	31 Dec 2013 £
Loans	611,393	979,907
Letters of credit	4,592,266	3,889,046
Funds transfer	628,326	698,267
Other	2,649,819	1,200,984
	8,481,804	6,768,204

## 6 ADMINISTRATIVE EXPENSES

	31 Dec 2014 £	31 Dec 2013 £
Average number of employees (including three (2013: three) executive directors)		
Banking division	81	76
Operations	57	49
Administration	21	16
	159	141

	31 Dec 2014 £	31 Dec 2013 £
Wages and salaries (including Directors)	14,281,935	12,826,797
Social security costs	1,065,456	904,992
Other pension costs (note 31)	664,998	573,271
Total staff costs	16,012,389	14,305,060
Other administrative expenses	11,249,280	9,520,324
	27,261,669	23,825,384

## 7 DIRECTORS' EMOLUMENTS

	31 Dec 2014 £	31 Dec 2013 £
Directors' fees	260,900	234,300
Other emoluments	2,724,150	1,834,197
Contribution to a money purchase pension scheme	78,420	50,508
	3,063,470	2,119,005

The highest paid Director received emoluments, excluding pension contributions, totalling £548,438 (2013: £650,641) and pension contributions of £22,182 (2013: £28,734).

Five directors received pension benefits in the year to December 2014 (2013: Three).

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## 8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 Dec 2014 £	31 Dec 2013 £
<b>Operating profit is stated after charging:</b>		
Depreciation – property and equipment	386,424	226,059
Amortisation	592,193	539,808
<b>Auditor's remuneration:</b>		
- audit of half year accounts	85,000	80,000
- audit of annual accounts	85,000	85,000
- financial and regulatory assurance	10,000	10,000
- tax advisory services	24,500	-
Rental of premises held under operating leases	740,239	904,891

## 9 TAXATION

Tax on profit on ordinary activities charged in the income statement.

### (i) Analysis of tax charge on profit on ordinary activities

	31 Dec 2014 £	31 Dec 2013 £
United Kingdom corporation tax based on the profit for the year	7,255,879	7,313,443
Prior period current tax adjustment	-	(8,278)
Total current tax	7,255,879	7,305,165
Deferred tax:		
Temporary differences, origination and reversal	110,353	(13,153)
Effect of tax rate change	(6,594)	4,935
Prior period deferred tax adjustments	79,932	(6,984)
<b>Tax expense</b>	<b>7,439,570</b>	<b>7,289,963</b>

### (ii) Reconciliation of the total tax charge

	31 Dec 2014 £	31 Dec 2013 £
Profit on ordinary activities before tax	33,738,643	31,238,627
Tax at 21.54% (31 December 2013: 23.25%) thereon	7,267,304	7,262,981
Effects of:		
- expenses not deductible for tax purposes	98,928	37,309
- effect of tax rate change	(6,594)	4,935
- prior year adjustment	79,932	(15,262)
<b>Tax expense</b>	<b>7,439,570</b>	<b>7,289,963</b>

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## 10 DEFERRED TAX

The following is the deferred tax liability recognised by FBNBank UK and movements thereon during the current and prior reporting period. At the end of 31 December 2014, deferred tax asset changed to deferred tax liability. Deferred tax is calculated on temporary differences using the tax rate of 20% (2013: 21%). The Finance Act 2013 reduced the UK corporation tax rate from 24% to 23% with effect from 1 April 2013. In the March 2013 Budget Statement, the UK Government announced that the main rate of corporation tax was to be reduced to 21% from 1 April 2014 and the reduction was substantively enacted on 17 July 2013. A further reduction to the main rate was enacted in the Finance Act 2013 to reduce the rate to 20% by 1 April 2015.

	Accelerated tax depreciation £	Other temporary differences £	Total £
At 1 January 2013	24,375	12,235	36,610
Charge to income	16,032	(2,879)	13,153
Effect of tax rate change	(4,121)	(814)	(4,935)
Prior period adjustment	6,984	-	6,984
At 31 December 2013	43,270	8,542	51,812
Charge to income	(107,724)	(2,629)	(110,353)
Effect of tax rate change	6,876	(282)	6,594
Prior period adjustment	(79,932)	-	(79,932)
<b>At 31 December 2014</b>	<b>(137,510)</b>	<b>5,631</b>	<b>(131,879)</b>

## 11 CASH AT BANK AND IN HAND

	31 Dec 2014 £	31 Dec 2013 £
Cash	57,520	120,108
Short-term balances with other banks	28,267,898	93,149,056
	<b>28,325,418</b>	<b>93,269,164</b>

## 12 LOANS AND ADVANCES TO BANKS

	Performing loans as at 31 Dec 2014 £	Total £	Performing loans as at 31 Dec 2013 £	Total £
Repayable on demand or at short notice	47,982,952	47,982,952	83,065,344	83,065,344
Remaining maturity:				
- three months or less excluding on demand or at short notice	746,330,242	746,330,242	423,695,020	423,695,020
- one year or less but over three months	47,170,788	47,170,788	31,636,794	31,636,794
- five years or less but over one year	7,039,477	7,039,477	7,154,556	7,154,556
Less allowance for collective impairment	(14,000)	(14,000)		
	<b>848,509,459</b>	<b>848,509,459</b>	<b>545,551,714</b>	<b>545,551,714</b>

Total loans advanced to First Bank of Nigeria Limited (parent bank) at 31 December 2014 were £74,561,632 (2013: £20,988,690).

Loans and advances to banks are categorised as loans and receivables in accordance with IAS 39.

None of the loans and advances to banks were impaired (2013: £nil) and no collateral was held.

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### 13 LOANS AND ADVANCES TO CUSTOMERS

	Performing loans as at 31 Dec 2014 £	Impaired loans as at 31 Dec 2014 £	Total £	Performing loans as at 31 Dec 2013 £	Total £
Repayable on demand or at short notice	209,979,761	-	209,979,761	154,794,993	154,794,993
Remaining maturity:					
- three months or less excluding on demand or at short notice	468,675,627	-	468,675,627	550,247,282	550,247,282
- one year or less but over three months	43,538,746	1,822,798	45,361,544	54,256,253	54,256,253
- five years or less but over one year	408,732,192	-	408,732,192	240,252,850	240,252,850
- over five years	143,174,725	-	143,174,725	134,517,820	134,517,820
Less allowance for collective impairment (note 24)	(3,455,000)		(3,455,000)	-	-
Less allowance for specific impairment (note 24)		(1,390,356)	(1,390,356)	-	-
	1,270,646,051	432,442	1,271,078,493	1,134,069,198	1,134,069,198

As at 31 December 2014, FBNBank UK had advanced £209,979,761 overdrafts (2013: £154,794,993) and £1,060,959,682 fixed term loans (2013: £979,149,953) to customers. £139,050 was granted as staff loans (2013: £124,252).

Loans and advances to customers are categorised as loans and receivables in accordance with IAS 39.

Total impaired loans and advances to customers was £1,822,798 (2013: £nil) of which an allowance for £1,390,356 (2013: nil) was made.

In the circumstances where a mortgage customer is unable to make payments due on financial assets, for example due to a deterioration in the changing economic environment, FBNBank UK will show forbearance and work with its customer to ensure an equitable renegotiation of the terms attached to the financial asset.

### 14 INVESTMENT ROYALTY

	31 Dec 2014 £	31 Dec 2013 £
Investment - royalty	13,001,148	7,955,925
Less impairment provision	(13,001,148)	(7,955,925)
<b>Balance as at 31 December 2014</b>	-	-

During 2014, an impaired customer loan £5,045,223 (2013: £7,955,925) was restructured and reclassified as additional investment royalty. The restructuring terms required that the Bank make a full impairment provision for the asset.

### 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec 2014 £	31 Dec 2013 £
<b>Available-for-sale financial assets carried at fair value</b>		
Financial instruments available-for-sale	116,898,557	294,910,347
Available-for-sale valuation	(7,698,651)	3,940,168
Less impairment provision	(361,000)	-
<b>Balance as at 31 December</b>	<b>108,838,906</b>	<b>298,850,515</b>
<b>Maturity:</b>		
- less than three months	11,443,867	181,904,805
- one year or less but over three months	24,938,198	36,654,997
- between one year and five years	72,456,841	59,041,480
- more than five years	-	21,249,233
<b>Balance as at 31 December</b>	<b>108,838,906</b>	<b>298,850,515</b>

FBNBank UK holds its securities portfolio as available-for-sale and assesses at each balance sheet date whether there is objective evidence that the portfolio or a specific debt security is impaired.

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## 16 PROPERTY AND EQUIPMENT

	Computer hardware £	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2014	449,316	1,666,502	388,308	114,225	2,618,351
Additions	52,060	1,316,770	76,028	49,785	1,494,643
Disposal			(21,082)	(69,574)	(90,656)
At 31 December 2014	501,376	2,983,272	443,254	94,436	4,022,338
<b>Accumulated depreciation</b>					
At 1 January 2014	296,681	268,737	280,018	94,992	940,428
Charge for the year	95,858	230,459	38,496	21,611	386,424
Disposal			(21,082)	(69,574)	(90,656)
At 31 December 2014	392,539	499,196	297,432	47,029	1,236,196
<b>Net book value</b>					
At 31 December 2014	108,837	2,484,076	145,822	47,407	2,786,142
At 31 December 2013	152,635	1,397,765	108,290	19,233	1,677,923

	Computer hardware £	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2013	408,939	443,879	330,660	92,722	1,276,200
Additions	40,377	1,222,623	57,648	21,503	1,342,151
At 31 December 2013	449,316	1,666,502	388,308	114,225	2,618,351
<b>Accumulated depreciation</b>					
At 1 January 2013	198,839	198,929	222,358	92,422	712,548
Charge for the year	97,842	69,808	57,660	2,570	227,880
At 31 December 2013	296,681	268,737	280,018	94,992	940,428
<b>Net book value</b>					
At 31 December 2013	152,635	1,397,765	108,290	19,233	1,677,923
At 31 December 2012	210,100	244,950	108,302	300	563,652

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## 17 INTANGIBLE FIXED ASSETS

	Computer software £
<b>Cost</b>	
At 1 January 2014	3,718,873
Additions	254,993
Asset write off	
At 31 December 2014	3,973,866
<b>Accumulated depreciation</b>	
At 1 January 2014	1,606,290
Charge for the year	592,193
Asset write off	
At 31 December 2014	2,198,483
<b>Net book value</b>	
At 31 December 2014	1,775,383
At 31 December 2013	2,112,583

	Computer software £
<b>Cost</b>	
At 1 January 2013	2,857,567
Additions	861,306
Asset write off	
At 31 December 2013	3,718,873
<b>Accumulated depreciation</b>	
At 1 January 2013	1,064,177
Charge for the year	542,113
Asset write off	
At 31 December 2013	1,606,290
<b>Net book value</b>	
At 31 December 2013	2,112,583
At 31 December 2012	1,793,390

## 18 OTHER ASSETS

	31 Dec 2014 £	31 Dec 2013 £
Accounts receivable	779,325	1,276,890
Prepayments	1,254,652	1,462,305
	<b>2,033,977</b>	2,739,195

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## 19 DEPOSITS BY BANKS

	31 Dec 2014 £	31 Dec 2013 £
Repayable on demand	210,999,448	216,531,332
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less	276,718,914	384,512,427
- one year or less, but over three months	9,017,464	7,264,362
	<b>496,735,826</b>	608,308,121

Total deposits due to First Bank of Nigeria Limited at 31 December 2014 were £195,247,598 (2013: £307,523,038).

Deposits by banks are categorised as other liabilities in accordance with IAS 39.

## 20 CUSTOMER ACCOUNTS

	31 Dec 2014 £	31 Dec 2013 £
Repayable on demand	139,321,397	204,006,640
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less but not repayable on demand	526,670,382	462,950,775
- one year or less, but over three months	269,475,461	193,607,682
- more than one year but less than five years	454,666,137	288,518,809
- more than five years	33,105,563	3,207,042
	<b>1,423,238,940</b>	1,152,290,948

Deposits by customers are categorised as other liabilities in accordance with IAS 39.

## 21 OTHER LIABILITIES

	31 Dec 2014 £	31 Dec 2013 £
Taxation	1,591,228	2,732,303
Social security and other taxes	959,876	1,181,655
Cash collateral	58,685,141	56,553,627
Customers unclaimed balances	548,518	613,601
Others payable	13,719,836	12,731,875
	<b>75,504,599</b>	73,813,061

Cash collateral balance relates to security taken in respect of various outstanding contingent liability transactions.

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## 22 SUBORDINATED LIABILITIES

	31 Dec 2014 £	31 Dec 2013 £
Subordinated debt		
Principal	50,000,000	50,000,000
Accrued interest	17,043	11,271
	<b>50,017,043</b>	<b>50,011,271</b>

Subordinated liabilities represent subordinated loans of £16,500,000 and £33,500,000 granted by the parent company, First Bank of Nigeria Limited, on 31 December 2010. The loans are repayable on 31 December 2020, respectively at interest rates of 2.75% and 4%, margins over period LIBOR. First Bank of Nigeria Limited has the right to determine the interest period at each repricing date.

Subsequent to the financial accounting closed date, the Bank has approved the conversion of the entire subordinated loans to equity capital. The conversion is expected to take effect as soon as regulatory approval is granted and would strengthen the quality of the Bank's capital position.

## 23 SHARE CAPITAL

	31 Dec 2014		31 Dec 2013	
	No. of shares	Amount £	No. of shares	Amount £
<b>Authorised</b>				
Ordinary shares of £1 each	200,000,000	200,000,000	200,000,000	200,000,000
<b>Issued, allotted and fully paid</b>				
Ordinary shares of £1 each	132,000,000	132,000,000	132,000,000	132,000,000

### Ordinary shares:

First Bank of Nigeria Limited holds 132,000,000 (2013: 132,000,000) or 100% (2013: 100%) of the ordinary shares issued. No new shares were authorised (2013: nil) and issued (2013: nil) during the year. Each share carries a voting right of one vote.

## 24 IMPAIRMENT

	31 Dec 2014 £	31 Dec 2013 £
Opening balance	7,955,925	10,462,621
Charge to income statement	10,418,371	8,110,683
Loan recovery	-	(57,233)
Exchange difference	670,839	(352,752)
Amount written off	(823,631)	(10,207,394)
Closing balance	<b>18,221,504</b>	<b>7,955,925</b>
Available-for-sale financial assets (note 15)	361,000	-
Investment - royalty (note 14)	13,001,148	7,955,925
Loans and advances to banks (note 12)	14,000	-
Loans and advances to customers (note 13)	4,845,356	-
	<b>18,221,504</b>	<b>7,955,925</b>

FBNBank UK assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. As part of this assessment, management takes account of any forbearance arrangements it has entered into with its residential mortgage customers. As at 31 December 2014, none of the mortgage customers had entered into any such arrangement.

The total impairment amount includes £3,830,000 collective impairment provision made in respect of performing asset portfolio.

An amount of £123,722 was recovered in 2014 in relation to risk assets written off in the previous years.

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## 25 CONTINGENT LIABILITIES AND COMMITMENTS

### a) Legal issues

At 31 December 2014, there were no pending legal cases or issues in progress which may have a material impact on the financial statements of FBNBank UK (2013: nil).

### b) Operating lease commitments

At 31 December 2014 FBNBank UK 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 February 2017 and June 2031 respectively.

	31 Dec 2014 £	31 Dec 2013 £
Within one year	885,010	893,152
Between one and five years	2,868,734	3,094,126
More than five years	7,789,376	8,466,713
	11,543,120	12,453,991

### c) Off-balance sheet liabilities

	31 Dec 2014 £	31 Dec 2013 £
<b>Contingent liabilities</b>		
Letters of credit	255,485,729	183,392,604
Guarantees given to third parties	24,320,955	93,974,918
	279,806,684	277,367,522
	31 Dec 2014 £	31 Dec 2013 £
<b>Loan commitments</b>		
Undrawn irrevocable loan commitments	42,049,348	25,900,315

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## 26 RELATED PARTY TRANSACTIONS

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

	31 Dec 2014 £	31 Dec 2013 £
<b>Assets</b>		
Amounts due from parent bank		
Loans	73,614,467	20,988,690
Cash at bank	947,165	998,972
	<b>74,561,632</b>	<b>21,987,662</b>
<b>Liabilities</b>		
Amounts due to parent bank	195,247,598	307,523,038
Subordinated liabilities	50,000,000	50,000,000
Amount due to fellow subsidiaries	6,228,931	24,214,762
	<b>251,476,529</b>	<b>381,737,800</b>
<b>Letters of guarantee</b>		
From parent bank	110,092,661	158,083,777
<b>Income</b>		
From parent bank	6,519,194	6,326,387
From fellow subsidiaries	60,368	36,224
<b>Expenses</b>		
To parent bank	2,502,864	2,840,113
To fellow subsidiaries	259,542	173,935
	<b>2,762,406</b>	<b>3,014,048</b>

Mortgages were approved and advanced on a commercial arm's length basis, to 10 (2013: seven) Directors of First Bank of Nigeria Limited, during the year. As at 31 December 2014, a total mortgage amount of £7,550,504 (2013: £5,966,867) was outstanding in respect of these Directors.

Loan of £298,431 (2013: £425,311) was advanced to a key management personnel of FBNBank UK and was outstanding as at 31 December 2014.

Deposit liabilities totalling £763,424 (2013: £500,699) were held by the FBNBank UK in respect of these Directors.

Subordinated loans of £16.5m and £33.5m were granted by First Bank of Nigeria Limited in December 2010, and were outstanding as at 31 December 2014 (note 22).

There were no other related party transactions or balances requiring disclosure.

## 27 FINANCIAL RISK MANAGEMENT

### DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FBNBank UK's financial instruments, other than derivatives and bonds, principally comprise loans and deposits that arise from its operations as a lending and deposit-taking institution.

FBNBank UK also enters into a small number of derivative transactions (all forward foreign currency contracts). The purpose of the transactions is to manage the currency risks arising from the Bank's operations.

FBNBank UK has entered into a small number of bond transactions. The purpose of the transactions is to improve profitability and to better manage the Bank's liquidity.

FBNBank UK holds and issues financial instruments for three main purposes:

- to earn an interest margin or a fee;
- to finance its operations; and
- to manage the interest rate and currency risks arising from its operations and from its sources of finance.

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FBNBank UK does not have a trading book. The Bank finances its operations by a mixture of shareholders' funds and customer and bank deposits. The deposits raised may be in a range of currencies at variable or fixed rates of interest. FBNBank UK's lending is in USD, GBP, EUR, JPY and CHF. The Bank deals in spot and forward foreign exchange transactions.

The main risks arising from FBNBank UK's financial instruments are credit risk, market risk and liquidity risk. Market risk includes interest rate risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below. These policies were reviewed within the period being reported.

## CREDIT RISK

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligation under a contract. It arises principally from lending, trade finance and treasury activities. Internal controls are in place within FBNBank UK's credit function which are designed to ensure that loans are made in accordance with the Bank's credit policy and that once made such facilities are monitored on a regular basis by the appropriate level of management.

Moreover, significant changes in the economy, or state of a particular industry could result in risks that are different from those provided for at the balance sheet date. To manage these risks, management has established limits in relation to individual borrowers or group of borrowers.

## CREDIT RISK AND ASSET/LIABILITY CONCENTRATION

FBNBank UK's Credit Committee is responsible for approving credit recommendations and making other credit decisions as per its delegated authority within the Bank's lending authority policy. This includes decisions on individual credits, reviewing and recommending credits, large exposures and/or concentration limits to the Board of Directors for their approval. The Credit Committee is also responsible for monitoring the credit approval delegated to the credit risk management department by the Board of Directors.

The limits established are constantly monitored and are subject to a regular review by an approval body (based on the amount of the limit). Limits relating to specific sectors and countries are examined and approved by the Board of Directors.

FBNBank UK's credit policy documents include details on lending authorities, large exposures, concentration risk, transactions with parent and affiliates, country risk exposure, industry lending, use of external credit assessments, credit risk collateral and provisioning.

The exposure to credit risk is managed by an analysis of the ability of the borrowers to meet their obligations using internal credit rating systems and methodologies.

In the instances of borrowers who have obtained facilities in other group companies, the total exposure on a group basis is taken into account in determining credit risk.

As a result the credit limits are adjusted if considered necessary. In addition the above analysis takes into account the interest rate spread and collaterals held.

FBNBank UK's exposure to credit risk is determined by the counterparties with whom the Bank conducts business, as well as the markets and countries in which those counterparties conduct their business. Counterparty and country limits are in place and the Bank performs credit appraisal procedures prior to the advancing of any facilities. FBNBank UK also has policies on the levels of collateral that are required to secure facilities.

The tables below show the maturity of FBNBank UK's financial assets and the Bank's exposure to credit risk based on residual maturity, markets and countries in which the Bank's customers conduct their business.

## MATURITY ANALYSIS BASED ON THE EARLIER OF THE PERIODS TO THE NEXT INTEREST RATE PRICING DATE OR THE MATURITY DATES

As at 31 December 2014	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Not exposed to credit risk £'000	Total £'000
<b>Assets</b>							
Cash at bank and in hand	28,325	-	-	-	-	-	28,325
Loans and advances to banks	794,313	42,690	4,481	7,025	-	-	848,509
Loans and advances to customers	678,655	12,542	31,430	408,732	139,720	-	1,271,079
Treasury Bill	-	-	-	-	-	-	-
Available-for-sale financial assets	11,444	-	24,938	72,457	-	-	108,839
Tangible fixed assets	-	-	-	-	-	2,786	2,786
Intangible fixed assets	-	-	-	-	-	1,775	1,775
Other assets	-	-	-	-	-	2,034	2,034
Deferred tax	-	-	-	-	-	-	-
Financial assets - derivatives	4,987	-	-	-	-	-	4,987
<b>Total assets</b>	<b>1,517,724</b>	<b>55,232</b>	<b>60,849</b>	<b>488,214</b>	<b>139,720</b>	<b>6,595</b>	<b>2,268,334</b>

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As at 31 December 2013	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Not exposed to credit risk £'000	Total £'000
<b>Assets</b>							
Cash at bank and in hand	93,269	-	-	-	-	-	93,269
Loans and advances to banks	506,760	14,118	17,519	7,155	-	-	545,552
Loans and advances to customers	705,042	39,164	15,092	240,253	134,518	-	1,134,069
Treasury Bill	181,905	-	-	-	-	-	181,905
Available-for-sale financial assets	-	21,942	14,714	59,041	21,249	-	116,946
Tangible fixed assets	-	-	-	-	-	1,678	1,678
Intangible fixed assets	-	-	-	-	-	2,113	2,113
Other assets	-	-	-	-	-	2,739	2,739
Deferred tax	-	-	-	-	-	52	52
Financial assets - derivatives	9,812	-	-	-	-	-	9,812
<b>Total assets</b>	<b>1,496,788</b>	<b>75,224</b>	<b>47,325</b>	<b>306,449</b>	<b>155,767</b>	<b>6,582</b>	<b>2,088,135</b>

## AGE ANALYSIS OF PAST DUE BUT NOT IMPAIRED ASSETS

The table below shows the age analysis of past due but not impaired risk assets. FBNBank UK held collateral of £1,985,402 (2013: £1,496,541) against these assets.

	31 Dec 2014 Gross amount £	Collateral £	Amount £	31 Dec 2013 Gross amount £	Collateral £	Amount £
Within three months	2,561,558	1,008,393	1,553,165	217,288	217,288	-
Between three to six months	-	-	-	420,353	420,353	-
Over six months but less than one year	-	-	-	602,697	602,697	-
Over one year	977,009	977,009	-	256,203	256,203	-
	<b>3,538,567</b>	<b>1,985,402</b>	<b>1,553,165</b>	<b>1,496,541</b>	<b>1,496,541</b>	<b>-</b>

## ANALYSIS OF IMPAIRED FINANCIAL ASSETS

The following table shows analysis of impaired financial assets.

	Amortised cost 31 Dec 2014 £	Provision on 31 Dec 2014 £	Net book value 31 Dec 2014 £
Investment - royalty (note 14)	13,001,148	13,001,148	-
	<b>13,001,148</b>	<b>13,001,148</b>	<b>-</b>
	Amortised cost 31 Dec 2013 £	Provision on 31 Dec 2013 £	Net book value 31 Dec 2013 £
Investment - royalty (note 14)	7,955,925	7,955,925	-
	<b>7,955,925</b>	<b>7,955,925</b>	<b>-</b>

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	Amortised cost 31 Dec 2014 £	Provision on 31 Dec 2014 £	Net book value 31 Dec 2014 £
Loans and advances to customers (note 13)	1,822,798	1,390,356	432,442
	1,822,798	1,390,356	432,442

	Amortised cost 31 Dec 2013 £	Provision on 31 Dec 2013 £	Net book value 31 Dec 2013 £
Loans and advances to customers (note 13)	-	-	-
	-	-	-

## CREDIT EXPOSURE BY SECTOR

	31 Dec 2014 £'000	31 Dec 2013 £'000
Banks	972,725	729,569
Corporates	1,197,204	1,084,154
Government	6,011	187,111
Individuals	80,812	70,907
	2,256,752	2,071,741

## CREDIT EXPOSURE BY LOCATION

	31 Dec 2014 £'000	31 Dec 2013 £'000
Western Europe	913,064	895,985
Eastern Europe	7,524	54,793
Africa	823,368	665,279
Others	512,796	455,684
	2,256,752	2,071,741

The above sector and geographical analyses only include cash at bank and in hand, loans and advances to banks and to customers and debt securities.

FBNBank UK extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have acceptable Fitch (or equivalent) ratings. A sizeable percentage (36%) (2013: 27%) of FBNBank UK's total financial assets was to high quality financial institutions, the majority of which had ratings of between A and AAA.

As at 31 December 2014, FBNBank UK's maximum exposure to credit risk was £2,586m (2013: £2,170), of which £14.39m (2013: £7.95m) was deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments.

Total trade related exposure was £318m (2013: £300m) against which the Bank held cash collateral of £92m (2013: £85m). In addition, FBNBank UK had collateral of £627m (2013: £300m) in respect of other credit exposures.

Generally, FBNBank UK reduces its credit risk exposure by entering into collateral arrangements with certain counterparties with whom it undertakes a significant volume of transactions including its ultimate parent, First Bank of Nigeria Limited. Under the terms of the collateral agreements, cash deposits are charged to the Bank as collateral for counterparty exposures. These arrangements do not result in an offset of balance sheet assets and liabilities. However, for regulatory reporting purposes the risk weighted assets are reduced by the amount of collateral held.

In the ordinary course of business, FBNBank UK also pledged assets as collateral to secure trade related liabilities. The aggregate amount of assets pledged was £67.58m (2013: £101.3m).

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## MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. FBNBank UK's market risk is primarily to foreign currency risk and interest rate risk. The objective of market risk management is to maintain market risk exposures within acceptable parameters, whilst optimising the return on risk.

## INTEREST RATE RISK

Interest rate risk originating from banking activities arises due to FBNBank UK holding a combination of fixed and variable rate assets and liabilities that arise during the normal course of business. The tables summarise the variable rate assets and liabilities as at 31 December 2014 as a basis of disclosing the Bank's interest rate sensitivity analysis.

## INTEREST RATE SENSITIVITY ANALYSIS

FBNBank UK holds a combination of fixed and variable rate assets and liabilities. As a consequence of holding variable rate financial instruments, the Bank is exposed to cash flow interest rate risk.

Interest rate sensitivity analysis has been performed on the net cash flow interest rate risk exposures as at the reporting dates. A range of possible upward/downward movements in Libor/Euribor of 100-150bps has been assumed for the different currencies.

If all other variables are held constant, the tables below present the likely impact on the Bank's profit or loss.

As at 31 December 2014	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
Total financial assets	608,225	1,320,808	326,769	950	2,256,752
Less: fixed rate assets	-	(223,260)	(92,199)	-	(315,459)
Total variable rate assets	608,225	1,097,548	234,570	950	1,941,293
Total financial liabilities	1,201,267	690,097	28,247	364	1,919,975
Less: fixed rate liabilities	(1,049,437)	-	(82)	-	(1,049,519)
Total variable rate liabilities	151,830	690,097	28,165	364	870,456
Net cash flow interest rate risk exposures	456,395	407,451	206,405	586	1,070,837
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	4,564	6,112	2,064	6	12,746
Possible impact of decrease in Libor/Euribor on profit/loss	(4,564)	(6,112)	(2,064)	(6)	(12,746)

As at 31 December 2013	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
Total financial assets	473,681	1,217,856	379,421	783	2,071,741
Less: fixed rate assets	(181,905)	(325,810)	(155,741)	-	(663,456)
Total variable rate assets	291,776	892,046	223,680	783	1,408,285
Total financial liabilities	898,478	816,068	45,124	930	1,760,600
Less: fixed rate liabilities	(618,047)	-	-	-	(618,047)
Total variable rate liabilities	280,431	816,068	45,124	930	1,142,553
Net cash flow interest rate risk exposures	11,345	75,978	178,556	(147)	265,732
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	113	1,140	1,786	(1)	3,038
Possible impact of decrease in Libor/Euribor on profit/loss	(113)	(1,140)	(1,786)	1	(3,038)

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## FOREIGN CURRENCY RISK

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of FBNBank UK to match the currencies and its assets and liabilities as far as practicable. It is also the policy of the FBNBank UK to adhere to the limits laid down by the Board in respect of the 'overall net open position'. The tables below give details of the FBNBank UK's net foreign currency exposures as at 31 December 2014 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

## FOREIGN CURRENCY SENSITIVITY

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the FBNBank UK's financial assets and financial liabilities at the reporting dates presented, net of FX derivatives. The sensitivity analysis provides an indication of the impact on the FBNBank UK's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment that the Bank operates in. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

FBNBank UK believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the Bank's functional currency. If all other variables are held constant, the tables below present the impact on the Bank's profit or loss if these currency movements had occurred.

As at 31 December 2014	USD £'000	EUR £'000	Other currencies £'000
<b>Net foreign currency exposures</b>	<b>(11,831)</b>	<b>(4,278)</b>	<b>516</b>
Impact of 5% increase in FC: GBP rate	592	214	(26)
Impact of 5% decrease in FC: GBP rate	(592)	(214)	26

As at 31 December 2013	USD £'000	EUR £'000	Other currencies £'000
<b>Net foreign currency exposures</b>	<b>(2,697)</b>	<b>(3,403)</b>	<b>(4,274)</b>
Impact of 5% increase in FC: GBP rate	135	170	214
Impact of 5% decrease in FC: GBP rate	(135)	(170)	(214)

## 28 LIQUIDITY RISK

FBNBank UK is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority who set the required liquidity mismatch parameters. FBNBank UK manages the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced to ensure that all funding obligations are met when due and the required mismatch parameters by the PRA are not breached. The policy of FBNBank UK is to match the maturities and currencies as far as practicable for all (and particularly large) exposures or placements.

Maturity analysis of liabilities based on the contractual cash flow and on the earlier of the periods to the next interest rate pricing date or the maturity dates.

As at 31 December 2014	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
<b>Liabilities</b>						
Deposits by banks	487,718	9,018	-	-	-	496,736
Customer accounts	665,993	48,007	221,468	454,666	33,105	1,423,239
Other financial liabilities	75,504	-	-	-	-	75,504
Deferred tax liabilities					132	132
Financial liabilities - derivatives	6,765	-	-	-	-	6,765
Subordinated liabilities	17	-	-	-	50,000	50,017
Off balance sheet items:						
Letters of credit	16,459	75,276	153,350	-	10,401	255,486
Undrawn loan commitments	42,049	-	-	-	-	42,049
Guarantees	739	23,200	71	79	232	24,321
<b>Total liabilities</b>	<b>1,295,244</b>	<b>155,501</b>	<b>374,889</b>	<b>454,745</b>	<b>93,870</b>	<b>2,374,249</b>

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As at 31 December 2013	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
<b>Liabilities</b>						
Deposits by banks	601,044	7,264	-	-	-	608,308
Customer accounts	666,958	18,688	174,919	288,519	3,207	1,152,291
Other financial liabilities	73,813	-	-	-	-	73,813
Financial liabilities - derivatives	16	-	-	-	-	16
Subordinated liabilities	11	-	-	-	50,000	50,011
Off balance sheet items:						
Letters of credit	122,911	39,721	17,109	-	3,652	183,393
Undrawn loan commitments	25,900	-	-	-	-	25,900
Guarantees	63,742	4,430	25,386	417	-	93,975
<b>Total liabilities</b>	<b>1,554,395</b>	<b>70,103</b>	<b>217,414</b>	<b>288,936</b>	<b>56,859</b>	<b>2,187,707</b>

## 29 FAIR VALUES OF FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL INSTRUMENTS

The table below represents FBNBank UK's assets and liabilities carrying amounts, classified by the categories as defined in IAS 39.

	31 Dec 2014 £'000	31 Dec 2013 £'000
<b>Financial assets</b>		
Cash at bank and in hand	28,325	93,269
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	4,987	9,812
Available-for-sale financial assets	108,839	298,851
Loans and receivables	2,119,588	1,679,621
	<b>2,261,739</b>	<b>2,081,553</b>
<b>Financial liabilities</b>		
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	6,765	16
Other financial liabilities (deposits and subordinated loans)	1,969,992	1,810,610
	<b>1,976,757</b>	<b>1,810,626</b>

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Set out below is a year-end comparison of book and fair values of all the FBNBank UK's financial instruments by category. The fair values are determined as stated below.

	Book value 31 Dec 2014 £'000	Book value 31 Dec 2013 £'000	Fair value 31 Dec 2014 £'000	Fair value 31 Dec 2013 £'000
<b>Financial assets</b>				
Cash at bank and in hand	28,325	93,269	28,325	93,269
Loans and advances to banks	848,509	545,552	848,509	545,552
Loans and advances to customers	1,271,078	1,134,069	1,271,078	1,134,069
Available-for-sale financial assets	116,538	294,911	108,839	298,851
Financial asset - derivatives	5,817	8,954	4,987	9,812
	<b>2,270,267</b>	<b>2,076,755</b>	<b>2,261,738</b>	<b>2,081,553</b>
<b>Financial liabilities</b>				
Deposits by banks	496,736	608,308	496,736	608,308
Customer accounts	1,423,239	1,152,291	1,423,239	1,152,291
Financial liabilities - derivatives	6,508	11	6,765	16
Subordinated liabilities	50,017	50,011	50,017	50,011
	<b>1,976,500</b>	<b>1,810,621</b>	<b>1,976,757</b>	<b>1,810,626</b>

## BASIS OF DETERMINATION OF FAIR VALUES

### Cash at bank and in hand

These consist of cash held in hand and balances held in nostro accounts with other banks. The carrying amount of the cash balances is deemed to be a reasonable representation of the fair value.

### Loans and advances to banks

These comprise of loans granted to financial institutions and short-term placements with banks. The carrying amount of the loans is deemed a reasonable approximation of their fair value.

### Loans and advances to customers

These comprise loans and other facilities granted to non-bank customers. The carrying amount of the loans is deemed a reasonable approximation of their fair value.

### Available-for-sale financial assets

These comprise mainly of marketable debt securities. The basis of estimating the fair value of these assets is by ascertaining the market value as at the balance sheet date. The book value represents the total amortised cost of the asset as at the balance sheet date.

### Investment royalties

These consist of investments in royalty (quasi equity exposure) of which the carrying amount is deemed a reasonable approximation of their fair value.

### Financial assets - derivatives

These consist mainly of Forward FX contracts of which the fair value is determined by applicable market forward rates. The book value is determined by using the market spot rates as at the balance sheet date.

### Deposits by banks

These comprise mainly of deposits taken from financial institutions and the carrying amount of these deposits is based on reasonable approximation of market value and in the absence of which the Directors' estimation is used.

### Customer accounts

These comprise mainly of deposits taken from non-bank customers and the carrying amount of these deposits is based on reasonable approximation of market value and in the absence of which the Directors' estimation is used.

### Financial liabilities - derivatives

These consist mainly of Forward FX contracts of which the fair value is determined by applicable market forward rates. The book value is determined by using the market spot rates as at the balance sheet date.

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### Subordinated liabilities

These are long-term debt liabilities, fair value of which has been estimated using the market values.

### Fair value measurement recognised in the statement of financial position

The following tables provide an analysis of financial instruments for FBNBank UK that are measured subsequent to initial recognition at amortised cost, available-for-sale and fair value through the profit and loss (FVTPL), grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
<b>Amortised cost</b>				
Loans and advances to banks		848,509		848,509
Loans and advances to customers		1,271,078		1,271,078
<b>Available-for-sale</b>				
Available-for-sale financial assets	108,839	-	-	108,839
<b>FVTPL</b>				
Financial asset - derivatives (FVTPL)	-	4,987	-	4,987
	108,839	2,124,574	-	2,233,413
<b>Financial liabilities</b>				
<b>Amortised cost</b>				
Deposits by banks		496,736		496,736
Customer accounts		1,423,239		1,423,239
Subordinated liabilities		50,017		50,017
<b>FVTPL</b>				
Financial liabilities - derivatives (FVTPL)	-	6,765	-	6,765
	-	1,976,757	-	1,976,757

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As at 31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
<b>Amortised cost</b>				
Loans and advances to banks		545,552		545,552
Loans and advances to customers		1,134,069		1,134,069
<b>Available-for-sale</b>				
Available-for-sale financial assets	298,851	-	-	298,851
<b>FVTPL</b>				
Financial asset – derivatives (FVTPL)	-	9,812	-	9,812
	298,851	1,689,433	-	1,988,284
<b>Financial liabilities</b>				
<b>Amortised cost</b>				
Deposits by banks		608,308		608,308
Customer accounts		1,152,291		1,152,291
Subordinated liabilities		50,011		50,011
<b>FVTPL</b>				
Financial liabilities – derivatives (FVTPL)	-	16	-	16
	-	1,810,626	-	1,810,626

### 30 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS IN THE BANK CASH FLOW STATEMENTS

	31 Dec 2014 £'000	31 Dec 2013 £'000
Cash at bank and in hand	28,325,418	93,269,164
Loans and advances to banks – repayable on demand	47,982,952	83,065,344
Loans and advances to customers – repayable on demand	209,979,761	154,794,993
Cash and cash equivalents at 31 December 2014	286,288,131	331,129,501

### 31 PENSION COSTS

FBNBank UK operates a defined contribution pension scheme for staff and contributions were made during the year totalling £664,998 (2013: £573,271). This amount forms part of total staff costs recorded under administrative expenses.

There were no outstanding or prepaid contributions at the balance sheet date.

### 32 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party is FBN Holdings Plc, a company incorporated in Nigeria and which prepares Group accounts including all companies within the FBN Group. The parent of the smallest and largest group for which Group accounts are prepared and of which FBNBank UK is a member, is FBN Holdings Plc. Copies of such accounts may be obtained from the Company Secretary, FBN Holdings Plc, Lagos, Nigeria.

### 33 DIVIDEND PAID

An interim dividend of £4,922,108 (2013: £4,600,000) was paid by the FBNBank UK in respect of year ended 31 December 2014. A final dividend of £337,882 was proposed, agreed and passed by the Board.(2013: £nil).

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## FIVE-YEAR FINANCIAL HIGHLIGHTS

	31 Dec 2014 £	31 Dec 2013 £	31 Dec 2012 £	31 Dec 2011 £	31 Dec 2010 £
<b>Balance sheet</b>					
<b>Assets</b>					
Cash at bank and in hand	28,325,418	93,269,164	75,029,212	17,554,507	16,738,427
Loans and advances to banks	848,509,459	545,551,714	838,951,804	1,128,941,539	756,193,496
Loans and advances to customers	1,271,078,493	1,134,069,198	924,807,196	580,293,531	575,790,096
Investment in subsidiary	-	-	1	1	10,373
Securities - held-to-maturity	-	-	-	-	-
Available-for-sale financial assets	108,838,906	298,850,515	200,707,554	111,392,338	58,330,632
Property and equipment	2,786,142	1,677,923	563,652	516,685	360,095
Intangible assets	1,775,383	2,112,583	1,793,390	647,684	680,430
Other assets	2,033,977	2,739,195	3,125,880	1,811,304	2,045,993
Deferred tax asset	-	51,812	36,610	43,794	71,161
Financial assets - derivatives	4,986,610	9,812,485	2,480,799	536,268	22,835
	<b>2,268,334,388</b>	<b>2,088,134,589</b>	<b>2,047,496,098</b>	<b>1,841,737,651</b>	<b>1,410,243,538</b>
<b>Financed by:</b>					
Share capital	132,000,000	132,000,000	132,000,000	82,000,000	82,000,000
Reserves	83,940,877	71,695,729	60,157,037	32,020,220	28,911,852
Deposits by banks	496,735,826	608,308,121	604,227,400	715,387,045	608,855,076
Customer accounts	1,423,238,940	1,152,290,948	1,092,832,446	874,679,300	590,292,118
Other liabilities	75,504,599	73,813,061	106,192,294	80,543,059	47,531,027
Financial liabilities - derivatives	6,765,224	15,459	2,064,435	7,095,239	2,647,513
Deferred tax liability	131,879	-	-	-	-
Subordinated liabilities	50,017,043	50,011,271	50,022,486	50,012,788	50,005,952
	<b>2,268,334,388</b>	<b>2,088,134,589</b>	<b>2,047,496,098</b>	<b>1,841,737,651</b>	<b>1,410,243,538</b>
<b>Income statement</b>					
Gross earnings	99,266,249	92,201,502	76,089,220	62,706,451	56,007,963
Net operating income	71,294,961	63,117,461	46,836,005	34,983,991	36,909,550
Operating expenses	(27,261,669)	(23,825,384)	(20,268,696)	(16,463,447)	(14,153,616)
Provision for losses	(10,418,371)	(8,110,683)	(461,128)	(976,897)	(11,815,498)
Loan recovery	123,722	57,233	28,375	93,839	6,140,393
Profit before tax	33,738,643	31,238,627	26,134,556	17,637,486	17,080,829
Taxation	(7,439,570)	(7,289,963)	(6,470,395)	(4,751,715)	(4,909,799)
Profit after tax	26,299,073	23,948,664	19,664,161	12,885,771	12,171,030
Dividend	4,922,108	8,500,000	-	6,000,000	5,000,000

# Abbreviations

<b>ALCO</b>	Asset & Liability Committee	<b>GDP</b>	Gross Domestic Product
<b>AMCON</b>	Asset Management Company of Nigeria	<b>GMD</b>	Group Managing Director
<b>BARAC</b>	Board Audit & Risk Assessment Committee	<b>HNI</b>	High net worth individual
<b>BCC</b>	Board Credit Committee	<b>HR</b>	Human Resources
<b>BEC</b>	Board Establishment Committee	<b>IASB</b>	International Accounting Standards Board
<b>BGC</b>	Board Governance Committee	<b>IBAM</b>	Investment Banking and Asset Management
<b>BIC</b>	Banque Internationale de Cr�dit SARL	<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>BSRC</b>	Board Strategy Review Committee	<b>ICAN</b>	Institute of Chartered Accountants of Nigeria
<b>CAR</b>	Capital adequacy ratio	<b>ICB</b>	International Commercial Banks
<b>CBN</b>	Central Bank of Nigeria	<b>IFRS</b>	International Financial Reporting Standards
<b>CEO</b>	Chief Executive Officer	<b>ILAA</b>	Individual Liquidity Adequacy Assessment
<b>CRM</b>	Credit Risk Management	<b>IMF</b>	International Monetary Fund
<b>CRO</b>	Chief Risk Officer	<b>LIBOR</b>	London Interbank Offered Rate
<b>CRR</b>	Capital Requirement Regulation	<b>MLRO</b>	Money Laundering Reporting Officer
<b>DRC</b>	Democratic Republic of Congo	<b>₦</b>	Naira
<b>ECB</b>	European Central Bank	<b>NED</b>	Non-Executive Director
<b>ED</b>	Executive Director	<b>NPL</b>	Non-performing loan
<b>EMC</b>	Executive Management Committee	<b>NSE</b>	Nigerian Stock Exchange
<b>FBN BDC</b>	FBN Bureau de Change Limited	<b>ORM</b>	Operational Risk Management
<b>FBN MFB</b>	FBN Microfinance Bank Limited	<b>PAT</b>	Profit after tax
<b>FBNBank UK</b>	FBN Bank (UK) Ltd	<b>PBT</b>	Profit before tax
<b>FFL</b>	First Funds Limited	<b>PMS</b>	Performance management scheme
<b>FPCNL</b>	First Pension Custodian Nigeria Limited	<b>RRP</b>	Recovery and resolution plan
<b>FSA</b>	Financial Services Authority	<b>SBU</b>	Strategic Business Unit
<b>FTNL</b>	First Trustees Nigeria Limited	<b>SSA</b>	Sub-Saharan Africa
<b>FVTPL</b>	Fair value through profit and loss	<b>STFC</b>	Structured Trade and Commodity Finance
<b>FX</b>	Foreign Exchange	<b>TCF</b>	Treating customers fairly

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## NOTES





#### CONTACT DETAILS AND FEEDBACK

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