

RESILIENT



FBN Bank (UK) Ltd
Annual Report and Accounts 2016

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The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. 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 as 35,895,292,792 ordinary shares of 50kobo each (₦17,947,646,396). In this report the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of naira respectively.

FBN Holdings Plc is structured along the following business groups, namely: Commercial Banking, Merchant Banking and Asset Management, Insurance and Others¹.

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgages Limited². First Bank of Nigeria Limited is the lead entity of the Commercial Banking business.
- The Merchant Banking and Asset Management business consists of FBN Merchant Bank Limited and FBN Capital Limited. Subsidiaries of FBN Capital Limited include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.

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- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Others: previously 'Other Financial Services', comprise, FBN Holdings Plc - the parent company and Rainbow Town Development Limited.

This report has been prepared under the International Financial Reporting Standards (IFRS) and unless otherwise stated, the income statement compares the 12 months to December 2016 to the corresponding 12 months of 2015, and the balance sheet comparison relates to the corresponding position at 31 December 2015. 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 the IFRS are explained in the glossary or abbreviation section of this report. This report is available on request by contacting FBN Bank (UK) Limited Finance department, 28 Finsbury Circus, London EC2M 7DT.

Shareholders will receive a compact disc (CD) containing the Annual Report and Accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report as well as PDFs of certain subsidiary reports at the download centre of the Investor Relations section of the FBNHoldings website. A CD will be available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

Due to rounding, numbers presented throughout the report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

¹ Previously 'Other Financial Services' comprise, FBN Holdings Plc - the parent company and Rainbow Town Development Limited.

² FBN Mortgages Limited, now classified as a discontinued operation following the resolution of the Board of First Bank of Nigeria Limited to divest.

INTRODUCTION

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 by leveraging the strength of the FirstBank Group.

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OVERVIEW

Who we are

FBN Bank (UK) Limited (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 structures, to take full advantage of opportunities in the ever changing operating environment.

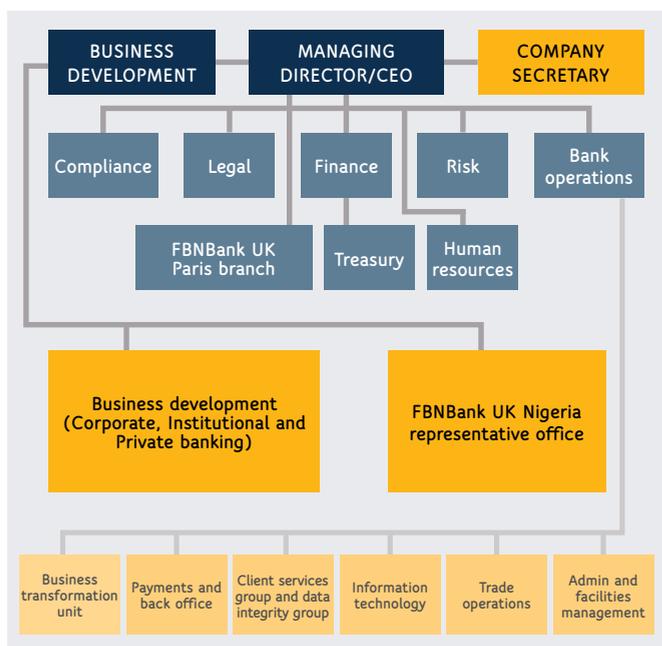
How we are structured

The business structure of FBNBank UK comprises the following three strategic business units (SBUs):

- Corporate Banking;
- Institutional Banking; and
- Private Banking.

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

FBNBANK UK BUSINESS STRUCTURES



² FBN Mortgages Limited, now classified as a discontinued operation following the resolution of the Board of First Bank of Nigeria Limited to divest.

FBN HOLDINGS PLC (FBNHOLDINGS)



COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank (UK) Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank The Gambia Limited
- FBNBank Guinea Limited
- FBNBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Pension Custodian Nigeria Limited
- FBN Mortgages Limited²



MERCHANT BANKING AND ASSET MANAGEMENT

FBN Merchant Bank Limited

- FBN Capital Limited
- FBN Trustees Limited
- FBN Capital Asset Management Limited
- FBN Funds Limited
- FBN Securities Limited



INSURANCE

FBN Insurance Limited

- FBN General Insurance Limited
- FBN Insurance Brokers Limited

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, Institutional Banking and Private Banking.

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.

Strategic summary

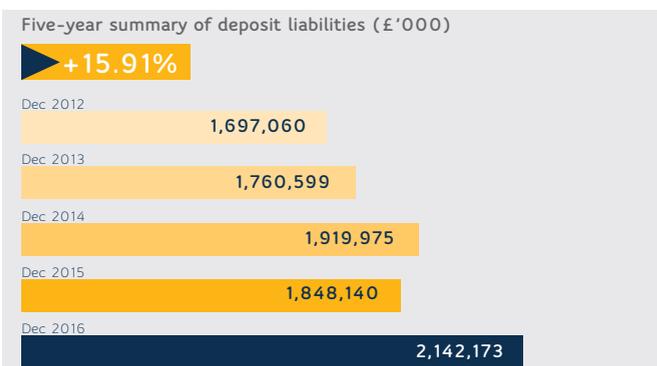
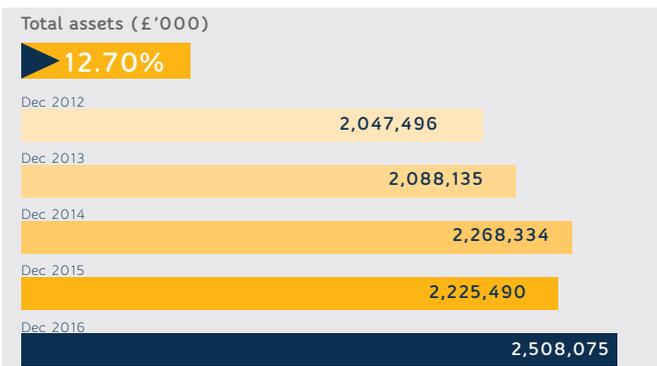
The overall vision of FBNBank UK is to continue to be the first choice UK and European bank for Africa, offering excellent service to African countries through the integration of the various Strategic Business Units within the Group.

Our strategic plan is to extend our leadership position as the foremost Nigerian-owned bank in the UK, continuing to be a top 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 the global economic and regulatory changes.

Regulators continued to introduce stringent regulatory requirements in our operating environment in 2016 to combat the causes of the previous financial crisis. New regulatory rules introduced in the prior year, now being implemented, are continuing to place more emphasis on capital and liquidity soundness. We will continue with our conservative approach of aligning our business to conform to these requirements.

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS



NON-FINANCIAL HIGHLIGHTS

Culture and corporate values

We put our customers at the heart of everything we do, and it is for them that we seek to live up to our corporate values of integrity, collaboration, accountability, respect and ethical behaviour.

We are focused on maintaining a culture of doing the right thing every day - for our customers, our shareholders, our employees and the communities in which we do business. Our focus is on offering a service which adds value, in the right way, with consistent standards of quality and compliance assurance across our customer base.

We also strive to create an inclusive and diverse workforce by having a strong focus on respect for different cultures and perspectives.

There are various avenues our employees can be listened to, including an 'open door' policy for our employees direct to Senior Management, briefings and feedback at our CEO breakfast sessions and team meetings.

In relation to the markets, our conduct and values-driven approach can be observed in the strong standards applied by the Bank in dealing with our counterparties, market players and all impacted regulatory bodies across locations. Our commitment to safeguard the financial system is deeply rooted in the way we operate. It is further enhanced by the continuous internal effort to operate with performance standards now reaching towards best in class practice.

Leadership

We have a highly skilled, diverse, and internationally experienced leadership team. Members of this senior team are well-positioned as respected thought leaders and experts in African trade. Our employees are all expected to be leaders in their fields of expertise, and together with the senior team, are encouraged to shape the future of FBNBank UK.

Our investment in people is paramount, with initiatives focused on enhanced benefits and well-being packages, and an approach that rewards performance on a balanced range of dimensions. Through our mission and corporate values, we aim for all our people to feel they are making a positive impact in what they do for FBNBank UK and that they are respected by their colleagues.

Service delivery and operational efficiency

The Bank continued its focus on high standards of delivery and operational efficiency throughout 2016. A key initiative focused on the consolidation of activities into the Client Services Group. Restructuring the roles and responsibilities and empowering the front line teams provides the Bank with a strong platform to streamline account management and improve turnaround times for customer queries.

Online banking and mobile services

Significant changes were also made to online banking services, resulting in a reduction in time and effort spent on managing monthly statements and improvements to payment processing. The updated online service was also given a new and more user-friendly look and feel. In conjunction with the new internet banking service, the Bank also introduced a new mobile security app that enables customers to digitally sign transactions, improving protection against cybercrime.

System efficiency and effectiveness

The Bank continues to upgrade its technology to ensure an efficient working environment. The robust banking software has been hugely advantageous to FBNBank UK in the sense that it has made the internal processing system more efficient; it is more up-to-date and in line with other technological advances in

the banking system. In conjunction with the service delivery and operational improvements, our technology has also undergone refresh activities to compliment the updated services and support the delivery of FBNBank UK's business strategy.

The internal platforms have been upgraded to the latest generation architecture, providing a strong basis to underpin new tools and systems. A new Business Transformation Office has been created, working together with a dedicated IT Strategy function, leading to more agile delivery of technology and closer alignment with business objectives.

Complaints handling

FBNBank UK is committed to handling all customer complaints in an honest and fair manner. The current regulations extend to eligible complainants only, however, FBNBank UK ensures that all complaints are dealt with to the same standard. This demonstrates the Bank's commitment to the overarching principles of treating customers fairly and ensuring the best risk mitigation practices. 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. Controls have been put in place so that any recurring or systematic problems can be identified and corrective action taken. Root cause analysis could be conducted to see if there are any trends emerging. Senior management can also acknowledge and act on any concerns expressed by managers and staff.

CHAIRMAN'S STATEMENT



Oye Hassan-Odukale, MFR, Chairman

“2016 has been a year of immense change and volatile markets. Dealing with this change in a calm, measured and pragmatic way is essential for any business to service its clients to the best of its ability”

Esteemed clients and colleagues, 2016 has been a year of immense change and volatile markets. Dealing with this change in a calm, measured and pragmatic way is essential for any business to service its clients to the best of its ability. While FBNBank UK was not completely immune to macroeconomic forces, having a diverse and committed workforce played a major role in helping our organisation navigate many of the macroeconomic issues that defined 2016.

FBNBank UK has undergone a transformative year. We have appointed a new Chief Executive Officer (CEO), Paul Cardoen, who has set out a new vision for the Bank and is in the process of implementing a transformation programme that includes a new business strategy and supporting organisational structures including a new risk governance framework. We have made several other key appointments to Senior Management roles to ensure we have the resources in place to meet our strategic goals.

Three members of the Board left FBNBank UK in 2016; Michael Barrett retired from his role as CEO in May 2016, Michael Bamber retired as Chief Operations Officer (COO) in January 2016 and Jaycob Attah, who had been the Head of Business Development, left in April 2016. They each contributed immensely to the Bank and I would like to take the opportunity to acknowledge their valued contribution.

And we welcome four new members to the Board; Paul Cardoen, CEO, Dr Adesola Adeduntan, Non-Executive Director, Dr Oluremi Oni, Non-Executive Director and Guy Harrington, Non-Executive Director. Each new member has an outstanding track record within financial services across Europe, Africa, Asia and the USA, and will help to position the Bank for future success.

Our Markets

South Africa and Nigeria, the two biggest economies on the continent, which rely on commodity exports, underperformed in 2016. In 2016, the fall in commodity prices caused major economic contraction. However, a rebound in commodity prices over the last few months will help commodity exporters such as Nigeria.

Going into 2017, the International Monetary Fund (IMF) predicts a growth rate of 0.8%, reflecting higher oil production in the country. Reforms to the market, including a government-led drive against corruption, are also likely to increase foreign investor interest in the Nigerian market over the course of 2017.

In Europe, the region faces a challenging year: negotiating Brexit; creating a strong working relationship with a new administration in the US; and uncertain elections in several Eurozone countries including France and Germany.

In the context of significant change and volatility, FBNBank UK has performed solidly last year, posting a net interest income figure of £60.6million. We have seen good progress in client acquisition and product penetration with a greater emphasis on short-term trade finance and services. The transaction pipeline looks promising and our clients confirm that they have expansion plans in partnership with us.

Despite this positive trend, FBNBank UK and other international lenders have been adversely impacted by an impaired European legacy debt transaction, the circumstances of which are being currently investigated. As a result, we have registered a significant impairment charge for 2016. This is, of course, a

Chairman's statement

disappointment for us and our shareholders, but our underlying figures show that we are resilient and will continue to do what we know best - develop our business in Africa.

Outlook

In order to provide a holistic and personalised client approach across its African network, FBNBank UK operates in full co-ordination with its parent company - First Bank of Nigeria Limited (FBNL) - and its six subsidiaries located throughout Middle Africa. This shows the power and potential of one bank, one stop and one standard.

Together, we are committed to forging new client relationships with those looking to expand or invest into the wider African region. We are taking advantage of the fact that some financial organisations are scaling back or even pulling out of Africa. We know that the last two years have been testing for financial institutions, corporates and individuals, and therefore clients will look towards organisations such as FBNBank UK to help them through the landscape changes.

The presence of our Group in and knowledge of both the European and African markets gives us a competitive edge. It is our intent to continue to play a major role in the dynamic and exciting African growth story and its bright future.

In closing, I would like to thank the Board for their hard work throughout 2016 and for their continued support and our customers, shareholders, and partners for their loyalty and the confidence they continue to show our Bank.

Thanks are also due to our diverse and committed staff who create our unique culture and serve the Bank with skill, dedication and energy.

With all our partners and colleagues, we are well placed and ready for all the challenges and opportunities of 2017. I firmly believe that our clear vision, coupled with robust plans implemented by an experienced Management team, and with the support of our parent, First Bank of Nigeria Limited, gives us a unique opportunity to strategically expand our corporate, institutional and private banking capabilities. This affords us the potential to become the premiere choice UK and European bank for Middle Africa, facilitating trade and investment flows in and out of the continent, with a high level of bespoke service.



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 | BEC | BGC | BRC



Paul Cardoan
Managing Director/Chief Executive Officer
(Appointed w.e.f 10 May 2016)

B | BARAC | BEC | BGC | BRC



Dr Adesola Adeduntan
Non-Executive Director
(Appointed w.e.f. 29 July 2016)

B | BEC | BGC | BRC | BSRC



Urum Eke, MFR
Non-Executive Director

B | BARAC | BCC | BSRC



Peter Grafham
Non-Executive Director

B | BARAC | BGC | BRC | BSRC



Dr Oluremi Oni
Non-Executive Director
(Appointed w.e.f. 29 July 2016)

B | BARAC | BCC | BSRC



Hywel Rees-Jones
Non-Executive Director

B | BARAC | BCC | BEC | BRC | BSRC



Ibrahim Waziri
Non-Executive Director

B | BCC | BEC | BSRC



Samuel Aiyere
Executive Director/Chief Financial Officer

B | BARAC | BSRC



Guy Harington
Non-Executive Director
(Appointed w.e.f. 6 January 2016)

B | BARAC | BGC | BRC | BSRC

Membership key:

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

Leadership and governance

EXECUTIVE MANAGEMENT COMMITTEE

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



Paul Cardoen
Managing Director/
Chief Executive Officer



Samuel Aiyere
Executive Director/
Chief Financial Officer



Paul Gospage
Chief Operations Officer



Grace Igbinijesu
Acting Chief Risk Officer



Simon Nasta
General Counsel



Oliver Noel
General Manager, Paris



Vanessa Trigg
Head of Human Resources



Susana White
Chief Compliance Officer and
MLRO*

* Money Laundering Reporting Officer

STRATEGIC REVIEW REPORT

FBNBank UK has remained committed to Africa throughout the downturn, and we are keeping Africa at the heart of our strategy.

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MANAGING DIRECTOR/CEO'S REVIEW



Paul Cardoen, Managing Director/Chief Executive Officer
(Appointed w.e.f 10 May 2016)

“A diverse team allows for independently thinking together, and delivers innovative responses to problems and issues”

As we look to the year ahead, FBNBank UK remains fully committed to continuing our transformation journey in order to continue to be the bank of first choice for our employees, our shareholders, and most especially for clients who wish to participate in the exciting African growth story.

Economic headwinds

It is an undeniable fact that Africa's performance as a whole has been negatively impacted by the drop in commodity prices and heightened country risk in some areas. A number of countries, however, have performed well in the last two years (mainly across East Africa and Francophone West Africa). Although volatility is still expected in 2017, the continent appears to be stabilising and maintains its potential to add significant value and revenue diversity to corporates and investors. The continent has also seen advancements – particularly in governance and innovation. It is home to industry-leading innovators and entrepreneurs, and exciting new companies with growth opportunities offering excellent services. We firmly believe there are enormous opportunities to be realised in the region.

“It is an undeniable fact that Africa's performance as a whole has been negatively impacted by the drop in commodity prices and...”

FBNBank UK has remained committed to Africa throughout the downturn, and we are keeping Africa at the heart of our strategy.

Even before joining FBNBank UK as CEO in May 2016, I was conscious that the credentials and specialist expertise of FBNBank UK were able to help our clients unlock the opportunities inherent in the African markets. To achieve these goals, I quickly realised that we had to make a series of significant changes to the business.

The Bank needed to focus better on core clients and growth areas, take an innovative approach to both products and channels, and respond to the impact of the downturn in the economic cycle.

It became clear that our ambition is to be the number one bank for cross-border trade business between Europe and Nigeria and to shift the Bank's position into the top five banks for Europe-Africa trade, while generating a return on equity and earnings growth in excess of the industry benchmark.

Our first major challenge was to develop a five-year strategy and implementation roadmap and build a new, diverse, and internationally experienced leadership team. To this effect, we have made a number of external appointments to the Bank's Executive Committee:

- Paul Gospage, Chief Operating Officer, who has over 30 years' financial services experience overseeing strategic transformation of the Bank's IT infrastructure and operational platforms.
- Susana White, Chief Compliance Officer, who joined us from Barclays, where she implemented the compliance strategy and risk and control effectiveness metrics.
- Oliver Noel, General Manager of Paris branch, who joined

Managing Director/CEO's review

us from International Finance Corporation, where he managed advisory and investment solutions for the West Africa hub.

Internally, we have also appointed three new members to the Management team: Grace Igbinjyegu, (Chief Risk Officer – pending PRA approval), Vanessa Trigg (Head of Human Resources) and Simon Nasta (General Counsel).

A diverse team allows for independently thinking together, and delivers innovative responses to problems and issues. Gender representation in leadership roles is something FBNBank UK is actively fostering, as evidenced by the female executive appointments taking the total to three of the eight members. Efforts to promote and encourage female leaders across the Bank have also proven successful, as alongside the Executive Committee, FBNBank UK has had a 22% increase of women in management positions from the previous year.

This highly talented team we now have in place is, together with me, encouraged to shape the future of FBNBank UK and deliver for our shareholders in 2017 and beyond.

Equally important is to support the right culture at the Bank. During the year, we developed key principles to guide our way of working. These principles are encapsulated in 'ACT' FBN - Agile, Connected and Trusted.

Agile

A business which is flexible and efficient is well-primed to create value for its clients. FBNBank UK has made a number of changes including streamlining business units focused on growth and execution. The consolidation from six to three business units (Corporate Banking, Institutional Banking and Private Banking) will reduce duplication, improve focus and accountability and engender synergy.

Connected

FBNBank UK hopes to simplify the way in which we interact and connect with enterprises and entrepreneurs. The new operating model will ensure FBNBank UK is better connected with our parent First Bank of Nigeria Limited (FBNL), with its six subsidiaries across Middle Africa and finally, better connected across the major trade corridors.

Trust

A Bank where clients are treated fairly and long-term relationships are developed. We are committed to helping realise the regulatory intent of a banking system that is trustworthy and robust and we are enhancing our risk management and governance processes, creating a centre of excellence in compliance and business conduct.

“22% Increase of women in management positions from the previous year”

A successful bank also needs to have the right, robust processes in place. We have strengthened our risk management, particularly as we operate in a time when financial and cyber-crime are real threats to all institutions, banks in particular. We are very pleased with the progress that has been made in terms of creating a leaner and efficient organisation moving into the digital space. We expect to have a modern infrastructure with improved data quality, information systems and control framework.

Notwithstanding the above, we face a number of challenges in the short-term. As mentioned in the financial section of this report, FBNBank UK, together with several other international lenders, are in the process of investigating the circumstances relating to an impaired legacy debt transaction. Despite the transaction having originated several years ago, the deteriorating credit quality has meant that we have taken a significant impairment charge this past year. We have worked closely with regulators and our parent to remediate the situation, and our capital and liquidity are healthy and at the required levels. Our revenue figures remained strong with net interest income at £60.6million.

As we look to the year ahead, FBNBank UK remains fully committed to continuing our transformation journey in order to continue to be the bank of first choice for our employees, our shareholders, and most especially for clients who wish to participate in the exciting African growth story. We expect to deliver a significant improvement in our earnings as credit quality improves and one-off costs fall away.

I am incredibly excited about the opportunities ahead of us and particularly about the chance to involve a group of professionals, working as a team and deploying their individual experience, to take our ambitions and performance one step further.



Paul Cardoen
Managing Director/Chief Executive Officer

OPERATING ENVIRONMENT

GLOBAL ECONOMY

With the ongoing rise in nationalist movements in the political domain, policy and economic uncertainties, reliable economic growth in major advanced economies will remain insipid. These uncertainties are projected to take a toll on confidence and investment.

For the past five years, low growth has been the norm rather than the exception. The recovery from the financial meltdown has not only been sluggish but its quality has also been disappointing. There has been an uneven growth in the advanced economies. Growth rate has been low at about 3%. Insistent shortfall in growth is hampering future output expectations and reduction in current spending. The year 2016 witnessed a weak global trade volume slowing to below 2% from 2.5% in 2015, productivity has been low with limited growth in labour wages necessary for sustainable consumption growth.

With a persistent decline in global trade and commodity prices especially crude oil and agricultural products, oil-producing countries such as Nigeria, which is the Bank's primary trading market, suffered large terms-of-trade losses. Companies that relied on oil and agricultural revenues and benefited from lending by the Bank became unattractive for competitive business relations. The consequence of this was that the trade financing income grossly underperformed against expectation.

Since the beginning of 2016, the United States of America has had softer-than-expected economic activities. Sectors reliant on oil-related activities or exports faced increasing headwinds; low oil prices and associated financial stress led to a collapse of capital expenditure in the energy sector. External trade was stalled following a strong U.S. dollar and a weakened demand from emerging markets, exports were stalled. The performance of the United States of America's economy continues to play a significant role in the direction of global economic growth; with a shaking growth rate for the most part of 2016 and with uncertain policy direction prior to, and following the outcome

“Inflation rate increased from 0.2% at the close of December 2015 to 1.6% at the close of December 2016”

of the presidential election, support for global growth was nothing but modest.

While the 2015 election of a new government in Nigeria provided a boost to optimism in the economy in 2016, a weak naira, fall in foreign exchange reserves, and low oil prices continued to weigh heavily on business sentiments.

Following government's response to the situation with the implementation of structural and macroeconomic policies, the

economy was hit by a scarcity of foreign currency. Exposure to clientele who are mostly domiciled in Nigeria led to noticeable effects on the banking system, with a negative consequence on trade finance income, increased outstanding arrears in mortgage repayments and overall increased non-performing loan profile.

The UK economy

The UK economy turned in a steady growth performance in 2016. Growth in the year 2016 proved to be stronger than economic forecasters were predicting at the start of the year with a quarter-on-quarter GDP growth of 1.5% in the fourth quarter.

As expected, low inflation, pushed by falling oil and commodity prices, has been a boon for household spending. Following the Brexit vote in the second quarter of 2016, the Sterling was weakened, with imports becoming more expensive and a fall out of this is that inflation rate has risen from 0.2% in December 2015 to 1.6% in the same period of 2016. Political uncertainty resulting from the Brexit referendum may be a drag on new investment, but accommodative policies applied by Bank of England and expectation of possible bilateral trade arrangements with the United States of America may soften the impact.

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 by Bank of England (BOE) and The Prudential Regulation Authority (PRA), which came into effect in the medium term, are quite restrictive. However, the UK regulator has compelled UK-based banks into early compliance. It has been amply demonstrated that the application of liquidity rules has frustrated the supply of credit to the economy. It is hoped that the current pronouncements and policies of the Bank of England's leadership will restore some confidence in the industry in the coming year and beyond.

Outlook

According to some authoritative sources, global economic growth is now in its sixth year of stagnation and 2017 is expected to follow the same pattern. The expected stabilisation of oil and commodity prices may provide favourable economic conditions for both the emerging economies and the rich economies, but global business climate, from which the Bank is not immune, may become more treacherous if the trend of weak investment, contracted consumer spending, ongoing political, policy and economic uncertainties around the world continues.

However, the Bank is poised to strategically position itself to identify and execute business opportunities, within the confines of the current risk appetite of the Bank.

STRATEGY AND PERFORMANCE

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 strategic business units (SBUs) in two directions - vertically, to increase our market share in each unit, and horizontally, to build synergies among the SBUs through active cross-selling.

Who we are

FBN Bank (UK) Limited ('FBNUK', 'the Bank') is a wholly owned subsidiary of the First Bank of Nigeria Limited (FBNL), an African bank with a rich heritage, established in 1894 as the first banking institution in Nigeria.

FBNBank UK is authorised by the UK's Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA). Operating in the City of London with a branch in Paris and a representative office in Lagos, FBNBank UK provides a range of domestic and international banking and financial services.

Our Mission

FBNBank UK is the international banking centre of FBNL, and acts as connecting hub between the group and its regulatory, financial and social partners.

FBNBank UK equally provides world-class, cross border trade and investment services to institutions, corporates and individuals conducting business in and with Africa's most dynamic and vibrant economies.

OUR STRATEGY

As part of our response to constantly changing market dynamics, and to position ourselves for the future, we began a major strategic review in 2016.

In support of our vision, we developed our new strategy, which is focused on:

- implementing a new operating model and organisational structure creating three distinct business lines: Corporate Banking, Institutional Banking and Private Banking. These units are designed to capture synergies, reduce duplication, improve accountability and become more client-centric;
- new technologies to improve efficiency, streamline processes, and increase our speed-to-market; and
- increasing collaboration and integration with our parent, FBNL. This is an integral part of the strategy and will create synergies and efficiencies for the successful execution of many strategic initiatives.



OUR NEW OPERATING MODEL

Underpinning our initiatives is the guiding principle of "ACT FBN": Agile, Connected and Trusted. These are further detailed in the CEO statement section of this report, and help us convert the strategic approach into more specific, tactical initiatives for Corporate Banking, Institutional Banking and Private Banking:

- Corporate Banking, which includes trade and commodity financing, corporate lending, foreign exchange and cash management for trading houses and African corporates, will be the primary driver of incremental income with three initiatives:
 - enhancement of sectoral expertise in energy and transportation, mining and metals, and soft commodities to improve origination and risk management capabilities;
 - diversification of our existing client portfolio of clients and increased engagement with African enterprises and commodity trading houses; and

Strategy and performance

- enhancement of performance across the originate-to-distribute value chain by building risk distribution capabilities and becoming a global asset distribution centre for FBNL.
- Institutional Banking; primarily focused on African Financial Institutions (FIs) covering both commercial banks and non-bank financial institutions engaged in short and mid-term trade finance:
 - leveraging FBNL's existing relationships with Financial Institutions across the network, to deepen strategic relationships at FBNBank UK level; and
 - capturing European export flows into Africa and providing risk advisory and mitigation services to European exporters.
- Private Banking: will launch three initiatives to strengthen our proposition for High Net Worth individuals (HNIs).
 - increase HNI referrals from FBNL by establishing a formal referral system and shadow accounting with FBNL's other private banking subsidiaries;
 - cross-sell private banking solutions to executives of the Corporate and Institutional client base; and
 - enhance the current product value proposition.

Our risk approach

The market environment remains challenging for banks including FBNBank UK and we are focused on enhancing our risk and compliance frameworks to proactively address key trends such as:

- Regulation including divergences and arbitrages among local regulators will become more relevant in shaping global organisations' risk, organisational and operating structures;
- FBNBank UK adopts best in class risk management and compliance, and is proactive in terms of monitoring and dealing with potential issues; and
- We are mindful of the growing prevalence of non-traditional risks such as financial crime and cyber security and we are developing skillsets beyond the traditional credit risk focused mandate to manage these threats.

Our competitive differentiators

We have set ambitious targets, and we are confident that with our new management team and strategy, we can deliver on them. As part of the First Bank of Nigeria group, we offer a one-stop shop of services for our clients, delivering to one global standard.

- **One Bank:**
 - Full coordination with FBNL, our parent and its six subsidiaries in Middle Africa;
 - Holistic client approach across geographies and business divisions.
- **One Stop:**
 - A local and regional manager for our clients;
 - Centralised Treasury and Transaction banking in London.
- **One Standard:**
 - An operational excellence that supports our capacity to offer bespoke products and service;
 - A high degree of professionalism by bankers with deep African expertise and market knowledge;
 - A strong capital base and a reputation for best practice compliance and governance standards.

We aim to provide an industry leading service to our clients allowing them to meet their objectives and commercial goals. We adopt a bespoke and holistic approach to working with clients to ensure that they achieve their maximum potential. We will continue to make efforts to grow our balance sheet and provide reliable returns for shareholders. We believe FBNBank UK's vision and strategy will enable us to achieve this.

DIVISIONAL OPERATING REVIEW

INTRODUCTION

The principal activities of the business are the provision of various banking services in the form of Corporate Banking, Institutional Banking and Private Banking.

The focus of our services are primarily directed at corporate or high net worth individuals (HNIs) necessitated by a boutique service need, or individuals looking for a bank offering an all-inclusive approach towards their finances. Our existing approach to delivery of service is through our dedicated relationship managers, ably supported by a support team that is familiar with our customers' needs.

FBNBank UK has been consistent in delivering a mix of excellent, professional and pioneering services to its customers and has won Trade Review award – Best Trade Bank in West Africa for six years in a row.

Competition from other entities has been fierce, but our in-depth knowledge of the African market continues to offer us a competitive edge, together with the continued vigour to retain the best possible staff to drive the business forward, while offering excellent expertise to customers.

Overview

FBNBank UK has been in operation for 14 years, maintaining steady business growth. This has been greatly influenced by a strategic business diversification, injection of additional capital, expansion of its 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 core areas: Corporate Banking, Institutional Banking and Private Banking.

Corporate Banking

This arm of the 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, in the form of trade commodity loans, reserve-based funding, working capital and infrastructure finance.

The Corporate Banking unit's income is derived from fees and commission for facility and trade transaction management, as well as interest income on advances. A greater percentage of FBNBank UK's corporate facilities are short-term and revolving, and mostly of high grade performance. However, asset quality in Corporate Banking portfolio deteriorated in 2016, resulting in significant impairment charge to the Statement of Comprehensive Income of £161.49million compared to £39.78million in 2015. The major sectors served across these units include oil and gas, tobacco and mining.

To an extent, growth in this business segment has reduced due to the weak economy in Africa, which has affected investors' confidence in the market. FBNBank UK is still 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.

Despite the tough economic realities under which the Corporate Banking unit operated in 2016, it will continue to be the top income generating segment for the bank; through deliberate policy of onboarding high-grade quality customers and selling down of low-grade assets.

Income generated from the Corporate Banking business decreased by 4.5% in 2016. Total portfolio income represented 66.79% (2015: 62.26%) of FBNBank UK's total income.

Divisional operation review

Institutional Banking

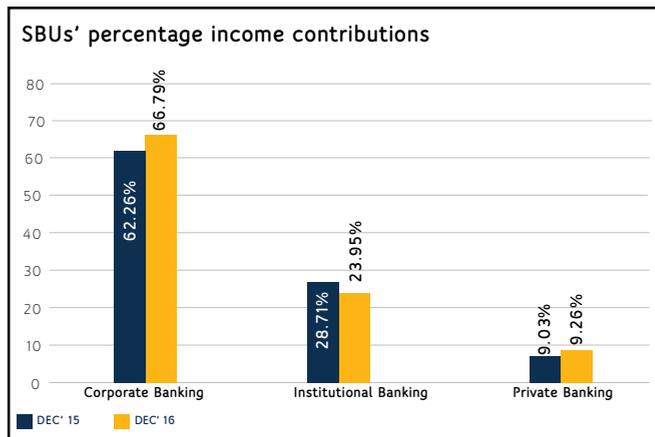
FBNBank UK acts as a correspondent bank for a number of African banks, helping in the facilitation of trade flow between the various African countries and the rest of the world. This is achieved through transactions with financial institutions, which includes trade finance, letters of credit confirmations, foreign exchange transactions, payments and cash management, clearing and general lending.

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. Due to the significant contraction in our trade finance loan portfolio, the business percentage share of income contribution decreased in 2016 to 23.95% (2015: 28.71%) Despite this, Institutional Banking will continue to be an important SBU of FBNBank UK.

Private Banking

London being the chosen destination of HNIs from West Africa, the Private Banking arm of our business was established to take advantage of this unique status. The business encompasses investment, personal banking, wealth protection, property investment and lifestyle. The aim of the Bank is to provide a highly professional, courteous and personal service through advice on investment products in addition to traditional banking services. This department aims to create a global private banking brand that offers a holistic wealth management service to Group customers by working in synergy with the parent.

Notwithstanding the general uncertainties caused by the decision of the United Kingdom to leave the European Union and the trade protectionist rhetoric by the new government in the United States of America, low interest rates and severe depreciation of the Nigerian currency against major currencies, our Private Banking business was able to increase its total assets under management (AUM) to USD28.69million, an increase of 17.10% compared to USD24.50million in 2015. The year 2016 also witnessed increased AUM client base. Because of weak performance by the property portfolio arm, the gross income generated by private banking and wealth management in 2016 decreased by 11% against 2015. The portfolio income performance represented 9.26% (2015: 9.03%) of FBNBank UK's total income.



FINANCIAL REVIEW



Samuel Aiyere, Executive Director/Chief Financial Officer

“One of the critical responsibilities of our Board is to ensure that the company’s performance remains sustainable.”

2016 has been a challenging year for FBNBank UK, the challenges faced during the year were the continued low commodity prices and restraint of access to USD in Nigeria, which resulted in difficult business environment. In light of the above, together with strict regulatory environment, our financial results were affected along with substantial loan provisioning this year. Our funding and liquidity positions remained strong throughout the year.

Income statement analysis

Gross earnings decreased by 11.30% to £94.76million. The decrease in gross earnings compared to the prior year resulted from a combination of reduction in trade business and challenges of loan portfolio quality interest income for non-performing portfolio. Our portfolio of earning assets increased by 11.94% for the year to £2.48billion (2015: £2.22billion).

Net interest income decreased by 10.31% to £60.59 million (2015: £67.56million), mainly due to derecognition of interest income of non-performing assets. Interest costs increased by 9.60% to £30.31million (2015: £27.65million) as a result of growth in deposits and related headline interest rate.

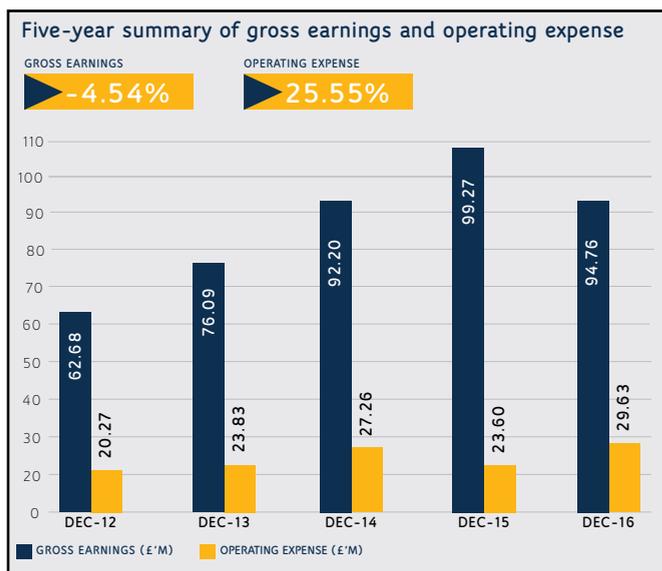
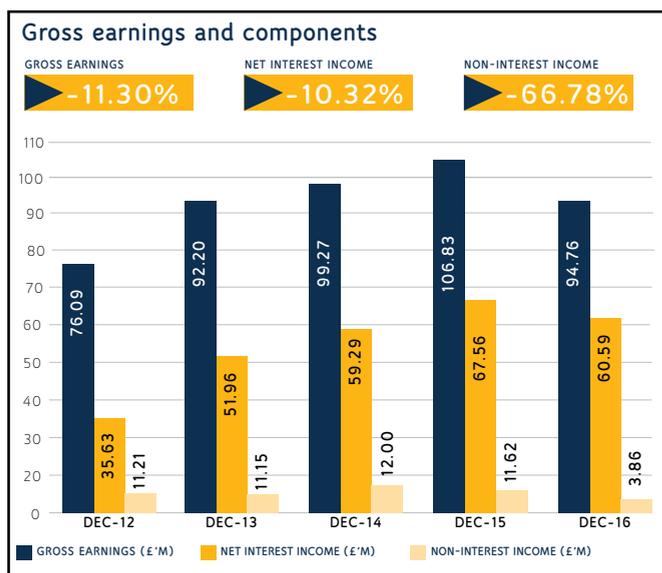
Total commissions and fee income generated in 2016 decreased by 34% to £3.86million (2015: £5.86million). The reduction in commission and fee income is attributable to a weak turnover of trade finance and other fee-related activities due to the implementation of an unfavourable exchange control policy by some countries in Africa.

Operating costs rose by 25.58% to £29.63million (2015: £23.60million). Appropriate levels of operational framework and systems remained in place to support the Bank’s business and safeguard assets. However, a rise in compliance and related staff costs was recorded, which mainly explains the increase in operating costs.

The profit before provision for impairment and tax is £34.82million (2015: 55.83million). The amount of impaired loan charges increased to £161.49million (2015: £39.78million), this resulted in a worse cost-to-income ratio with impairment of negative 296.52% (2015: 79.43%) compared to the previous year.



Financial review



Balance sheet analysis

The balance sheet increased by £283million to £2.51billion (2015: £2.23billion), whilst earning assets rose by £265million to £2.48billion (2015: £2.22billion). Most of the assets were held in highly liquid form in line with the Bank's deleveraging strategy.

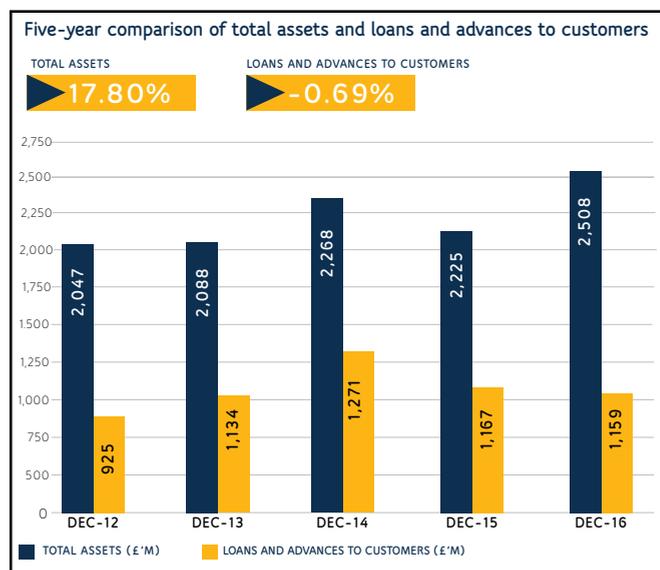
Loans to customers decreased by £134million (11.50%) to £1.03billion, loans to banks decreased by £175million (19.81%) to £709million, FBNBank UK cautiously continued to lend to the productive sectors. FBNBank UK increased its exposure to available-for-sale financial assets by 513.16% to £702million in support of its liquidity and capital management

The non-performing assets ratio increased to 8.84% (2015: 1.77%) of total earning assets, and was provisioned net of collateral.

Deposit liabilities increased by 15.91% (£294million) to 2.14 billion (2015: 1.85billion) in 2015 driven mainly by wholesale deposit inflow.

Total shareholders' equity decreased by 40.13% to £165.50million due to large impairments made this year. (2015: £276.44million). No dividend payments were made in 2016 to the shareholders (2015: £7.34million).

FBNBank UK continued to operate a sustainable business model based on its diversified stable funding base and relatively strong capital position.



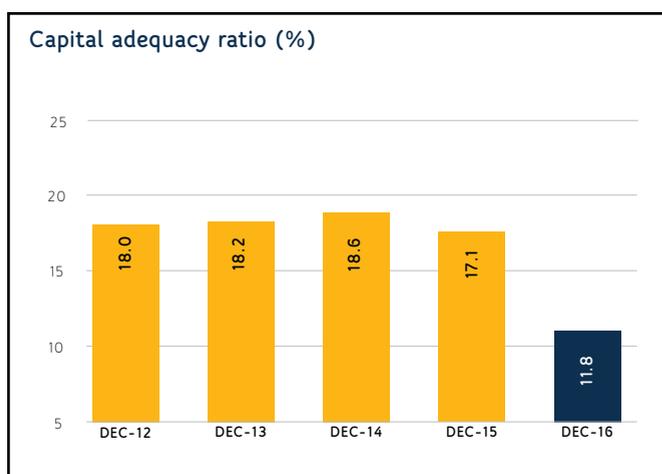
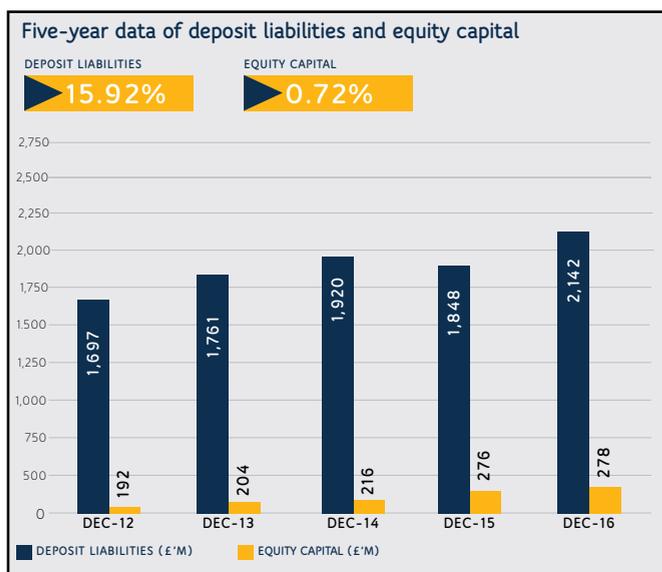
Financial review

Capital management

As at 31 December 2016, FBNBank UK recorded a capital adequacy ratio of 11.84% (2015: 17.12%). The capital ratio was short of regulatory requirements as at the reporting date due to significant impairment charge recorded in the year.

Subsequent to the financial accounting reference date, the Bank developed a capital restoration plan to inject £100million new capital into the business. \$60million of the planned new capital was received in form of tier 2 capital from the parent. £50million tier 1 equity capital is being arranged and should be received shortly.

Senior management, along with the parent, are working towards restoring capital position to a level above regulatory requirement.



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 2016, FBNBank UK had £2.1billion in customer deposits, composed of £876million in wholesale funding and £1.26billion in retail customer deposits, diversified among over 30,000 retail customers. A significant percentage of the retail deposits were generated through the FirstSave deposit product.

Liquidity remained strong during the year as FBNBank UK continued to hold high-quality, unencumbered liquid assets and maintained a reserve account at the 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 liquidity requirements, including the liquidity coverage ratio and net stable funding ratio.

Key performance indicators

Return on shareholders' equity falls to negative -76.54% in 2016 (2015: 6.80%), while return on assets dropped to negative -5.05% (2015: 0.73%) compared to last year. This poor performance was due to substantial impairment provision made for non-performing assets.

Outlook

Mixed economic forecasts across most emerging markets suggest a near-term outlook of moderated demand amid stiffer, more intense competition in financial services.

We are confident, however, that the sound risk governance structures being put in place and resilient business model of our Group, FBNBank UK will respond to these challenges by continuing its prudent approach to business and will have profitable growth in the years ahead.

CORPORATE GOVERNANCE

A good corporate governance framework is critical for FBNBank UK to achieve a robust and transparent decision-making in order to promote confidence from the shareholder and its public.



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CHAIRMAN'S INTRODUCTION



Oye Hassan-Odukale, MFR, Chairman

“The present vision of FBNBank UK is to be the first choice UK and European bank for Africa...”

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 ensure 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, FBNBank UK has in place both an Internal Capital Adequacy Assessment Process and an Individual Liquidity Adequacy Assessment. These respective processes and documents give security that FBNBank UK has both sufficient capital and liquidity to continue to operate. This statement takes into account the fact that new capital is being injected into the business.

FBNBank UK has also put in place a Recovery and Resolution Plan 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 firm-specific or market-wide stress.

Leadership

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

Chairman's introduction

Delivering shareholder value

FBNBank UK continues to have a sole shareholder. It is vital that the shareholder, First Bank of Nigeria Limited, is satisfied with the performance of FBNBank UK.

FBNBank UK has previously paid 20% of its final post-tax profit to FBNL by way of dividends. This was agreed by FBNL to help build up the capital base of FBNBank UK to support its business growth and regulatory compliance. This year, no dividend was paid by FBNBank UK. Going forward, the percentage of post-tax profit to be paid as dividend will be determined annually by the Board; who will consider the business needs and regulatory requirements of FBNBank UK.

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 47 to 52. Our business model is explained on page 47, as required by the Code.

The environment in which FBNBank UK operates continues to be challenging but, despite this, it has continued to be successful and to grow steadily and profitably with the exception of significant impairment made in 2016. It remains the leading Bank of its peer group in London and a strategic subsidiary of its parent. This has been due partly to strong governance, strong controls and organisational framework applied. 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, Chairman of the Board Governance Committee and sits on the Board Establishment Committee and the Board Remuneration Committee).

Oye Hassan-Odukale, MFR, has held the position of Managing Director/CEO of Leadway Assurance Company Limited, a leading underwriting firm in Nigeria, since 1994. His appointment was preceded by over 15 years, experience in insurance brokerage, underwriting, investments and general management. Oye is a recipient of the national honour of Member of the Order of the Federal Republic (MFR), and sits on the Board of several blue-chip companies in Nigeria. He is a pioneer director on the board of FBNHoldings Plc. Oye is a Munich Re scholar, a Securities and Exchange Commission-accredited investment manager and a portfolio adviser. He holds Bachelor's and Master's degrees in Business Administration from the University of Houston. Oye is married with children, and enjoys listening to music, reading and travelling.

Paul Cardoen (Managing Director and Chief Executive Officer)

(Sits on the Board Credit Committee, Board Audit and Risk Assessment Committee, Board Establishment Committee and Board Strategy Review Committee).

Paul took up the role of Chief Executive Officer on 10 May 2016, joining from The Bank of Tokyo-Mitsubishi UFJ, where he was accountable for the strategic direction of the corporate banking division in Europe, emerging markets and Africa.

Prior to that, he worked for BNP Paribas, where he led the challenging task of integrating and restructuring Fortis Bank (UK), following its 2008 acquisition. During his time at Fortis Bank, he delivered on a stretching remit to expand Fortis' SME franchise across 32 locations in the UK and Europe.

In 2002, Paul was appointed CEO of Fortis Bank's subsidiary in Ghana, The Trust Bank Ltd (TTB). There he delivered a major growth and transformation strategy that made TTB the fastest growing and best-performing bank in Ghana, winning the award for "Best bank in Ghana" twice in a row.

Paul has gained a reputation for harnessing close employee engagement and client-centricity as a driver for business performance.

His focus on execution and risk discipline has enabled him to consistently deliver fast-paced change and results across multiple businesses.

He has served as a Non-Executive Director on the Board of various Financial Institutions in the UK, Ghana and Turkey, where he was able to help with start-ups, advice on strategic direction and guide business transformation.

Samuel Aiyere (Executive Director, Chief Financial Officer)

(Sits on the Board Audit and Risk Assessment Committee and the Board Strategy Review Committee).

Samuel Aiyere is a dynamic Chief Financial Officer with proven success leading and directing the 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-ups and high-growth business operations. Samuel has passion and broad experience in strategic financial planning, forecasting, implementation and analysis.

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

Samuel is a leader with over 26 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 has a Bachelor of Science (BSc) with an honours degree in accounting from the University of Lagos and a Master's in Business Administration (MBA) from the University of Hull (UK) with specialisation in business finance. He is a Chartered Accountant and has attended various courses at world-renowned Cranfield and Wharton business schools. Samuel is happily married with children.

Dr Adesola Adeduntan (Non-Executive Director)

(Chairman of the Board Strategy Review Committee and sits on the Board Establishment Committee, the Board Governance Committee and the Board Remuneration Committee).

Dr Adeduntan (FCA) is the Managing Director/Chief Executive Officer of First Bank of Nigeria Ltd (the parent bank of FBNBank UK) and Subsidiaries, having previously been an Executive Director and Chief Financial Officer of the Bank. Prior to joining FBNL, Dr. Adeduntan was a Director and Chief Financial Officer/Business Manager of Africa Finance Corporation. He had also served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen Nigeria.

Dr. Adeduntan is a Non-Executive Director of Africa Finance Corporation, FBN Holdings Plc, Nigeria Interbank Settlement Systems Plc, FMDQ Plc and Nigeria Economic Summit Group. He is also a member of the Governing Council of the Chartered Institute of Bankers of Nigeria (CIBN).

Leadership

Over the course of his career, he has garnered diverse expertise in Treasury and Financial Management, Risk Management, Corporate Governance, Corporate Strategy Development and Implementation, Corporate Finance, Business Performance Management, Financial Advisory, Investors, Regulators and Rating Agencies, Relationship Management, Deployment and Management of Information Technology, and Compliance.

Dr Adeduntan attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He also holds a Master's Degree in Business Administration (MBA) from Cranfield University Business School, United Kingdom, which he attended as a distinguished "British Chevening Scholar." In addition to his MBA, he has attended executive/leadership programmes at Harvard, Cambridge, Oxford and INSEAD Universities.

Dr Oluremi Oni (Non-Executive Director)

(Sits on the Board Strategy Review Committee, Board Audit and Risk Assessment Committee and Board Credit Committee).

Dr. Oni has served as the Executive Director, Corporate Banking at First Bank of Nigeria Limited since April 2016, before which he was an Executive Director, Corporate and Institutional Banking, Nigeria and West Africa at Standard Chartered Bank where he had concurrent primary responsibilities for the International Corporates Client Segment business for Standard Chartered Bank in West Africa. Prior to that appointment, Dr Oni held a variety of Senior Management roles including Executive Director/ Head of Origination and Client Coverage at Standard Chartered Bank in Uganda and concurrently Regional Head, Network Clients business for SCB in Africa and Head of Local Corporates in SCB Nigeria. A seasoned banker with over 24 years' experience in Corporate Banking, Corporate Finance, Commercial Banking and Retail Banking, Dr Oni brings to bear on the Board, extensive experience in the areas of deals origination and structuring, relationship management, business management and strategy. He holds an MBA in Finance from the University of Ilorin, a Doctor of Veterinary Medicine (DVM), as well as Master of Science in Public Health and Preventive Medicine from the Ahmadu Bello University, Zaria. He is an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN), a member of the Equipment Leasing Association of Nigeria (ELAN) and the Nigerian Veterinary Medical Association (NVMA). Dr Oni has also attended trainings in many renowned international institutions, including the prestigious Oxford University and INSEAD, Singapore campus.

Urum Kalu Eke, MFR (Non-Executive Director)

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

Urum Kalu Eke, MFR holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri. He is an alumnus of the Wharton Business School at the University of Pennsylvania, USA, and has attended executive leadership programmes at Harvard, INSEAD and Stanford Graduate School of Business at Stanford University.

He was appointed Group Managing Director, FBNHoldings Plc with effect from 1 January 2016. He joined the Board of First Bank of Nigeria Ltd in 2011 as Executive Director, Public Sector South, and, until his appointment as Group Managing Director (GMD) of FBNHoldings, was Executive Director, South at FirstBank. He is a seasoned banker with deep financial services experience spanning diverse areas, including risk management, consulting, taxation, process engineering, capital market operations and business assurance. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a Senior Audit Consultant. He later joined Diamond Bank Plc, where he worked for 19 years and retired as Executive Director, Regional Businesses, Lagos and West, having previously served as Executive Director Corporate Banking and Executive Director, Specialised Industries. In total, he has over 30 years of professional experience and brings his wealth of knowledge to the boards of a number of institutions, where he serves as Non-Executive Director, including FBNBank (UK) Limited, First Pension Custodian Limited and the Financial Institutions Training Centre (FITC). A respected business administrator, a philanthropist; he founded and runs the Elder K.U. Eke Memorial foundation and is a Paul Harris Fellow of Rotary Club International. He is also a Fellow of the Institute of Management Consultants and a Fellow of the Institute of Chartered Accountants of Nigeria. He is a recipient of the national honour of Member of the Order of the Federal Republic (MFR). He is happily married with children.

Peter Grafham (Non-Executive Director)

(Chairman of the Board Audit and Risk Assessment Committee and sits on the Board Governance Committee, the Board Remuneration Committee and the Board Strategy Review Committee).

Since completing his education in the UK, Peter has had 52 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. He served time with its international internal audit team in the UK and Nigeria, before transferring to Lagos in 1967, where he enjoyed a further three years of direct African experience. This was followed by two years in Sierra Leone, where he earned steady promotion through the ranks of management.

In 1972, Peter 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 his appointment as General Manager in 1983.

Leadership

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 Middle 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-1990s, and remained on that board until 2006. Following his departure from Barclays, Peter 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.

Guy Harington (Non-Executive Director)

(Sits on the Board Strategy Review Committee, the Board Audit and Risk Assessment Committee, Board Governance Committee and the Board Remuneration Committee).

Guy Harington was appointed to the Board of the Bank in January 2016. He was previously a Managing Director with Citigroup and a Director with Schroders and has forty years international banking experience, including in Nigeria.

He established Schroders' investment banking business in Central and Eastern Europe in 1990 and built this into a regional market leader. Following the merger of Schroders' banking business with Salomon Smith Barney in 2000, he headed the Emerging Markets investment banking group for Schroder Salomon Smith Barney. He was subsequently Head of Central and Eastern Europe, Middle East and Africa, Public Sector Group, for Citigroup Global Markets Ltd., developing and executing business with governments and public sector entities.

In 2016, he was nominated by the European Bank for Reconstruction and Development to the Board of Odea Bank, Istanbul. He has an MA in English Language and Literature from Oxford University and an MSc in Petroleum Studies from Loughborough University.

Hywel Rees-Jones (Non-Executive Director)

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

Hywel has over 35 years of emerging market experience, including 10 years in Africa. This experience includes work in private equity, project finance, corporate credit, corporate strategy, microfinance and agricultural development. Hywel has been on the boards of private companies in the agricultural, financial, industrial, tourist and FMCG sectors. In his professional capacity, he has had extensive contacts with business leaders and government ministers.

After completing degrees at Cambridge and London Universities, Hywel worked for the Official UK Aid programme as an agricultural economist based in Botswana, then Yemen and finally Vanuatu. He graduated with an MBA from the Cranfield School of Management in 1989. Hywel then joined the Commonwealth Development Corporation (CDC). At CDC, his roles included sourcing and negotiating new debt and equity investments, leading strategy and planning at the corporate level and overseeing investment portfolios. During this period, he was based in London, Thailand and Tanzania.

Hywel was a founding partner of Actis, the emerging market private equity manager, establishing the Actis North Africa office in Egypt. He was appointed to the international advisory board of the Cairo and Alexandria Stock Exchange, and served on the board of the British Egyptian Business Association. Hywel was a member of the investment committee for Actis's investments in Africa. After two further years based in Nigeria, where he was responsible for the Actis business in West Africa, Hywel returned to the UK and took up a role in CDC. In 2008, he was appointed Managing Director responsible for alternative investments. He was a member of CDC's management board and investment committee. He retired from this role in 2012.

Ibrahim Waziri (Non-Executive Director)

(Chairman of the Board Establishment Committee and sits on the Board Credit Committee, the Board Remuneration Committee and the Board Strategy Review Committee).

Ibrahim Dahiru Waziri was appointed to the Board of FBNBank UK in 2011. He has over 36 years' professional experience in banking and the oil and gas businesses. His work experience include : Group Executive Director at the Nigerian National Petroleum Corporation (NNPC); Financial Analyst and Manager, International Merchant Bank Limited; Executive Director, Nigeria Gas Company Limited and the Pipeline and Product Marketing Company Limited; Deputy Managing Director, Nigeria LNG Limited; Chairman of the Board of Directors, Transmission Company of Nigeria Ltd; 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 children, a philanthropist and a sports enthusiast, he plays golf and supports nature conservation.

Leadership

CHANGES TO THE BOARD AND ITS ACTIVITIES

In respect of changes at Board level, there have been the following resignations and appointments. Michael Barrett retired from his role as Managing Director and Chief Executive Officer with effect from 13 May 2016 and was replaced by Paul Cardoen. The Bank welcomed Guy Harington, Dr Adesola Adeduntan and Dr Oluremi Oni as Non-Executive Directors following their respective appointments on the 6 January, 29 July and 29 July 2016. Michael Bamber, who had served the Bank for a considerable period, retired as the Executive Director, Operations Officer of the Bank with effect from 29 January 2016. Jaycob Attah, who had been the Executive Director responsible for business development, left the Bank with effect from 21 April 2016.

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 Board meeting. Their record of attendance for this is provided on page 29, 'Board and committee governance structure'. The Board also approved the formal creation of a Board Remuneration Committee, chaired by an INED, to be convened no less than twice a year.

All the committees of the Board usually 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 for 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 embraces new technologies, such as 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, in 2016, FBNBank UK adopted a dedicated computer package 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 and Directors are encouraged, and expected, to actively scrutinise all matters of the Board and the Bank. Board meetings are usually scheduled for a full day in case any matters need to be discussed in more detail.

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. 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 2016, there continued to be considerable focus on risk management. FBNBank UK has sought to maximise its profitability but not at the expense of prudent risk management. The Board has sought to ensure that the Bank's risk management process and procedures remain as comprehensive and up to date as possible. It is within this framework that FBNBank UK continues to look to develop new areas of business as appropriate opportunities arise.

Leadership

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 2016. 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.
- The Board must set the Company's values and standards.

In order to help with these responsibilities, as well as review the terms of reference of the Board committees on an annual basis, the Board agrees on 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 on long-term objectives and strategies, as well as to oversee FBNBank UK's operations to ensure there is adequate control and compliance with regulatory requirements. The capital structure is seen as 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.

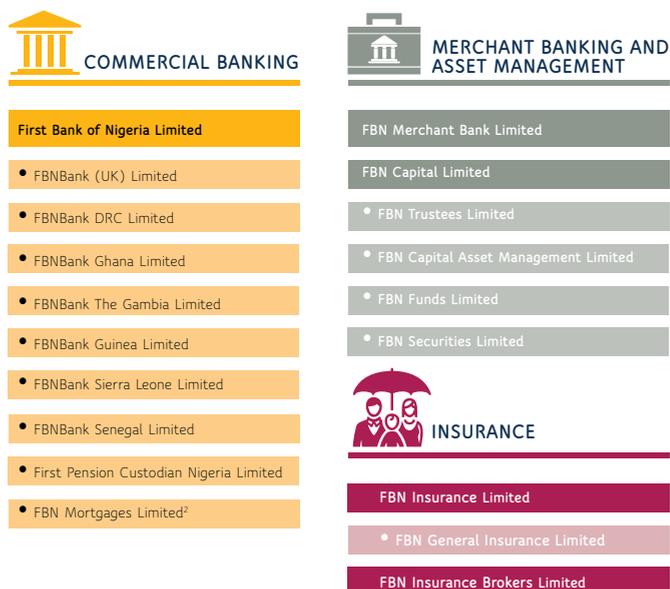
GROUP CORPORATE GOVERNANCE FRAMEWORK

Below is a diagram 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.

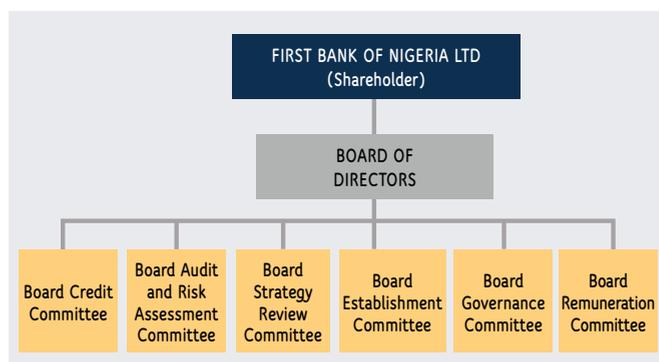
FBN Group has a holding company called FBN Holdings Plc, with a number of subsidiaries, each of which carries out a certain area of business. First Bank of Nigeria Limited is one of these subsidiaries and is responsible for the Commercial Banking business. It is also the immediate parent of FBNBank UK.

FBN HOLDINGS PLC (FBNHOLDINGS)



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 below:



BOARD AND COMMITTEE GOVERNANCE STRUCTURE

As noted in the framework above, the Board presently has five standing committees. The make-up and attendance of each committee during 2016 (as well as attendance at Board meetings) is shown in the table on the next page.

² FBN Mortgages Limited, now classified as a discontinued operation following the resolution of the Board of First Bank of Nigeria Limited to divest.

Leadership

Director	Position	Board	Board Credit Committee	Board Audit and Risk Assessment Committee	Board Strategy Review Committee	Board Establishment Committee	Board Governance Committee	Board Remuneration Committee
Oye Hassan-Odukale, MFR	Chairman	4 out of 4 meetings				Member 4 out of 4 meetings	Chairman 4 out of 4 meetings	Member 2 out of 2 meetings
Paul Cardoen	MD/CEO	4 out of 4 meetings (2 as observer)	Member 4 out of 4 meetings (2 as observer)		Member 4 out of 4 meetings (2 as observer)	Member 4 out of 4 meetings (2 as observer)		
Michael Barrett (retired with effect from 13 May 2016)	Former MD/CEO	1 out of 2 meetings	Member 1 out of 2 meetings		Member 1 out of 2 meetings	Member 1 out of 2 meetings		
Samuel Aiyere	Executive Director, Chief Financial Officer	4 out of 4 meetings			Member 4 out of 4 meetings			
Jaycob Attah (resigned with effect from 21 April 2016)	Executive Director, Business Development	1 out of 1 meeting	Member 1 out of 1 meeting		Member 1 out of 1 meeting			
Michael Bamber (retired with effect from 29 January 2016)	Executive Director/ Chief Operations Officer	1 out of 1 meeting			Member 1 out of 1 meeting	1 out of 1 meeting		
Guy Harington (appointed on 6 January 2016)	Independent Non-Executive Director	4 out of 4 meetings		Member 5 out of 5 meetings	Member 4 out of 4 meetings		Member 4 out of 4 meetings	Member 2 out of 2 meetings
Urum Kalu, MFR	Non-Executive Director	3 out of 4 meetings	Chairman 4 out of 4 meetings	Member 2 out of 5 meetings	Member 1 out of 4 meetings			
Peter Grafham	Independent Non-Executive Director	4 out of 4 meetings		Chairman 5 out of 5 meetings	Member 4 out of 4 meetings		Member 4 out of 4 meetings	Member 1 out of 2 meetings
Dr Adesola Adeduntan (appointed on 29 July 2016)	Non-Executive Director	4 out of 4 meetings (3 as an observer)				Member 4 out of 4 meetings (3 as an observer)	Member 4 out of 4 meetings (3 as an observer)	Member 2 out of 2 meetings (2 as an observer)
Hywel Rees-Jones	Independent Non-Executive Director	4 out of 4 meetings	Member 4 out of 4 meetings	Member 5 out of 5 meetings	Member 4 out of 4 meetings	Member 4 out of 4 meetings		Chairman 2 out of 2 meetings
Ibrahim Waziri	Non-Executive Director	4 out of 4 meetings	Member 4 out of 4 meetings		Chairman 4 out of 4 meetings	Chairman 4 out of 4 meetings		Member 2 out of 2 meetings
Dr Oluremi Oni (appointed on 29 July 2016)	Non-Executive Director	2 out of 2 meetings (1 as an observer)	Member 2 out of 2 meetings (1 as an observer)	Member 2 out of 2 meetings (1 as an observer)	Member 2 out of 2 meetings (1 as an observer)			

As in previous years, there has, again, been almost 100% attendance at all meetings of the committees and the Board. You will also note that, in line with good governance, the Board Audit and Risk Assessment Committee and the Board Governance Committee continue to be composed only of Non-Executive Directors to ensure the independence of these committees.

Leadership

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.

BCC is responsible for the oversight of management's responsibilities to assess and manage FBNBank UK's credit risks.

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 two 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 AND RISK ASSESSMENT COMMITTEE (BARAC)

The BARAC's objective is to assist the Board in discharging its responsibilities relating to FBNBank UK's risk management, accounting policies, internal control systems and procedures; 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 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 across FBNBank UK on a year-on-year basis. 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 market risk, funding and liquidity risk, and operational risk.

The BARAC continues to focus on proposed regulatory changes instigated by the Prudential Regulation Authority and the Financial Conduct Authority, which are expected to have an impact on FBNBank UK, as well as the wider banking industry. This, therefore, remains an area of continued focus for the Committee. Further changes to regulatory requirements are expected during 2017 and 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 BSRC's objective 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 who retired in 2016. 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 BEC's objective 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, the remuneration structure and senior management appointments. They are also 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).
- The recommendation to the Board of any proposed remuneration incentive schemes.

As FBNBank UK continues to grow, this committee ensures that there are sufficient human resources to cover the work and manage the entire body of staff, so that there is no overcapacity or overspend in any area.

Other than the committee members, regular attendees are the Head of Human Resources and the Company Secretary.

Leadership

BOARD GOVERNANCE COMMITTEE (BGC)

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

The BGC covers two main areas: nomination of new directors and corporate governance matters. Apart from committee members and the Company Secretary, the only other regular attendee 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. An external Board appraisal was conducted during 2015 in line with best corporate governance practice and its findings have been considered by BGC and the Board.

BOARD REMUNERATION COMMITTEE (BRC)

The BRC's objective is to assist the Board in discharging its responsibilities relating to the remuneration of executives and establishing best practices to ensure that governance guidelines relating to executive remuneration are appropriate and effective. BRC is chaired by an independent Non-Executive Director and its membership consists of Non-Executive Directors.

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
Chairman	Paul Cardoen	Managing Director
Vice Chairman	Samuel Aiyere	Executive Director, Chief Financial Officer
Core Members	Paul Gospage	Chief Operations Officer
	Susana White	Chief Compliance Officer and MLRO
	Grace Igbinijesu	Acting Chief Risk Officer
Non-Executive Members	Vanessa Trigg	Head of Human Resources
	Simon Nasta	General Counsel
	Olivier Noel	General Manager, Paris

Executive Credit Committee

	Name	Title
Chairman	Paul Cardoen	Managing Director
Vice Chairman	Grace Igbinijesu	Acting Chief Risk Officer
Core Members	Samuel Aiyere	Executive Director, Chief Financial Officer
	Olivier Noel	General Manager, Paris
	Ayodipo Ogunmoyela	Acting Head of Corporate Banking
Non-Executive Members	Simon Nasta	General Counsel
	Joe McGowan	Head of Trade Operations

Asset and Liability Management Committee

	Name	Title
Chairman	Samuel Aiyere	Executive Director, Chief Financial Officer
Vice Chairman	Grace Igbinijesu	Acting Chief Risk Officer
Members	Paul Cardoen	Managing Director
	Paul Gospage	Chief Operations Officer
	Zia Syed	Head of Finance
	Martin Newcomb	Head of Treasury

Risk Management Committee

	Name	Title
Chairman	Grace Igbinijesu	Acting Chief Risk Officer
Vice Chairman	Paul Gospage	Chief Operations Officer
Members	Paul Cardoen	Managing Director
	Samuel Aiyere	Executive Director, Chief Financial Officer
	Joe McGowan	Head of Trade Operations
	Susana White	Chief Compliance Officer and MLRO
	Enrico Gnani	Operational Risk Manager
	Debo Oshungboye	Head of IT

Leadership

Risk Assurance Committee

	Name	Title
Chairman	Paul Cardoen	Managing Director
Vice Chairman	Simon Nasta	General Counsel
Members	Samuel Aiyere	Executive Director, Chief Financial Officer
	Paul Gospage	Chief Operations Officer
	Susana White	Chief Compliance Officer and MLRO
	Grace Igbiniyesu	Acting Chief Risk Officer
	Ben Howard	Company Secretary
	Carl Norrdell	Head of Strategy
	David Coss	Internal Auditor

Compliance Committee

	Name	Title
Chairman	Susana White	Chief Compliance Officer and MLRO
Vice Chairman	Paul Cardoen	Managing Director
Members	Josie McGowan	Head of Trade Operations
	Stephen Mapes	Deputy Head of Compliance
	Ijeoma Johnson-Abugu	Acting Head of Private Banking
	Keely More	Head of Client Services Group
	Chris Miles	Deputy Head of Payments
	Olivier Noel	General Manager, Paris

Project Review Committee

	Name	Title
Chairman	Paul Gospage	Chief Compliance Officer and MLRO
Vice Chairman	Carl Norrdell	Head of Strategy
Members	Josie McGowan	Head of Trade Operations
	Stephen Mapes	Deputy Head of Compliance
	Peter Davis	Head of Business Transformation Office
	Debo Oshungboye	Head of IT
	Enrico Gnani	Operational Risk Manager
	Zia Syed	Head of Finance

Paris Branch Committee

	Name	Title
Chairman	Olivier Noel	General Manager, Paris
Vice Chairman	Carl Norrdell	Head of Strategy
Members	Samuel Aiyere	Executive Director, Chief Financial Officer
	Susana White	Chief Compliance Officer and MLRO
	Paul Gospage	Chief Operations Officer
	Vanessa Trigg	Head of Human Resources

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 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 business and personal relationships.

We currently have a wide range of experience and skills on the Board; in particular, we have strong knowledge of credit and risk, an increasingly important area 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 Executive and Non-Executive Directors on the Board. A majority of the current directors, including the present Chairman, are Non-Executive, with three of these being further classified as independent Non-Executive Directors.

The Bank was, with regret, informed that two of its long-serving independent Non-Executive Directors, Anthony Williams and Peter Grafham, were required as a matter of good practice to offer their resignation on the grounds that they had been on the Board for more than nine years. Consideration was therefore given by the Board during 2015 to identify suitable replacements and to ensure that there was sufficient handover for the new joiners. The Bank appointed Hywel Rees-Jones, with effect from 8 May 2015, and Guy Harington with effect from 6 January 2016, as their respective replacements.

The Board continues to have a broad cross-section of cultural backgrounds, with a balance of both British and African members. 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 and effectiveness of the Board. To ensure clarity in this structure, the Board also has an agreed job description for the Chairman's role. Furthermore, going forward, it is intended that a special Board Remuneration Committee will be convened annually and chaired by an independent Non-Executive Director to specifically address executive remuneration.

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, and 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. A Board evaluation was undertaken in 2014 and the intention is to commence a further evaluation once the new members of the Board have had a chance to bed in and consider existing Board practices.

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 have been updated to bring them in line with the Companies Act 2006. The Board committees' terms of reference will also be reviewed and updated as necessary to reflect the revised Articles. Going forward, an annual review of the Board committees' 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.

Effectiveness

APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

When FBNBank UK needs a new director, the responsibility for giving this matter consideration starts with the Board Governance Committee. Once the committee gives its final recommendations, it is then presented 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 mix of Nigerian and British Non-Executive Directors and Directors.

Where there is a lack of experience on the part of the Board in a particular area, there is a focus on finding someone with the requisite knowledge. Any Non-Executive Director chosen must also have sufficient time to devote exclusively to FBNBank UK in order to be able to best discharge their responsibilities effectively.

Once appointed, a new director, whether Executive or Non-Executive, is expected to go through an induction process; this includes basic information regarding FBNBank UK, the Articles of Association, the committees' terms of reference and the main policies, as well as guidance on directors' responsibilities. This guidance takes into account legal requirements and responsibilities under the Companies Act and English law, and directors' responsibilities as authorised persons in accordance with the regulatory requirements of the financial regulatory bodies.

Any new director is expected to meet the head of each department in FBNBank UK to help them learn about the business of FBNBank UK. In addition, the new director is expected to have a training session with the Company Secretary on basic legal responsibilities. Once recruited, an effort is made by FBNBank UK to continuously update the Board on the challenges, opportunities and risks facing business areas and FBNBank UK in general.

This is achieved by management reporting at Board and committee meetings, and occasional training sessions.

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

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 First Bank of Nigeria Ltd, it 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 do so under the UK company law. However, the parent company presently has two representatives sitting on its Board, which indicates that its interests are considered in any decision made by the Board.

The Board considers it very important that it maintains a good relationship with its parent company. Engagement is achieved by various means. A lot of work has been done by both FBNBank UK and FirstBank 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 FirstBank. 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 continuous drive to develop more businesses through referrals between FBNBank UK and FirstBank. This is encouraged through events for and information 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 First Bank of Nigeria Limited is therefore close, 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 fundamental to 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;
- responsibilities and duties are clearly segregated between market-facing business units and risk management functions, while 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 grants credit only to customers that fall within its risk appetite parameters;
- 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 risks; 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 quantitative and qualitative 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 regularly. FBNBank UK's appetite for risk is governed by the following:

- risk assets as measured by the ratio of non-performing loans to total loans and the weighted 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;
 - risk rating; and
 - asset portfolio tenor.
- losses due to operational risk being constantly monitored and lower than industry averages; and
- financial and prudential ratios being set at levels more conservative than regulatory requirements – in particular, loan to deposit, capital adequacy, liquidity cover and deposit concentrations.
- 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.

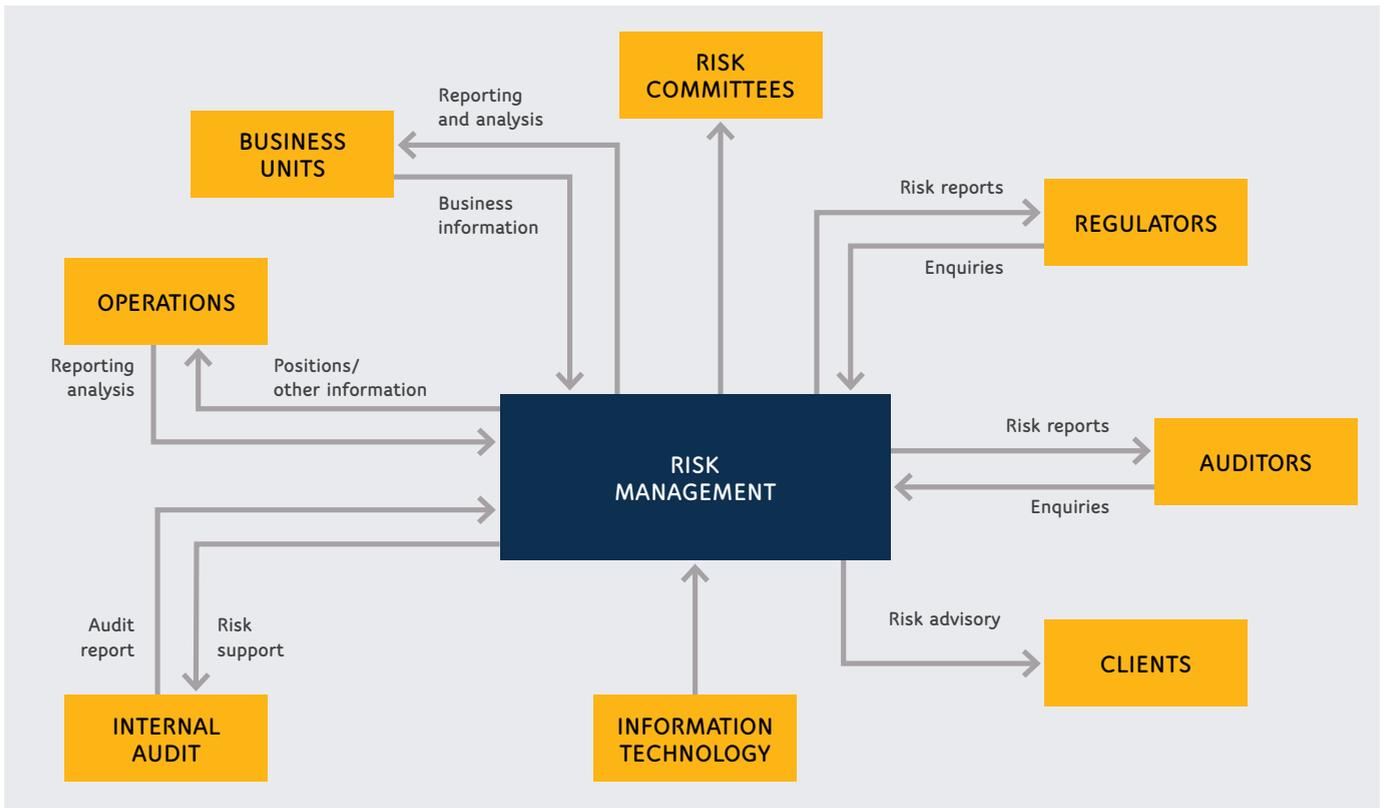
Risk management oversight

FBNBank UK's risk management function provides a central oversight of risk management across FBNBank UK to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored, 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.

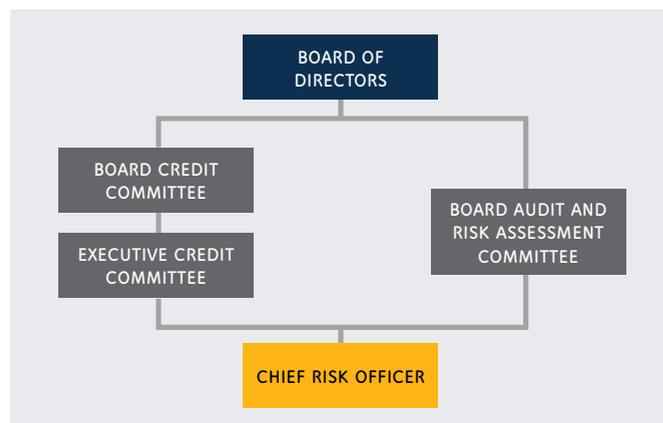
Risk management coordinates the monitoring and reporting of all risks across FBNBank UK and is headed and staffed by highly experienced and competent risk personnel.

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.

Accountability



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 is reflected in the risk appetite and tolerance;
- 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, assessment 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 responsibilities of the Board of Directors are discharged primarily by two Board committees, namely:

- the Board Audit and Risk Assessment Committee (BARAC); and
- the Board Credit Committee (BCC).

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

Board Audit and Risk Assessment Committee

The primary role of the BARAC 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 BCC 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 Directors. 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 at 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 the 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 BCC facilities beyond Executive Credit Committee approval limits;
- review monthly credit portfolio reports and assess portfolio performance; and
- recommend to the BCC any credit provisioning or write-offs.

RISK FACTORS

FBNBank UK on an ongoing basis, monitors its risk profile and ensures that it is within the risk appetite threshold.

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CHIEF RISK OFFICER'S REPORT



Grace Igbiniyesu, Acting Chief Risk Officer

“FBNBank UK’s lending portfolio continues to be diversified in terms of counterparty, business unit, business sector and country at risk.”

Effective risk management and a risk culture is a fundamental part of the business of FBNBank UK. The Board of Directors has ultimate accountability 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.

For FBNBank UK, 2016 was a pivot year. Triggered by an ambitious new executive management team and with the full support of the Board, FBNBank UK has embarked on a range of dynamic and transformative changes in order to enhance the risks tools, controls, policies and governance aimed at positioning the Bank to meet its defined strategic objectives, whilst mitigating risks appropriately.

Policies and governance refinements

The governance process was strengthened and streamlined for increased efficiency in decision making and mitigation of risks. Some of the new initiatives include the creation of a new risk (RASCO) committee and a taskforce set up with the aim to review, classify and assess the current policies and procedures. The work will be completed in 2017 and entails a new drive towards Enterprise Risk Management (ERM) framework, refreshing the foundational documents and refining the critical risk policies. The Bank introduced a new “non-presence countries” policy, limiting new businesses only to countries that FBNBank has presence and defined a strategy for non-presence countries.

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. In line with its strategic objectives, FBNBank UK has focused on redefining its risk appetite framework to ensure greater alignment with its strategic intent whilst ensuring that they are sufficient buffers

in stressed scenarios well before limits are breached. This is in line with the periodical reviews and measurements of its risk appetite metrics to ensure that its performance is in line with its risk appetite parameters and budgets. Forecasts, both under normal and stressed conditions, provide insight into the likelihood of possible adverse impacts on the business. As a result, a series of initiatives have taken place in portfolio risk management, stress testing, in our internal risk rating model, as well as in the management of our collateral and collateral managers. We are also making improvements to our early warning framework for increased control and monitoring of the risk process.

Portfolio stress testing

A new Portfolio risk position was created with the aim among other, to originate stress and performance tests on the overall bank portfolio and to model, analyse and forecast probabilities of default rates and recovery rates. The stress test policy is being developed and a new data risk database is being created in order to assist management with up-to-date key risk drivers and trends.

Internal risk rating and Moody’s Riskcalc

The internal risk rating (IRR) system is being updated and refined and in parallel, the FBNBank UK acquired Moody’s Riskcalc, a global industry standard credit risk tool, in order to validate and expand the capabilities of our rating system. The new tools would also assist the bank in its estimates with respect to the forthcoming IFRS9 implementation.

Collateral management

The Bank is also updating its collateral management policy and tools, learning from past experiences. New stricter policies and detailed controls regarding collateral warehouse managers are being introduced. A new collateral database is being developed and new management tools are being implemented in order to effectively monitor the Bank’s collateral.

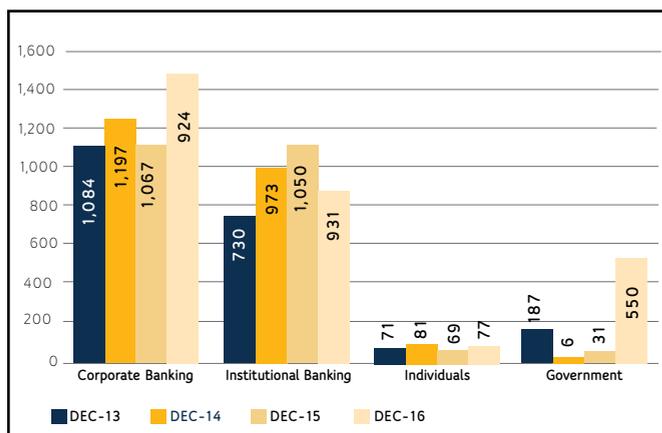
Chief Risk Officer's report

Early warning framework

The Bank is introducing new policies and tools with regards to early warning signals. The key risk drivers of every significant exposure are identified and mapped. Monitoring tools are being created to alert management of any adverse developments. These drivers include commodity prices, political events, missed or delayed payments or news alerts for companies and key people. This ex-ante approach would serve to heighten awareness and alert management of future potential problems.

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 the Bank's 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 reductions, political tensions and pandemics during the year. However, many attractive funding propositions continue to be open to FBNBank UK in the three main business lines where it operates:

- Corporate Banking;
- Institutional Banking; and
- Private Banking.



The above graph demonstrates the period of consolidation that has been taking place after the recent growth of FBNBank UK over the last few years. Tangible security continues to be taken whenever possible in order to provide FBNBank UK with additional comfort.

Nigerian financial institutions and correspondent banking relationships have experienced some difficulties in meeting their foreign currency obligations as a result of currency rationing by the Central Bank of Nigeria.

FBNBank UK has continued to adopt, refine and develop more sophisticated risk management procedures to reflect both the changing structure of the lending portfolio and the increasing requirements by the regulatory environment. This includes the

introduction of Target Market Risk Acceptance Criteria models for various obligors such as insurance counterparties, treasury counterparties and country risk. FBNBank UK has made a number of key hires to fill senior risk positions and to assist with the further development of the risk function within FBNBank UK.

Overview of key risks

The main banking risks comprise credit risk, market risk, liquidity and funding risk, operational risk, country risk, compliance risk, legal risk, reputational risk and e-business risk.

In addition, principal risks have been identified which could adversely impact financial results, reputation or the business model. These are summarised below:

Risk	Trend	Mitigants
External		
Low commodity prices resulting in high impairments	↑	Close monitoring, early warning indicators, portfolio reviews and stress testing. Action is taken to reduce and avoid high risk exposures.
Currency volatility	↑	Hedging of all open positions relating to financial position, income and expenditure. Maintaining adequate hedging facilities and liquidity resources for margining.
Geopolitical risks, currency controls and devaluations in target markets	→	Insurance is taken. Transactions are structured to minimise dependencies on local currencies for repayment.
Internal		
Key person dependencies	→	Succession planning and adequate staffing.
Compliance risk	→	Close monitoring of clients and transactions with emphasis on governance and conduct. Additional resources to ensure compliance with regulatory requirements and changes.
Cyber risk	↑	Increased controls around IT systems including penetration testing, data protection and a rigorous 3rd party supply policy.

↑ Increase in risk
→ Constant risk

RISK MANAGEMENT DISCLOSURES

CREDIT RISK

Credit risk is the risk of loss arising from the failure of counterparties to meet their financial or contractual obligations when due. Credit risk includes 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, the Bank 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 has concentrated on its existing business sectors, rather than developing new sectors. The Bank will continue to operate in countries, business sectors and with counterparties where it believes it fully understands the risks involved and has presence. 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 on both 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 managers 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 is key to bringing facilities back to performing before they deteriorate too far, thereby reducing the amount of bad and doubtful debts.

A facility is immediately considered as '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 impair is made. Procedures ensure that all overdue and arrear exposures are brought to the attention of FBNBank UK's management when they first occur. An assessment is made on 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). This approach is however expected to change with the introduction of IFRS9 which comes into effect in 2018.

FBNBank UK is actively involved in arranging syndicated transactions and distributing larger exposures, which individually may be close to or 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 specialising in Middle Africa financial transactions that participate in individual transactions within the approved structure of the facility.

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 interest rates or equity or commodity prices.

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, the Bank has a relatively small portfolio of investment bonds that are directly related to our core business sectors and presently amount 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 5% of total assets. The impact of interest rate risk is minimised 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 there is some exposure to the latter indirectly via credit facilities granted to Structured Commodity and Trade Finance customers. FBNBank UK has a very low risk appetite for currency risk. The policy is to hedge currency risk and there is a relatively small maximum open position limit. Currency risk 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.

“Less than 2% of our total assets are investment bonds”

Risk management disclosures

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 sound and robust over the last year, with a good mix of mainly retail deposits complemented by wholesale deposits. The FirstSave internet-based product has proved to be an extremely reliable source of funding as and when required and is now a well-established and recognised name in this sector. Euro-denominated deposits have continued to increase and this provides further diversification of funding by currency. Key liquidity metrics that are monitored 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, with a reporting line to the Chief Risk Officer. A robust Operational Risk Management (ORM) framework has been adopted and implemented, including a programme 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 with various areas of the Bank owning the operational risks.

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 control self-assessment is a key component of FBNBank UK's operational risk framework. This,

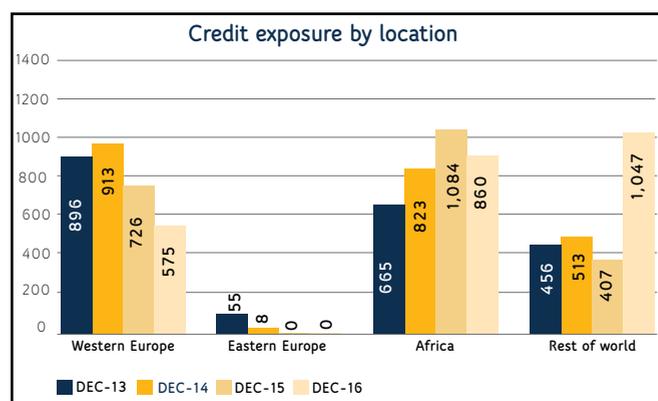
facilitated by the operational risk function, involves each business unit proactively identifying and assessing its significant operational risks and ensuring that controls are in place to manage those risks. These include workplace safety and employment practices.

As is the norm 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. This extends to functions outsourced to external providers.

COUNTRY AND CROSS-BORDER RISK

Country risk is the risk of loss arising when political or economic conditions or events in a country negatively impacts 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.



Risk management disclosures

CONDUCT RISK AND FINANCIAL CRIME

Conduct risk is the risk that detriment is caused to our clients, markets or the bank because of inappropriate judgement in the execution of our activities.

FBNBank UK has exposure to higher risk jurisdictions and transactions resulting from its focus on emerging markets. The understanding of conduct risk is therefore key in ensuring that the risks inherent in our business model are managed appropriately. This matters to us because we consider that by doing business in the right way, the bank drives positive outcomes for our existing and potential customers, clients and counterparties and the market at large and demonstrates its core values in action and a culture of risk-minded decision making.

All our colleagues are responsible for ensuring that the level of conduct risk is managed with commensurate systems and controls in place. This is now supported by a team of experienced compliance professionals who provide a robust second line of defence, providing advisory and monitoring and testing services to the senior management team, the business and the Board. Over the last year, the Bank has focused significant time and resource in ensuring all our staff understand the importance of managing conduct risk and have been trained accordingly. We continue to enhance our systems and controls in relation to financial crime prevention, to take us towards our goal of achieving best industry practise.

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 to and from Africa, it is acknowledged that it is of critical importance that our documentation is accurate, robust and legally effective and enforceable, 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 legal personnel in an attempt to ensure that we are not exposed to this important area of risk.

In this respect, the documentation for more complex transactions 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 legal team to oversee this important area.

To date, FBNBank UK has not suffered a loss as a result of legal risk and there are currently no 'near-misses' or potential losses relating to this risk area.

Risk management disclosures

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 franchise and continued success, and is the responsibility of every member of staff.

At FBNBank UK, it is recognised that the Bank's reputation is key to its future, and this is instilled throughout the organisation to ensure that borrowers, depositors, regulators, shareholders, counterparties and suppliers have confidence in the organisation's ability to conduct itself well. The Bank's reputation can be adversely affected by negative publicity, legal disputes, poor treatment of customers or 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, anti-bribery, anti-corruption and anti-money laundering training is provided to all members of staff and everyone is tested regularly for competence in this important area. FBNBank UK continues to focus on this area, including the use of outside consultants, to upgrade its processes and 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 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 of their accounts and help them to interact with FBNBank UK from anywhere.

Cyber Risk

FBNBank UK is aware and takes the threat posed by cybercrime very seriously. The Bank is introducing a new policy with respect to cybersecurity that is organised according to the five core cybersecurity principles:

- Identification
- Protection
- Detection
- Response
- Recovery

A risk assessment is undertaken that includes classification of critical information and of important assets. This is followed by mapping and measuring the threats and vulnerabilities and of communicating the risks to senior managers. Among others, this entails identifying all hardware assets, software hygiene and robust access controls to the network. A response policy and recovery plan commensurate to the risks faced is being put in place, together with regular audits and tests to ensure the timeliness and usefulness of the plan.

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Oye Hassan-Odukale, MFR	Chairman
Michael John Barrett	Managing Director/Chief Executive Officer (Retired 13 May 2016)
Paul Antoon Ludwina Cardoen	Managing Director/Chief Executive Officer (Appointed 10 May 2016)
Samuel Oladipupo Aiyere	Executive Director/Chief Financial Officer
Jaycob Agbaji Attah	Executive Director, Business Development (Resigned 21 April 2016)
Michael John Bamber	Executive Director, Business Development (Retired 29 January 2016)
Dr Adesola Kazeem Adeduntan	Non-Executive Director (Appointed 29 July 2016)
Urum Kalu Eke, MFR	Non-Executive Director
Peter Arnhem Grafham	Non-Executive Director
Guy Charles Harington	Non-Executive Director (Appointed 06 January 2016)
Dr Oluremi Oyindasola Oni	Non-Executive Director (Appointed 29 July 2016)
Hywel Rees-Jones	Non-Executive Director
Ibrahim Dahiru Waziri	Non-Executive Director

Company Secretary

Ben Howard

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

Auditors

Deloitte LLP
London

STRATEGIC REPORT

BUSINESS MODEL AND STRATEGY

Who we are

FBN Bank (UK) Limited ('FBNUK', 'the Bank') is a wholly owned subsidiary of the First Bank of Nigeria Limited (FBNL), an African bank with a rich heritage, established in 1894 as the first banking institution in Nigeria.

FBNBank UK is authorised by the UK's Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA). Operating in the City of London with a branch in Paris and a representative office in Lagos, FBNBank UK provides a range of domestic and international banking and financial services.

Our Mission

FBNBank UK is the international banking centre of FBNL, and acts as connecting hub between the group and its regulatory, financial and social partners.

FBNBank UK equally provides world-class, cross border trade and investment services to institutions, corporates and individuals conducting business in and with Africa's most dynamic and vibrant economies.

OUR STRATEGY

As part of our response to constantly changing market dynamics, and to position ourselves for the future, we began a major strategic review in 2016.

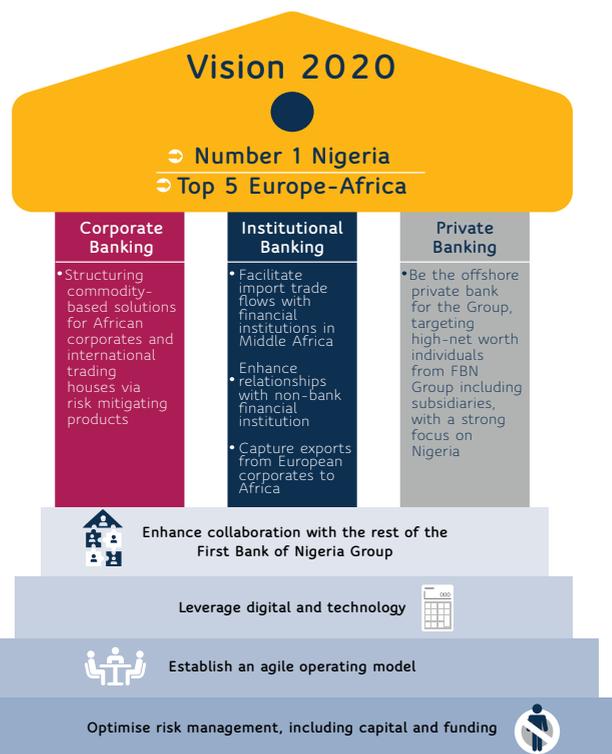
In support of our vision, we developed our new strategy, which is focused on:

- implementing a new operating model and organisational structure creating three distinct business lines: Corporate Banking, Institutional Banking and Private Banking. These units are designed to capture synergies, reduce duplication, improve accountability and become more client-centric;
- new technologies to improve efficiency, streamline processes, and increase our speed-to-market; and
- increasing collaboration and integration with our parent, FBNL. This is an integral part of the strategy and will create synergies and efficiencies for the successful execution of many strategic initiatives.

OUR NEW OPERATING MODEL

Underpinning our initiatives is the guiding principle of "ACT FBN": Agile, Connected and Trusted. These are further detailed in the CEO statement section of this report, and help us convert the strategic approach into more specific, tactical initiatives for Corporate Banking, Institutional Banking and Private Banking:

- Corporate Banking, which includes trade and commodity financing, corporate lending, foreign exchange and cash management for trading houses and African corporates, will be the primary driver of incremental income with three initiatives:



- enhancement of sectoral expertise in energy and transportation, mining and metals, and soft commodities to improve origination and risk management capabilities;
- diversification of our existing client portfolio of clients and increased engagement with African enterprises and commodity trading houses; and
- enhancement of performance across the originate-to-distribute value chain by building risk distribution capabilities and becoming a global asset distribution centre for FBNL.
- Institutional banking; primarily focused on African Financial Institutions (FIs) covering both commercial banks and non-bank financial institutions engaged in short and mid-term trade finance.
- leveraging FBNL's existing relationships with Financial Institutions across the network, to deepen strategic relationships at FBNBank UK level; and
- capturing European export flows into Africa and providing risk advisory and mitigation services to European exporters.
- Private Banking: will launch three initiatives to strengthen our proposition for High Net Worth individuals (HNIs).
- increase HNI referrals from FBNL by establishing a formal referral system and shadow accounting with FBNL's other private banking subsidiaries;

Strategic report

- cross-sell private banking solutions to executives of the Corporate and Institutional client base; and
- enhance the current product value proposition.

Our risk approach

The market environment remains challenging for banks including FBNBank UK and we are focused on enhancing our risk and compliance frameworks to proactively address key trends such as:

- Regulation including divergences and arbitrages among local regulators will become more relevant in shaping global organisations' risk, organisational and operating structures;
- FBNBank UK adopts best in class risk management and compliance, and is proactive in terms of monitoring and dealing with potential issues; and
- We are mindful of the growing prevalence of non-traditional risks such as financial crime and cyber security and we are developing skillsets beyond the traditional credit risk focused mandate to manage these threats.

Our competitive differentiators

We have set ambitious targets, and we are confident that with our new management team and strategy, we can deliver on them. As part of the First Bank of Nigeria group, we offer a one-stop shop of services for our clients, delivering to one global standard.

- **One Bank:**
 - Full coordination with FBNL, our parent and its six subsidiaries in Middle Africa;
 - Holistic client approach across geographies and business divisions.
- **One Stop:**
 - A local and regional manager for our clients;
 - Centralised Treasury and Transaction banking in London.
- **One Standard:**
 - An operational excellence that supports our capacity to offer bespoke products and service;
 - A high degree of professionalism by bankers with deep African expertise and market knowledge;
 - A strong capital base and a reputation for best practice compliance and governance standards.

We aim to provide an industry leading service to our clients allowing them to meet their objectives and commercial goals. We adopt a bespoke and holistic approach to working with clients to ensure that they achieve their maximum potential. We will

continue to make efforts to grow our balance sheet and provide reliable returns for shareholders. We believe FBNBank UK's vision and strategy will enable us to achieve this.

Key risks and mitigants:

The Bank manages a business where opportunities are balanced against risks and where the three lines of defence ensure proper checks and balances for the safeguarding of our customers, client, the franchise and the markets we operate in. The key risks outlined for the Bank are properly assessed, measured, adequately mitigated and overseen by a dedicated second line of defence comprised of risk and compliance strategies which operate across all locations where the Bank has a presence.

The key risks facing our business include:

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.

Credit risk continues to represent the biggest risk to FBNBank UK. The strategy over the last 12 months has therefore been to place more emphasis on increasing the effectiveness of the credit function by strengthening the credit risk architecture and framework to enhance the pro-activeness in the detection of early warning signals, and surveillance. This is in view of the dynamic market conditions and the macro-economic environment in FBNBank UK's main target markets which has gone through some challenging times driven mainly by weaker commodity prices. The Bank has positioned itself such that it continues to deepen its knowledge of its target markets and the counterparties it deals with by creating stronger risk processes which includes stress testing and sensitivity analysis to mitigate to the extent possible, the risk of loss. 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 upskill the credit resources and increase staff awareness on risk factors within transactions through driving changes to the risk culture.

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. Market risk stems from all the positions included in banks' trading book, as well as from commodity and foreign exchange risk positions in the whole balance sheet.

FBNBank UK is exposed to market interest rate risk movements through its bond investments holdings. The Bank does not own or trade any equity products, nor takes positions in commodity markets. The Bank is exposed to daily currency moves through its balance sheet hedging operations. All positions are subject to continuous monitoring. Restrictions and enforced stop-loss rules are placed on the maximum position allowed on each currency.

Strategic report

Liquidity risk

Liquidity risk is the risk of the Bank not being able to meet its payment obligations as and when they fall due. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs, or by contractual mismatches between the timings on cash inflows and outflows.

Liquidity risk is assessed periodically through the Internal Liquidity Adequacy Assessment Process (ILAAP) carried out under the rules of the Bank's regulator. The Bank manages its exposure to liquidity risk by ensuring that it holds a buffer of High Quality Liquid Assets that will enable it to meet its obligations as they fall due under normal and stressed conditions. In addition, the Bank monitors the ratio of its longer dated assets to capital and longer term funding to mitigate the risks deriving from maturity transformation.

Capital risk

Capital risk is the risk that the Bank may not have adequate capital resources to support its current and future business strategy due to unexpected large financial loss. Capital resources support the Bank's risk capacity, hence periodic assessment of its capital adequacy and requirement is performed, including the annual Individual Capital Adequacy Assessment Process (ICAAP).

The Bank's risk appetite is to hold sufficient capital with a built-in buffer in excess of regulatory capital requirement, capable of withstanding rare stress events. Capital risk is managed by the Bank through a robust and strengthened credit risk management framework.

Legal risk

Legal risk is the risk of financial or reputational loss that may result from failure to adequately comply with legislation and regulation, failure to correctly document, enforce or adhere to contractual relationships, inadequate management of non-contractual rights, failure to meet our non-contractual obligations, and mis-management of legal disputes for or against the bank.

The Bank has sought to mitigate the potential for legal risk by recruiting experienced personnel in key departments, and establishing an in-house legal function to identify and manage exposure to legal risk. The Bank's in-house legal function manages legal risk through enforcement of legal policy, provision of legal training, advice on legal matters generally and undertaking the structuring, negotiation and documentation of designated transactions where specialist external counsel are not instructed.

Operational risk

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems, or from external events. FBNBank UK maintains robust operational processes to ensure everyday activities are transacted in an effective and secure environment. To ensure that FBNBank UK continues to deliver higher standards to the customer and raise its regulatory profile, the Bank places high emphasis on improving and developing its operational efficiency and underlying technology. FBNBank UK's operational functions sit at the heart of the organisation and underpin the services provided to the Bank's customers and regulators.

Regulatory risk

FBNBank UK defines regulatory risk twofold, in relation to existing rules, as well as to future regulatory requirements.

The Bank mitigates its risk to earnings and capital created from failing to comply with current laws, policies and procedures by ensuring a strong control environment operates in all areas of the business. Second line of defence is active in providing effective check and challenge to ensure the business remains compliant at all times.

The Bank considers regulatory risk in relation to the impact of new requirements on the Bank's ability to retain its banking license and to operate across borders. FBNBank UK mitigates the potential detriment by taking a proactive approach to regulatory change ensuring the Bank's readiness to operate in line with emerging regulatory expectations. This is demonstrated by the introduction of horizon scanning as part of the business as usual practice across the firm.

Conduct risk

Conduct risk is the risk of detriment to our customers, clients, markets or the bank arising from inappropriate execution of our business activities.

The Bank mitigates conduct risk by observing a strong compliance culture rooted in customer-centric corporate values. FBNBank UK aims to put the customer at the heart of all decision making. The control environment is geared towards identifying, assessing and remediating areas where actions may have created detriment. First line of defence places emphasis on compliance with Conduct Rules and in particular, on treating the customer fairly. The pursuance of minimal conduct risk is demonstrated by the level of investment in staff training which will be significantly increased during 2017, almost doubling the equivalent industry average.

Reputational risk

Reputational risk is the risk created from actions, transactions or decisions that dent the trust put in the bank's ability to serve its clients and protect the market with integrity and competence by clients, counterparties, regulators or the public. Reputational risk is managed by acting on the ambitions set out in the Bank's strategy, in line with corporate values and Conduct Rules. The Bank aims to act in an agile, connected manner and as a trusted partner to ensure positive outcomes for our clients, the franchise and the communities that we serve. This is demonstrated by the Bank's vigilance in relation to our commitments to human rights and modern slavery. The Bank is an early adopter of the regulatory requirements and remains committed to lifting standards in all of the geographies and sectors we operate in.

Cybercrime risk

More than ever, today's organisations face unprecedented cyber-related challenges. As well as protecting against potential cyber-attacks, companies must comply with existing and emerging regulations. FBNBank UK appreciates this risk and invests in both its current and developing cyber security requirements. FBNBank UK's cybercrime approach extends beyond its systems and technology and compliments the Bank's operational processes. As

Strategic report

well as robust and secure every day processes, cyber security forms a significant part of the Bank's change programme and ongoing improvement activities.

Financial highlights

This year was a challenging one for the Bank due to the effect of the downward macroeconomic situation in its primary markets and significant impairment charges taken. Consequently, the Bank recorded below average financial performance in 2016 as summarised below.

Measures have been put in place to reverse the situation with performance expected to improve in the coming years.

As shown in FBNBank UK's income statement, the net interest income decreased by 10% compared to prior year (2015: 14% increase), fee and commission income decreased by 34% over the prior year (2015: 30% decrease). Overall, operating income decreased by 19% (2015: 11% increase), a reflection of decreased 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 a negative operating margin after direct costs of 197% (2015: 21%). This substantial reduction in operating margin is attributable to large asset impairment charges made during the year. The balance sheet shows that the Bank's total assets at the year ended 31 December 2016 have increased compared to the prior year ended 31 December 2015 by 13%, from £2,225m at 31 December 2015 to £2,508m at 31 December 2016.

Non-financial highlights

Culture and corporate values

We put our customers at the heart of everything we do, and it is for them that we seek to live up to our corporate values of integrity, collaboration, accountability, respect and ethical behaviour.

We are focused on maintaining a culture of doing the right thing everyday - for our customers, our shareholders, our employees and the communities in which we do business. Our focus is on offering a service which adds value, in the right way, with consistent standards of quality and compliance assurance across our customer base.

We also strive to create an inclusive and diverse workforce by having a strong focus on respect for different cultures and perspectives.

There are various avenues our employees can be listened to, including an 'open door' policy for our employees direct to Senior Management, briefings and feedback at our CEO breakfast sessions and team meetings.

In relation to the markets, our conduct and values driven approach can be observed in the strong ethical standards applied by the Bank in dealing with our counterparties, market players and all impacted regulatory bodies across locations. Our commitment to safeguard the financial system is deeply rooted in the way we

operate and is further enhanced by the continuous internal effort to operate with performance standards now reaching towards best in class practice.

Complaints handling

FBNBank UK is committed to handling all customer complaints in an honest and fair manner. The current regulations extend to eligible complainants only, however, FBNBank UK ensures that all complaints are dealt with to the same standard. This demonstrates the Bank's commitment to the overarching principles of treating customers fairly and observing risk practices. 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. 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.

Leadership

We have a highly skilled, diverse, and internationally experienced leadership team. This senior team are well-positioned as respected thought leaders and experts in African trade. Our employees are all expected to be leaders in their fields of expertise, and together with the senior team, are encouraged to shape the future of FBNBank UK.

Our investment in people is paramount, with initiatives focused on enhanced benefits and well-being packages, and an approach that rewards performance on a balanced range of dimensions. Through our mission and corporate values, we aim for all our people to feel they are making a positive impact in what they do for FBNBank UK and that they are respected by their colleagues.

Service delivery and operational efficiency

The Bank continued its focus on high standards of delivery and operational efficiency throughout 2016. A key initiative focused on the consolidation of activities into the Client Services Group. Restructuring the roles and responsibilities and empowering the front line teams provides the Bank with a strong platform to streamline account management and improve turnaround times for customer queries.

Online banking and mobile services

Significant changes were also made to online banking services, resulting in a reduction in time and effort spent on managing monthly statements and improvements to payment processing. The updated online service was also given a new and more user friendly look and feel. In conjunction with the new internet banking service, the Bank also introduced a new mobile security app enabling customers to digitally sign transactions, improving protection against cybercrime.

Systems efficiency and effectiveness

The Bank continues to upgrade its technology to have an efficient working environment. The robust banking software has been hugely advantageous to FBNBank UK in the sense that it has made

Strategic report

the internal processing system more efficient; it is more up-to-date and in line with other technological advances in the banking system. In conjunction with the service delivery and operational improvements, our technology has also undergone refresh activities to compliment the updated services and support the delivery of FBNBank UK's business strategy. The internal platforms have been upgraded to the latest generation architecture, providing a strong basis to underpin new tools and systems. A new Business Transformation Office has been created, working together with a dedicated IT strategy function, leading to more agile delivery of technology and closer alignment with business objectives.

FBNBank UK's capacity to identify, generate and deliver new business remains strong 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 unfolding economic crises in China and other frontier markets, and the general fall in commodity prices. It will continue to restrict exposure to higher risk counterparties.

A capital adequacy ratio of 11.84% (2015: 17.12%) was recorded at the year end which was below the previous year. Subsequent to the financial account close date (refer to note 34), the Bank obtained a \$60m tier II capital in form of a subordinated loan from First Bank of Nigeria Limited. FBNBank UK is working along with its parent to inject additional £50m tier I capital into the Bank by 30 June 2017. The total additional capital injection of approximately £100m into the business is expected to improve the capital base of the Bank and strengthen regulatory capital ratios in the immediate 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 risks 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.

FUTURE PROSPECT AND GOING CONCERN

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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.

CORPORATE AND SOCIAL RESPONSIBILITY

Business standards

FBNBank UK is committed to conducting business in a responsible way, hence it refrains from certain types of business for ethical and legal reasons.

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.

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



Ben Howard
Company Secretary

For and on behalf of
FBN Bank (UK) Limited
13 April 2017
Registered Office Address:
28 Finsbury Circus, London EC2M 7DT

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2016. The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

ACTIVITIES

FBN Bank (UK) Limited ("FBNUK") 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 interest 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 with the expectation to improve productivity. The Directors regard such investment as necessary for 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 page 24 of the report.

RESULTS AND DIVIDEND

The loss after tax for the year amounted to £110,921,897 (2015: profit for the year £12,960,289).

No interim dividend was paid by the Bank in respect of the year ended 31 December 2016 (2015: £7,000,000). No final dividend was proposed (2015: nil).

Dividend per share in 2016 was nil (2015: 3.85 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 of the financial statements for a more comprehensive going concern report.

CHARITABLE CONTRIBUTIONS

No charitable contribution was made by the Bank in 2016 (2015: £2,850).

CAPITAL STRUCTURE

There was no increase in the Bank's authorised share capital during the year.

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 Section 418 of the Companies Act 2006.

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

By Order of the Board



Ben Howard
Company Secretary

For and on behalf of
FBN Bank (UK) Limited
13 April 2017
Registered Office Address:
28 Finsbury Circus, London EC2M 7DT

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FBN BANK (UK) LIMITED

We have audited the financial statements of FBN Bank (UK) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of financial position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes to the financial statements 1 to 34. 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 2016 and of the Bank's loss 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
20 April 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31 Dec 2016 £	31 Dec 2015 £
Interest income	4	90,899,541	95,214,287
Interest expense	4	(30,306,662)	(27,652,646)
Net interest income		60,592,879	67,561,641
Fees and commissions income	5	3,861,663	5,861,254
Dealing and exchange profits/(loss)		(1,107,419)	4,478,994
Other operating income		1,108,441	1,353,003
Investment (loss)	4	-	(74,016)
Operating income		64,455,564	79,180,876
Administrative expenses	6	(29,632,504)	(23,597,308)
Impairment charge	24	(161,490,949)	(39,784,057)
Loan recovery	24	-	489,183
Profit on ordinary activities before taxation		(126,667,889)	16,288,694
Tax credit/(expense)	9	15,745,992	(3,328,405)
Profit on ordinary activities after taxation		(110,921,897)	12,960,289
Other comprehensive income			
Revaluation of available-for-sale financial assets		(19,995)	6,120,655
Tax effect of other comprehensive income		-	(1,240,657)
Total other comprehensive income		(19,995)	4,879,998
Total comprehensive income for the year		(110,941,892)	17,840,287

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

The results above arose wholly from continuing activities.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 Dec 2016 £	31 Dec 2015 £
Assets			
Cash at bank and in hand	11	38,224,698	51,788,604
Loans and advances to banks	12	708,870,592	884,008,508
Loans and advances to customers	13	1,032,845,252	1,167,045,968
Available-for-sale financial assets	15	702,171,122	114,516,868
Financial assets - derivatives		29,823	-
Property and equipment	16	2,524,937	2,841,471
Intangible fixed assets	17	1,211,341	1,668,448
Other assets	18	11,154,347	3,620,275
Deferred tax asset	10	11,042,795	-
Total assets		2,508,074,907	2,225,490,142
Liabilities			
Deposits by banks	19	876,286,253	453,836,464
Customer accounts	20	1,265,887,217	1,394,303,651
Financial liabilities - derivatives		64,912,940	32,022,846
Other liabilities	21	135,487,107	68,727,584
Deferred tax liability	10	-	156,315
Total liabilities		2,342,573,517	1,949,046,860
Called up share capital	23	182,000,000	182,000,000
Revaluation reserves		(1,344,978)	(1,324,983)
Retained earnings		(15,153,632)	95,768,265
Equity shareholders' funds		165,501,390	276,443,282
Total liabilities and shareholders' funds		2,508,074,907	2,225,490,142

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 13 April 2017.

Signed on behalf of the Board of Directors



Oye Hassan-Odukale, MFR
Chairman



Paul Cardoen
Managing Director and Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Revaluation reserve £	Retained earnings £	Total equity £
Balance attributable to equity shareholders as at 31 December 2014	132,000,000	(6,204,981)	90,145,858	215,940,877
Issued share capital	50,000,000	-	-	50,000,000
Revaluation of available-for-sale financial assets	-	6,120,655	-	6,120,655
Current tax charge on available-for-sale financial assets	-	(1,240,657)	-	(1,240,657)
Profit for the year	-	-	12,960,289	12,960,289
Profit adjustment	-	-	-	-
Dividend paid	-	-	(7,337,882)	(7,337,882)
Balance attributable to equity shareholders as at 31 December 2015	182,000,000	(1,324,983)	95,768,265	276,443,282
Issued share capital	-	-	-	-
Revaluation of available-for-sale financial assets	-	(19,995)	-	(19,995)
Current tax credit on available-for-sale financial assets	-	-	-	-
Loss for the year	-	-	(110,921,897)	(110,921,897)
Dividend paid	-	-	-	-
Balance attributable to equity shareholders as at 31 December 2016	182,000,000	(1,344,978)	(15,153,632)	165,501,390

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31 Dec 2016 £	31 Dec 2015 £
Cash flow from operating activities			
(Loss)/Profit before tax		(126,667,889)	16,288,694
Adjustment to reconcile net profit/(loss) to cash flow from (used in) operating activities			
Depreciation of property and equipment		463,211	474,894
Depreciation of intangible assets		681,444	888,589
loss from sale of investment securities		-	74,016
Movement in accrued interest and provisions		4,683,865	(206,197)
Impairment charge		161,490,949	39,294,874
Profit on sale of fixed assets		-	(1,384)
		40,651,580	56,813,486
Net decrease/(increase) in assets relating to operating activities			
Loans and advances to banks		9,944,946	65,802,712
Loans and advances to customers		425,642,373	118,816,371
Available-for-sale financial assets		(564,705,121)	(22,556,346)
Investment - Royalty		7,882,698	(693,090)
Other assets		(7,690,135)	3,432,416
		(88,273,659)	221,615,549
Net increase/(decrease) in liabilities relating to operating activities			
Due (from)/to banks		422,449,789	(42,899,362)
Due (from)/to customers		(128,416,434)	(28,935,289)
Other liabilities		99,520,707	20,513,110
		393,554,062	(51,321,541)
Corporation tax paid		4,632,258	(4,881,960)
Net cash from operating activities		309,912,661	165,412,048
Cash flow from investing activities			
Acquisition of fixed assets		(412,765)	(1,382,009)
Disposal of fixed assets		-	1,384
Net cash used in investing activities		(412,765)	(1,380,625)
Cash flow from financing activities			
Dividend paid		-	(7,337,882)
Payment of subordinated liabilities		-	(50,000,000)
Proceeds from issue of share capital		-	50,000,000
Net cash (used in)/from financing activities		-	(7,337,882)
Net increase in cash and cash equivalents		309,499,896	156,693,541
Cash and cash equivalents at the beginning of the year	31	442,981,672	286,288,131
Cash and cash equivalents at the end of the year	30	752,481,568	442,981,672

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES

General information

FBN Bank (UK) Limited ("FBN UK") is a company registered and incorporated in the United Kingdom under the Companies Act 2006 with registration number 4459383. The address of the registered office is given on page 1. The nature of the Bank's operations and its principal activities are set out in the Directors' Report.

Statement of compliance

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

Functional and presentational currency

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 46 to 51. The financial position of the Bank, its cash flow and capital position are as described on pages 54 to 57. In addition, FBN 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 took a large impairment charge at the end of December 2016 financial year which resulted in a reduced capital balance and by implication temporary regulatory capital threshold breaches. The immediate injection of \$60m tier II capital has helped to significantly rectify the capital breaches while the imminent completion of a £50m tier I capital transaction will fully remediate the capital situation.

In spite of the above, FBNBank UK has considerable financial resources as evidenced by its capital base 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 tenored 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.

Basis of preparation

The financial statements have been prepared on the historical cost basis, available-for-sale instruments, derivative financial instruments, other financial assets and liabilities and designated at fair value through profit or loss, all of which have been measured at fair value. 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 statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

b) 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 statement of comprehensive income statement.

Exchange profits/(loss) on foreign exchange transactions with customers are recognised during the year.

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 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.

Available-for-sale financial assets

Available-for-sale financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 statement of comprehensive income.

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 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 available-for-sale financial assets 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 the statement of comprehensive income. 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 in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

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.

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.

Derecognition of financial assets and financial liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or where the Bank has transferred its contractual right to receive the cash flows of the financial assets and either:

- i. Substantially all the risks and rewards of ownership have been transferred, or
- ii. Substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are de-recognised when they are extinguished i.e. when the obligation is discharged, cancelled or expires.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 includes derivatives 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.

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 property and equipment 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

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.

Impairment of non financial assets

At each balance sheet date, non financial assets 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 non financial assets may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the non financial asset recoverable amount. The

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

carrying amount of the non financial asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

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.

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 as part of administrative expenses as shown in the statement of comprehensive income.

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.

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 contributory 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.

Offsetting

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, FBNBank UK has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
<i>Annual Improvements</i>	Amendments to: IFRS2: Share-based Payments, IFRS 3 Business Combinations, IFRS 8
to IFRSs: 2010-2012	Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets.
to IFRSs: 2011-2013	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property.
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exemption
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of FBNBank UK in future periods, except as noted below:

- IFRS 9 will impact both the measurement and disclosures of financial instruments. The Bank proactively responds to changes in regulatory requirements including the need to adopt IFRS 9 in January 2018. It is expected, based on initial assessment that, implementation of IFRS 9 will result in higher impairment loss provisions on a forward-looking basis; and
- IFRS 15 may have an impact on revenue recognition and related disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

In addition, provisions are required for latent loan losses that have been incurred but have not been separately identified at the balance sheet date.

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) Interest and similar income

	31 Dec 2016 £	31 Dec 2015 £
Due from banks	20,523,745	24,973,931
Loans and advances to customers	66,304,038	65,344,932
Available-for-sale financial assets	4,071,758	4,895,424
Interest income	90,899,541	95,214,287
	31 Dec 2016 £	31 Dec 2015 £
Due to banks	2,486,636	1,730,679
Due to customers	27,820,026	24,538,506
Debt issued and other borrowed funds	-	1,383,461
Interest expense	30,306,662	27,652,646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(b) Investment revenue

	31 Dec 2016 £	31 Dec 2015 £
Gain/(loss) on sale of available-for-sale investments	-	(74,016)
	-	(74,016)

5 FEES AND COMMISSIONS INCOME IS DERIVED FROM

	31 Dec 2016 £	31 Dec 2015 £
Loans	507,117	1,654,231
Letters of credit	2,363,403	3,274,629
Funds transfer	380,953	504,327
Other	610,190	428,067
	3,861,663	5,861,254

6 ADMINISTRATIVE EXPENSES

	31 Dec 2016 £	31 Dec 2015 £
Average number of employees (including two (2015: four) executive directors)		
Banking division	76	78
Operations	65	58
Administration	16	19
	157	155

	31 Dec 2016 £	31 Dec 2015 £
Wages and salaries (including directors)	13,058,327	10,128,211
Social security costs	1,392,091	1,055,731
Other pension costs (note 31)	892,012	899,528
Total staff costs	15,342,430	12,083,470
Other administrative expenses	14,290,074	11,513,838
	29,632,504	23,597,308

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7 DIRECTORS' EMOLUMENTS

	31 Dec 2016 £	31 Dec 2015 £
Directors' fees	-	238,350
Other emoluments	2,155,507	2,091,406
Contribution to a money purchase pension scheme	131,352	79,980
	2,286,859	2,409,736

The highest paid director received emoluments, excluding pension contributions, totalling £619,858 (2015: £656,475) and pension contributions of £7,080 (2015: £26,517).

Four directors received pension benefits in the year to December 2016 (2015: five).

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 Dec 2016 £	31 Dec 2015 £
Operating profit is stated after charging:		
Depreciation - property and equipment	481,174	469,144
Amortisation	701,710	881,624
Auditor's remuneration:		
- audit of half-year accounts	-	55,000
- audit of interim year accounts	92,500	87,500
- audit of annual accounts	92,500	87,500
- financial and regulatory assurance	-	-
- tax advisory services	-	-
Rental of premises held under operating leases	1,630,023	908,007

9 TAXATION

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

(i) Analysis of tax charged on ordinary activities

	31 Dec 2016 £	31 Dec 2015 £
United Kingdom corporation tax based on the profit for the year	-	3,364,287
Prior period current tax adjustment	(4,633,251)	(60,319)
Total current tax	(4,633,251)	3,303,968
Deferred tax:		
Temporary differences, origination and reversal	(11,028,956)	27,139
Effect of tax rate change	(27,761)	-
Prior period deferred tax adjustments	(56,024)	(2,702)
Tax expense	(15,745,992)	3,328,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(ii) Reconciliation of the total tax charge

	31 Dec 2016 £	31 Dec 2015 £
Profit on ordinary activities before tax	(126,667,889)	16,288,694
Tax at 20% (31 December 2015: 20.27%) thereon	-	3,301,718
Effects of:		
- expenses not deductible for tax purposes	(11,028,956)	89,708
- effect of tax rate change	(27,761)	-
- prior year adjustment	(4,689,275)	(63,021)
Tax expense	(15,745,992)	3,328,405

10 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period. Deferred tax is calculated on temporary differences using the tax rate of 20% (2015: 20%). 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 in 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 2015	(137,510)	5,632	(131,878)
(Charge)/credit to income	(24,634)	(2,505)	(27,139)
Effect of tax rate change	-	-	-
Prior period adjustment	2,702	-	2,702
At 31 December 2015	(159,442)	3,127	(156,315)
Charge to income	(82,744)	11,198,070	11,115,326
Effect of tax rate change	27,853	(92)	27,761
Prior period adjustment	56,494	(470)	56,023
At 31 December 2016	(157,839)	11,200,634	11,042,795

11 CASH AND CASH EQUIVALENTS

	31 Dec 2016 £	31 Dec 2015 £
Cash	98,334	179,076
Short-term balances with other banks	38,126,364	51,609,528
	38,224,698	51,788,604

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12 LOANS AND ADVANCES TO BANKS

	Performing Loans as at 31 December 2016 £		Performing Loans as at 31 December 2015 £	
	Total £		Total £	
Repayable on demand or at short notice	307,873,077	307,873,077	43,378,076	43,378,076
Remaining maturity:				
- three months or less excluding on demand or at short notice	272,786,666	272,786,666	796,448,311	796,448,311
- one year or less but over three months	124,650,587	124,650,587	33,768,247	33,768,247
- five years or less but over one year	3,792,496	3,792,496	10,960,604	10,960,604
Less allowance for collective impairment	(232,234)	(232,234)	(546,730)	(546,730)
	708,870,592	708,870,592	884,008,508	884,008,508

Total loans advanced to First Bank of Nigeria Limited (parent bank) at 31 December 2016 were £139,304,743 (2015: £146,643,839).

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 (2015: £nil) and no collateral was held.

13 LOANS AND ADVANCES TO CUSTOMERS

	Performing Loans as at 31 December 2016 £			Impaired Loans as at 31 December 2015 £			Total £		
	2016 £	2016 £	Total £	2015 £	2015 £	Total £	2015 £	2015 £	Total £
Repayable on demand or at short notice	314,759,218	12,492,823	327,252,041	241,375,624	-	241,375,624			
Remaining maturity:									
- three months or less excluding on demand or at short notice	113,978,863	39,612,005	153,590,868	365,751,903	2,581,409	368,333,312			
- one year or less but over three months	36,961,934	52,684,752	89,646,686	45,640,854	1,832,003	47,472,857			
- five years or less but over one year	400,119,383	78,686,129	478,805,512	364,774,413	-	364,774,413			
- Over five years	118,242,115	51,271,620	169,513,736	166,236,499	-	166,236,499			
Less allowance for collective impairment (note 24)	(7,455,323)	-	(7,455,323)	(16,985,564)	-	(16,985,564)			
Less allowance for specific impairment (note 24)	(178,508,268)	(178,508,268)	-	-	(4,161,173)	(4,161,173)			
	976,606,190	56,239,061	1,032,845,252	1,166,793,729	252,239	1,167,045,968			

As at 31 December 2015, FBNBank UK had advanced £241,375,624 overdrafts (2014: £209,979,761) and £925,314,487 fixed-term loans (2014: £1,060,959,682) to customers. £103,619 was granted as staff loans (2014: £139,050).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14 INVESTMENT ROYALTY

	31 Dec 2016 £	31 Dec 2015 £
Investment - royalty	5,811,540	13,694,238
Less Impairment provision	(5,811,540)	(13,694,238)
Balance as at 31 December 2016	-	-

The decrease during the year was due to the amount written-off against provision.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec 2016 £	31 Dec 2015 £
Available-for-sale financial assets carried at fair value		
Financial instruments available-for-sale	704,397,895	139,765,539
Available-for-sale valuation	(1,558,121)	(1,577,996)
Less allowance for collective impairment (note 24)	(668,652)	(2,372,706)
Less allowance for specific impairment (note 24)	-	(21,297,969)
Balance as at 31 December	702,171,122	114,516,868
Maturity:		
- less than three months	520,688,582	-
- one year or less but over 3 months	59,967,969	34,530,349
- between one year and five years	121,514,571	79,986,519
- more than five years	-	-
Balance as at 31 December	702,171,122	114,516,868

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

16 PROPERTY AND EQUIPMENT

BANK	Computer hardware £	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2016	512,685	3,391,383	546,362	94,436	4,544,866
Additions	98,578	34,892	31,170	-	164,640
Disposal	-	-	-	-	-
At 31 December 2016	611,263	3,426,275	577,532	94,436	4,709,506
Accumulated depreciation					
At 1 January 2016	471,658	824,600	343,552	63,585	1,703,395
Charge for the year	46,126	347,189	71,299	16,560	481,174
Disposal	-	-	-	-	-
At 31 December 2016	517,784	1,171,789	414,851	80,145	2,184,569
Net book value					
At 31 December 2016	93,479	2,254,486	162,681	14,291	2,524,937
At 31 December 2015	41,027	2,566,783	202,810	30,851	2,841,471

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Computer hardware £	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2015	501,376	2,983,272	443,254	94,436	4,022,338
Additions	11,309	408,111	105,053	-	524,473
Disposal	-	-	(1,945)	-	(1,945)
At 31 December 2015	512,685	3,391,383	546,362	94,436	4,544,866
Accumulated depreciation					
At 1 January 2015	392,539	499,196	297,432	47,029	1,236,196
Charge for the year	79,119	325,404	48,065	16,556	469,144
Disposal	-	-	(1,945)	-	(1,945)
At 31 December 2015	471,658	824,600	343,552	63,585	1,703,395
Net book value					
At 31 December 2015	41,027	2,566,783	202,810	30,851	2,841,471
At 1 January 2015	108,837	2,484,076	145,822	47,407	2,786,142

17 INTANGIBLE FIXED ASSETS

	Computer software £
Cost	
At 1 January 2016	4,748,555
Additions	244,603
At 31 December 2016	4,993,158
Accumulated depreciation	
At 1 January 2016	3,080,107
Charge for the year	701,710
At 31 December 2016	3,781,817
Net book value	
At 31 December 2016	1,211,341
At 31 December 2015	1,668,448

	Computer software £
Cost	
At 1 January 2015	3,973,866
Additions	774,689
At 31 December 2015	4,748,555
Accumulated depreciation	
At 1 January 2015	2,198,483
Charge for the year	881,624
At 31 December 2015	3,080,107
Net book value	
At 31 December 2015	1,668,448
At 1 January 2015	1,775,383

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

18 OTHER ASSETS

	31 Dec 2016 £	31 Dec 2015 £
Accounts receivable	10,276,616	2,834,840
Prepayments	877,731	785,435
	11,154,347	3,620,275

19 DEPOSITS BY BANKS

	31 Dec 2016 £	31 Dec 2015 £
Repayable on demand	772,316,595	211,003,857
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less	103,969,658	218,876,875
- one year or less, but over three months	-	23,955,732
	876,286,253	453,836,464

Total deposits due to First Bank of Nigeria Limited at 31 December 2016 were £166,773,768 (2015: £159,547,297).

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

20 CUSTOMER ACCOUNTS

	31 Dec 2016 £	31 Dec 2015 £
Repayable on demand	157,260,698	164,741,406
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less but not repayable on demand	253,201,908	351,841,960
- one year or less, but over three months	299,560,700	435,483,406
- more than one year but less than five years	520,059,594	399,958,351
- more than five years	35,804,317	42,278,528
	1,265,887,217	1,394,303,651

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

21 OTHER LIABILITIES

	31 Dec 2016 £	31 Dec 2015 £
Taxation	-	1,275,185
Social security and other taxes	101,986	839,583
Cash collateral	119,067,751	43,259,733
Customers unclaimed balances	699,909	1,086,952
Others payable	15,617,461	22,266,131
	135,487,107	68,727,584

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

22 SUBORDINATED LIABILITIES

No subordinated loan was outstanding as at 31st December 2016 however, subsequent to the financial accounting close date the Bank obtained \$60m tier II capital in form of a subordinated loan from First Bank of Nigeria Limited. The loan has a tenor of ten years and is priced at three month LIBOR plus 8%.

23 SHARE CAPITAL

	31 Dec 2016		31 Dec 2015	
	No. of Shares	Amount £	No. of Shares	Amount £
Authorised				
Ordinary shares of £1 each	200,000,000	200,000,000	200,000,000	200,000,000
Issued, allotted and fully paid				
Ordinary shares of £1 each	182,000,000	182,000,000	182,000,000	182,000,000

Ordinary shares:

First bank of Nigeria Limited holds 182,000,000 (2015 - 182,000,000) or 100% (2015 - 100%) of the ordinary shares issued. No new shares (2015: nil) were authorised during the current year. Each share carries a voting right of one vote.

24 IMPAIRMENT

	31 Dec 2016 £	31 Dec 2015 £
Opening balance	59,058,380	18,221,504
Charge to income statement	161,490,949	39,784,057
Loan recovery	-	(489,183)
Exchange difference	8,456,514	1,542,002
Amount written off	(36,329,828)	-
Closing balance	192,676,015	59,058,380
Available-for-sale financial assets (note 15)	668,652	23,670,675
Investment-royalty (note 14)	5,811,540	13,694,238
Loans and advances to banks (note 12)	232,234	546,730
Loans and advances to customers (note 13)	185,963,589	21,146,737
	192,676,015	59,058,380

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 2016, none of the mortgage customers had entered into any such arrangement.

The total impairment amount includes £8,356,208 collective impairment provision made in respect of performing asset portfolio (2015: £19,905,000).

No amounts were recovered in 2016 (2015: £489,183) in relation to assets written off.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

25 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal issues

At 31 December 2016, there were no pending legal cases or issues in progress which may have a material impact on the financial statements of FBNBank UK (2015: nil).

(b) Operating lease commitments

At 31 December 2016, FBNBank UK was committed to making the following future payments in respect of operating leases for office premises. Subsisting lease agreements are expected to expire in February 2017 and June 2031 respectively.

	31 Dec 2016 £	31 Dec 2015 £
Within one year	1,518,973	882,722
Between one and five years	5,882,055	2,813,963
More than five years	13,210,807	7,007,039
	20,611,835	10,703,724

(c) Off-balance sheet liabilities

	31 Dec 2016 £	31 Dec 2015 £
Contingent Liabilities		
Letters of credit	91,931,658	61,175,816
Guarantees given to third parties	5,029,037	415,498
	96,960,695	61,591,314
Loan Commitments		
Undrawn irrevocable loan commitments	-	44,552,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 £	31 Dec 2015 £
Assets		
Amounts due from parent bank		
Loans	139,303,759	146,271,833
Cash at bank	984	372,006
	139,304,743	146,643,839
Liabilities		
Amounts due to parent bank	166,773,768	159,547,297
Amount due to fellow subsidiaries	17,952,802	17,163,479
	184,726,570	176,710,776
Letters of guarantee		
From parent bank	23,462,300	40,558,498
Income		
From parent bank	10,382,554	4,928,401
From fellow subsidiaries	66,754	122,419
	10,449,308	5,050,820
Expenses		
To parent bank	317,902	1,734,418
To fellow subsidiaries	3,795	24,510
	321,697	1,758,928

Mortgages were approved and advanced on a commercial arm's length basis to seven (2015: nine) directors of First Bank of Nigeria Limited during the year. As at 31 December 2016, a total mortgage amount of £4,103,469.08 (2015: £6,184,133) was outstanding in respect of these directors.

No loans were advanced to key management personnel of FBNBank UK as at during 31 December 2016 (2015: nil).

Deposit liabilities totalling £355,958.27 (2015: £449,478) were held by the FBN UK in respect of these directors.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 transacts derivative products (all forward foreign currency contracts). The purpose of the transactions is to manage the currency risks arising from the Bank's operations.

FBNBank UK invests in bond instruments. 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.

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 mainly in USD, GBP and Euro. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016	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
Assets							
Cash at bank and in hand	38,225	-	-	-	-	-	38,225
Loans and advances to banks	673,540	31,539	-	3,792	-	-	708,872
Loans and advances to customers	294,879	22,500	67,147	478,806	169,513	-	1,032,844
Available-for-sale financial assets	520,689	24,722	35,245	121,515	-	-	702,171
Property and equipment fixed assets	-	-	-	-	-	2,525	2,525
Intangible fixed assets	-	-	-	-	-	1,211	1,211
Other assets	-	-	-	-	-	11,154	11,154
Deferred tax assets	-	-	-	-	-	11,043	11,043
Financial assets - derivatives	30	-	-	-	-	-	30
Total assets	1,527,363	78,761	102,392	604,113	169,513	25,933	2,508,075

As at 31 December 2015	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
Assets							
Cash at bank and in hand	51,789	-	-	-	-	-	51,789
Loans and advances to banks	839,826	33,098	671	10,414	-	-	884,009
Loans and advances to customers	609,709	25,393	17,919	364,774	149,251	-	1,167,046
Available-for-sale financial assets	-	20,420	14,110	79,987	-	-	114,517
Property and equipment fixed assets	-	-	-	-	-	2,841	2,841
Intangible fixed assets	-	-	-	-	-	1,668	1,668
Other assets	-	-	-	-	-	3,620	3,620
Financial assets - derivatives	-	-	-	-	-	-	-
Total assets	1,501,324	78,911	32,700	455,175	149,251	8,129	2,225,490

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 £79,605,506 (2015: £68,293,876) against these assets.

	31 December 2016			31 December 2015		
	Gross Amount £'000	Collateral £'000	Amount £'000	Gross Amount £'000	Collateral £'000	Amount £'000
Within three months	10,140,564	7,715,723	2,424,841	83,301,466	66,897,467	16,403,999
Between three to six months	-	-	-	717,902	717,902	-
Over six months but less than one year	27,277,157	27,277,157	-	678,507	678,507	-
Over one year	56,704,532	44,612,625	12,091,907	-	-	-
	94,122,253	79,605,505	14,516,748	84,697,875	68,293,876	16,403,999

Analysis of impaired financial assets

The following table shows analysis of impaired financial assets.

	Amortised cost 31 December 2016 £'000	Impairment provision on 31 December 2016 £'000	Net book value 31 December 2016 £'000
Loans and advances to customers (note 13)	234,747,328	(178,508,268)	56,100,218
Investment - royalty (note 14)	5,811,540	(5,811,540)	-
Available-for-sale financial assets (note 15)	1	-	1
	240,558,869	(184,319,808)	56,100,219

	Amortised cost 31 December 2015 £'000	Impairment provision on 31 December 2015 £'000	Net book value 31 December 2015 £'000
Loans and advances to customers (note 13)	4,413,412	(4,161,173)	252,239
Investment - royalty (note 14)	13,694,238	(13,694,238)	-
Available-for-sale financial assets (note 15)	-	-	-
	18,107,650	(17,855,411)	252,239

Credit exposure by sector

	31 Dec 2016 £	31 Dec 2015 £
Banks	931,028	1,050,314
Corporates	924,377	1,067,179
Government	550,179	30,556
Individuals	76,528	69,312
	2,482,112	2,217,361

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FOR THE YEAR ENDED 31 DECEMBER 2016

Credit exposure by location

	31 Dec 2016 £	31 Dec 2015 £
Western Europe	575,246	726,106
Eastern Europe	-	-
Africa	860,071	1,083,909
Others	1,046,795	407,346
	2,482,112	2,217,361

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 44% (2015: 35%) 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 2016, FBNBank UK's maximum exposure to credit risk was £2,789million (2015: £2,356million), of which £240.56million (2015: £18.11million) 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 £92.36million (2015: £102million) against which the Bank held cash collateral of £91.97million, (2015: £68million). In addition, FBNBank UK had collateral of £364million (2015: £233million) 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 £80.97million (2015: £33.32million).

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 2016 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.

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	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
As at 31 December 2016					
Total financial assets	379,339	1,926,931	174,789	1,053	2,482,112
Less: fixed rate assets	-	(722,638)	(2,217)	-	(724,855)
Total variable rate assets	379,339	1,204,293	172,572	1,053	1,757,257
Total financial liabilities	1,072,074	979,849	89,876	374	2,142,173
Less: fixed rate liabilities	(933,576)	(187,171)	(64,529)	-	(1,185,276)
Total variable rate liabilities	138,498	792,678	25,347	374	956,897
Net cash flow interest rate risk exposures	240,841	411,615	147,225	679	800,360
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	2,408	6,174	1,472	7	10,061
Possible impact of decrease in Libor/Euribor on profit/loss	(2,408)	(6,174)	(1,472)	(7)	(10,061)
	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
As at 31 December 2015					
Total financial assets	475,351	1,397,826	343,567	616	2,217,360
Less: fixed rate assets	-	(238,465)	(2,560)	-	(241,025)
Total variable rate assets	475,351	1,159,361	341,007	616	1,976,335
Total financial liabilities	1,228,528	543,292	76,022	298	1,848,140
Less: fixed rate liabilities	(1,058,688)	-	(50,296)	-	(1,108,984)
Total variable rate liabilities	169,840	543,292	25,726	298	739,156
Net cash flow interest rate risk exposures	305,511	616,069	315,281	318	1,237,179
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	3,055	9,241	3,153	3	15,452
Possible impact of decrease in Libor/Euribor on profit/loss	(3,055)	(9,241)	(3,153)	(3)	(15,452)

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 of its assets and liabilities as far as practicable. It is also the policy of 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 2016 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 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 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.

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As at 31 December 2016	US Dollar £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	34,779	(153,446)	(223)
Impact of 5% increase in foreign currency:: GBP rate	(1,739)	7,672	11
Impact of 5% decrease in foreign currency:: GBP rate	1,739	(7,672)	(11)

As at 31 December 2015	US Dollar £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	25,787	2,199	176
Impact of 5% increase in FC: GBP rate	(1,289)	(110)	(9)
Impact of 5% decrease in FC: GBP rate	1,289	110	9

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 2016	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
Liabilities						
Deposits by banks	876,286	-	-	-	-	876,286
Customer accounts	410,463	171,341	128,219	520,060	35,804	1,265,887
Other financial liabilities	135,487	-	-	-	-	135,487
Deferred tax liabilities	-	-	-	-	-	-
Financial liabilities - derivatives	25,659	26,878	12,376	-	-	64,913
Off B/S items:						
- letters of credit	40,677	11,778	16,859	-	22,618	91,932
- undrawn loan commitments	-	-	-	-	-	-
- guarantees	139	406	4,287	197	-	5,029
Total liabilities	1,488,711	210,403	161,741	520,257	58,422	2,439,534

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FOR THE YEAR ENDED 31 DECEMBER 2016

As at 31 December 2015	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
Liabilities						
Deposits by banks	429,880	23,956	-	-	-	453,836
Customer accounts	516,583	90,087	345,397	399,958	42,279	1,394,304
Other financial liabilities	68,728	-	-	-	-	68,728
Deferred tax liabilities	-	-	-	-	156	156
Financial liabilities - derivatives	16,731	8,104	7,188	-	-	32,023
Off B/S items:						
- letters of credit	25,489	18,228	7,473	2,553	7,433	61,176
- undrawn Loan Commitments	44,552	-	-	-	-	44,552
- guarantees	128	-	-	288	-	416
Total Liabilities	1,102,091	140,375	360,058	402,799	49,868	2,055,191

28. CAPITAL MANAGEMENT

Capital includes equity attributable to the parent which consists of paid share capital, retained earnings and revaluation reserves as stated in the balance sheet. The primary objective of the Bank's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Bank may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The adequacy of the Bank's capital is monitored using among other measures, the rules and ratios established by the Prudential Regulation Authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 £	31 Dec 2015 £
Financial assets		
Cash at bank and in hand	38,225	51,789
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	30	-
Available-for-sale financial assets	702,171	114,517
Loans and receivables	1,741,716	2,051,055
	2,482,142	2,217,361
Financial liabilities		
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	64,913	32,023
Other financial liabilities (deposits and subordinated loans)	2,142,173	1,848,140
	2,207,086	1,880,163

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

	Carrying Value		Fair Value	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Financial assets				
Cash at bank and in hand	38,225	51,789	38,225	51,789
Loans and advances to banks	708,871	884,009	708,871	884,009
Loans and advances to customers	1,032,845	1,167,046	1,032,845	1,167,046
Available-for-sale financial assets	703,491	116,095	702,171	114,517
Financial asset - derivatives	47	-	30	-
	2,483,478	2,218,939	2,482,142	2,217,361
Financial liabilities				
Deposits by banks	876,286	453,836	876,286	453,836
Customer accounts	1,265,887	1,394,304	1,265,887	1,394,304
Financial liabilities - derivatives	67,091	30,686	64,913	32,023
	2,209,264	1,878,826	2,207,086	1,880,163

NOTES TO THE FINANCIAL STATEMENTS

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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 for 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 foreign exchange 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 foreign exchange 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.

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 and recorded at fair value, 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); and
- 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

30. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	31 Dec 2016 £	31 Dec 2015 £
Cash at bank and in hand	38,224,698	51,788,604
Loans and advances to banks - repayable on demand	394,155,269	149,817,443
Loans and advances to customers - repayable on demand	320,101,601	241,375,625
Cash and cash equivalents at 31 December	752,481,568	442,981,672

31. PENSION COSTS

FBNBank UK operates a defined contribution pension scheme for staff and contributions were made during the year totalling £892,012 (2015: £899,528). This amount forms part of total staff costs recorded under administrative expenses.

There were no outstanding or prepaid contributions at 31 December 2016 balance sheet date (2015: nil).

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 the 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

No interim dividend (2015: £7,000,000) was paid by FBNBank UK in respect of the year ended 31 December 2016. No final dividend was proposed, agreed and passed by the Board (2015: nil).

34. SUBSEQUENT EVENTS

Subsequent to the year end date of 31 December 2016, the Bank has further strengthened its capital resources by issuing a tier II capital of \$60m which was fully subscribed by the parent, First Bank of Nigeria Limited. Proceeds of the tier II capital were received on 21 March 2016 and now forms part of the capital base of the Bank.

In addition, the Bank is in the process of issuing £50m tier 1 equity capital. The transaction is at an advanced stage and should conclude by 30 June 2017.

FIVE YEAR FINANCIAL HIGHLIGHTS

Balance Sheet	Dec'16 £	Dec'15 £	Dec'14 £	Dec'13 £	Dec'12 £
Assets					
Cash at bank and in hand	38,224,698	51,788,604	28,325,418	93,269,164	75,029,212
Loans and advances to banks	708,870,592	884,008,508	848,509,459	545,551,714	838,951,804
Loans and advances to customers	1,032,845,252	1,167,045,968	1,271,078,493	1,134,069,198	924,807,196
Investment in subsidiary	-	-	-	-	1
Securities-held-to-maturity	-	-	-	-	-
Available-for-sale financial assets	181,482,540	114,516,868	108,838,906	298,850,515	200,707,554
Treasury bill	520,688,582	-	-	-	-
Property and equipment	2,524,937	2,841,471	2,786,142	1,677,923	563,652
Intangible assets	1,211,341	1,668,448	1,775,383	2,112,583	1,793,390
Other assets	11,154,347	3,620,275	2,033,977	2,739,195	3,125,880
Deferred tax asset	11,042,795	-	-	51,812	36,610
Financial assets - derivatives	29,823	-	4,986,610	9,812,485	2,480,799
	2,508,074,907	2,225,490,142	2,268,334,388	2,088,134,589	2,047,496,098
Financed by:					
Share Capital	182,000,000	182,000,000	132,000,000	132,000,000	132,000,000
Reserves	(16,498,610)	94,443,282	83,940,877	71,695,729	60,157,037
Deposits by banks	876,286,253	453,836,464	496,735,826	608,308,121	604,227,400
Customer accounts	1,265,887,217	1,394,303,651	1,423,238,940	1,152,290,948	1,092,832,446
Other liabilities	135,487,107	68,727,584	75,504,599	73,813,061	106,192,294
Financial liabilities - derivatives	64,912,940	32,022,846	6,765,224	15,459	2,064,435
Deferred tax liability	-	156,315	131,879	-	-
Subordinated liabilities	-	-	50,017,043	50,011,271	50,022,486
	2,508,074,907	2,225,490,142	2,268,334,388	2,088,134,589	2,047,496,098
Income Statement					
Gross earnings	94,762,226	106,833,522	99,266,249	92,201,502	76,089,220
Net operating income	64,455,564	79,180,876	71,294,961	63,117,461	46,836,005
Operating expenses	(29,632,504)	(23,597,308)	(27,261,669)	(23,825,384)	(20,268,696)
Provision for losses	(161,490,949)	(39,784,057)	(10,418,371)	(8,110,683)	(461,128)
Loan recovery	-	489,183	123,722	57,233	28,375
Profit before tax	(126,667,889)	16,288,694	33,738,643	31,238,627	26,134,556
Taxation	15,745,992	(3,328,405)	(7,439,570)	(7,289,963)	(6,470,395)
Profit after tax	(110,921,897)	12,960,289	26,299,073	23,948,664	19,664,161
Dividend	-	7,337,882	4,922,108	8,500,000	-

ABBREVIATIONS

ALCO	Asset and Liability Committee	GMD	Group Managing Director
AMCON	Asset Management Company of Nigeria	HNI	High Net Worth Individual
B	Board	HR	Human Resources
BARAC	Board Audit and Risk Assessment Committee	IASB	International Accounting Standards Board
BCC	Board Credit Committee	IBAM	Investment Banking and Asset Management
BEC	Board Establishment Committee	ICAAP	Internal Capital Adequacy Assessment Process
BGC	Board Governance Committee	ICAN	Institute of Chartered Accountants of Nigeria
BIC	Banque Internationale de Crédit SARL	ICB	International Commercial Bank
BRC	Board Remuneration Committee	IFRS	International Financial Reporting Standards
BSRC	Board Strategy Review Committee	ILAA	Individual Liquidity Adequacy Assessment
CAR	Capital Adequacy Ratio	ILG	Individual Liquidity Guidance
CBN	Central Bank of Nigeria	IMF	International Monetary Fund
CEO	Chief Executive Officer	LCR	Liquidity Capital Ratio
CRM	Credit Risk Management	LIBOR	London Interbank Offered Rate
CRO	Chief Risk Officer	MBAM	Merchant Banking and Asset Management
CRR	Capital Requirement Regulation	MLRO	Money Laundering Reporting Officer
DRC	Democratic Republic of Congo	₦	Naira
ECB	European Central Bank	NED	Non-Executive Director
ED	Executive Director	NPL	Non-Performing Loan
EMC	Executive Management Committee	NSE	Nigerian Stock Exchange
FBN BDC	FBN Bureau de Change Limited	ORM	Operational Risk Management
FBN MFB	FBN Microfinance Bank Limited	PAT	Profit After Tax
FBNBank UK	FBN Bank (UK) Ltd	PBT	Profit Before Tax
FCA	Financial Conduct Authority	PMS	Performance Management Scheme
FFL	First Funds Limited	PRA	Prudential Regulation Authority
FPCNL	First Pension Custodian Nigeria Limited	RRP	Recovery and Resolution Plan
FSA	Financial Services Authority	SBU	Strategic Business Unit
FTNL	First Trustees Nigeria Limited	STFC	Structured Trade and Commodity Finance
FVTPL	Fair Value Through Profit and Loss	TCF	Treating Customers Fairly
FX	Foreign Exchange	TSA	Treasury Single Account
GDP	Gross Domestic Product		

NOTES

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