

Connected.



Connected.

Growth through connected solutions

As a Group, we are exploiting synergies and optimising cross-selling between our subsidiary businesses to become more effective and increase value for our shareholders.

Being more 'connected' as a Group means we can create an improved service for all our customers. By listening to them and understanding their diverse needs, we can provide innovative products and solutions that better connect us to them.

It is this sort of forward thinking that has helped us evolve to become one of the leading financial services in Sub-Saharan Africa.

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The terms 'FBN Holdings', 'the Group', 'the Company', or 'HoldCo' mean FBN Holdings Plc together with its subsidiaries, which include FBN Bank (UK) Limited (FBN UK). FBN Holdings is a non-operating holding legal entity incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange (NSE) under the 'Other Financial Services' sector on 26 November 2012 and has issued and fully paid-up share capital of 32,632,084,345 ordinary shares of 50 kobo each (₦16,316,042,172.50). FBN Holdings is the parent company of all companies in the FirstBank Group. In this report the abbreviations '₦m' and '₦bn' represent millions and billions of naira respectively.

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

- The Commercial Banking business is composed of First Bank of Nigeria Ltd ((FBN) or (FirstBank) or 'the Bank' or 'the Banking Group'), FBN Bank (UK) Limited, Banque Internationale de Cr dit (BIC), First Pension Custodian Nigeria Limited (FPCNL) and FBN Mortgages Limited. First Bank of Nigeria Ltd is the lead entity of the Commercial Banking business group.
- The Investment Banking and Asset Management (IBAM) business group consists of FBN Capital Limited, First Trustees Nigeria Limited (FTNL), First Funds Limited (FFL) and FBN Securities Limited. FBN Capital Limited (FBN Capital) is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group houses FBN Insurance Limited and FBN Insurance Brokers Limited.
- The Other Financial Services business group includes FBN Microfinance Bank Limited (FBN MFB).

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This report encompasses FBN Bank (UK) Limited prepared under the International Financial Reporting Standards (IFRS). Unless otherwise stated, the income statement analysis compares the 12 months to December 2013 to the corresponding 12 months of 2012, and the balance sheet comparison relates to the corresponding position as at 31 December 2012. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document, but are not defined under applicable regulatory guidance or International Financial Reporting Standards, are explained in the glossary and/or abbreviation section of this report. This report is also available online at www.fbnbank.co.uk/about_us/FBN_Annual_Report_and_Accounts_2013.

There is an option to view a navigable PDF copy of the FBN Holdings Plc report and the First Bank of Nigeria Ltd report, as well as standard PDFs of other subsidiary reports at www.fbnholdings.com/annualreport/2013. A CD containing the annual report and accounts for FBN Holdings Plc and First Bank of Nigeria Ltd, as well as information on outstanding dividend claims and a list of all our business locations, is available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

DOWNLOAD THE FIRST BANK OF NIGERIA REPORT

The full Annual Report and Accounts 2013 of our parent company, First Bank of Nigeria Ltd, is available online at www.firstbanknigeria.com/annualreport/2013

For further information, you can view annual reports of FBN Holdings Plc and other subsidiary businesses at www.fbnholdings.com/annualreport/2013

INTRODUCTION

2013 marked the end of a three year strategy cycle, during which all set strategic objectives were delivered. A new strategic plan period with focus on business and profitability growth has been approved by the Board.

Strategy summary

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

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Business structure

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

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Board of Directors

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

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OVERVIEW

WHO WE ARE

FBN Bank (UK) Limited (FBN 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, FBN UK is positioned through its existing business structure to take full advantage of opportunities in the changing operating environment.

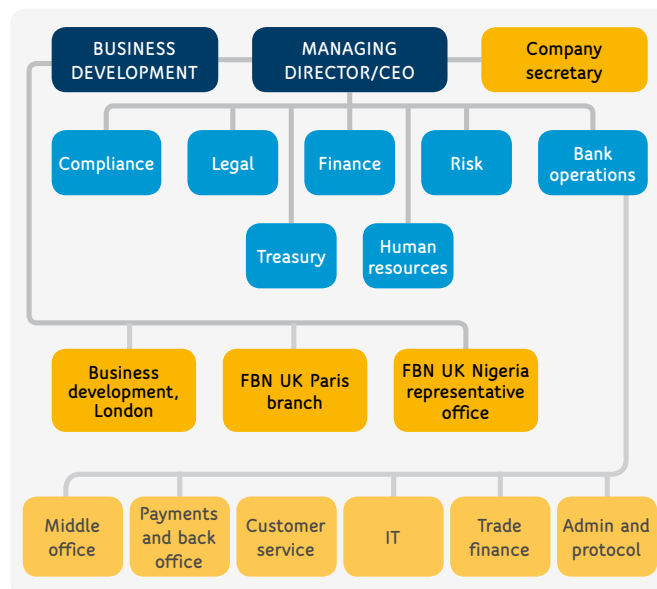
HOW WE ARE STRUCTURED

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

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

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

FBN Bank (UK) Limited (FBN UK) business structure



BUSINESS MODEL SUMMARY

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

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

STRATEGY SUMMARY

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

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

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

FBN Holdings Plc (HoldCo)

COMMERCIAL BANKING BUSINESS

FIRST BANK OF NIGERIA LTD

FBN BANK (UK) LTD

BANQUE INTERNATIONALE DE CRÉDIT

FIRST PENSION CUSTODIAN NIGERIA LTD

FBN MORTGAGES LTD

ICB GHANA

ICB GAMBIA

ICB GUINEA

ICB SIERRA LEONE

INVESTMENT BANKING AND ASSET MANAGEMENT

FBN CAPITAL LTD

FIRST TRUSTEES NIGERIA LTD

FBN CAPITAL ASSET MANAGEMENT LIMITED

FBN SECURITIES LTD

FIRST FUNDS LTD

INSURANCE

FBN INSURANCE LIMITED

FBN INSURANCE BROKERS LTD

OTHER FINANCIAL SERVICES

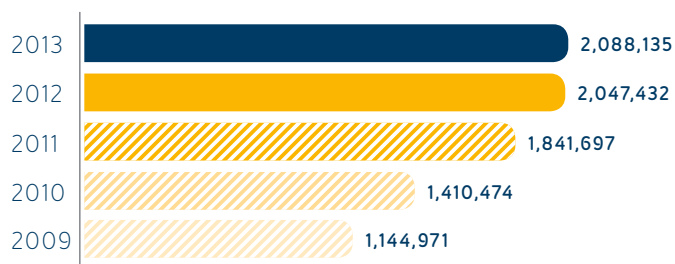
FBN MICROFINANCE BANK LTD

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

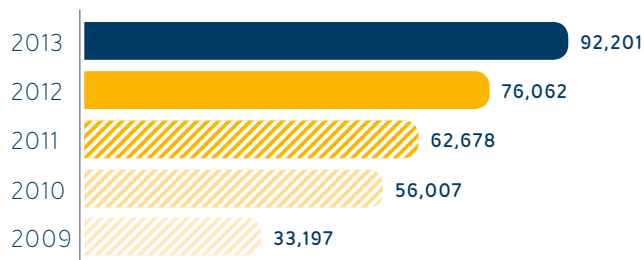
TOTAL ASSETS (£'000)

+1.99%



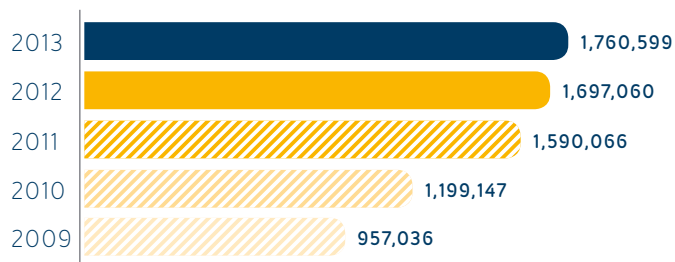
GROSS EARNINGS (£'000)

+21.22%



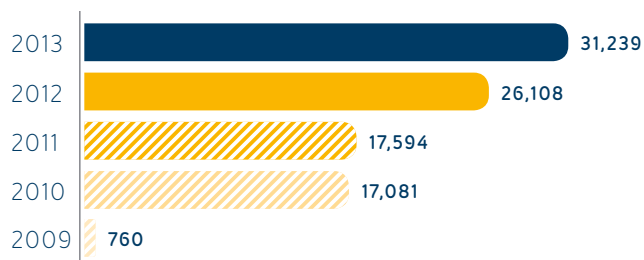
DEPOSITS LIABILITIES (£'000)

+3.74%



PROFIT BEFORE TAX (£'000)

+19.65%



NON-FINANCIAL HIGHLIGHTS

FBN UK is committed to treating customers fairly. The Treating Customers Fairly (TCF) Committee regularly reviews and monitors the application of TCF principles to all aspects of FBN UK's customer business, with the aim of ensuring the effectiveness of systems and controls designed to deliver fair treatment of customers. The Head of Compliance reports on TCF to the Board and undertakes an annual survey of customers on treating customers fairly. In 2013, 425 customers very kindly responded to the survey (2012: 428). FBN UK provides regular TCF training for employees, who must also pass a test to ascertain their understanding of this important business principle.

SERVICE DELIVERY AND OPERATIONAL EFFICIENCY

During the year, FBN UK has delivered products and services to its customers in the most cost-effective manner possible, while still ensuring the high quality of its products, services and support. We have been able to streamline the FBN UK's core processes and strategy in order to effectively respond to continued changing market conditions. As part of this initiative, FBN UK embarked on the upgrade of its core banking software, which will suitably enhance its internal process, its e-business offering and general customer experience.

SYSTEMS UPGRADE

FBN UK upgraded its internal banking software in 2013. This was a significant undertaking in light of incorporating the old with the new software, while making sure disruptions to its banking activities were kept to a minimum. The software upgrade has been hugely advantageous to FBN UK in the sense that it has sped up its internal processing system; it is more up-to-date and in line with other technological advances in the banking system. The system is also more tailored to FBN UK's current banking requirement and needs, with its functionality adaptable to its future requirements.

CUSTOMER SATISFACTION

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

CULTURAL AWARENESS

Culture plays a major part in the world we live in and in the jobs we do. At FBN UK, we operate in an increasingly diverse environment and as such management is always seeking to create a more culturally aware organisation. FBN UK seeks to encourage strong relationships amongst staff and with its customers. In order to achieve this, a series of cultural awareness workshops were organised in 2013. This initiative has helped strengthen the staff's commitment to one another and to customers.

STAFF EMPOWERMENT AND PERFORMANCE MANAGEMENT

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

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

CHAIRMAN'S STATEMENT



Oye Hassan-Odukale, MFR
Chairman

Distinguished ladies and gentlemen, I am pleased to report on what has been a good year for FBN Bank (UK) Limited.

The last year has seen FBN UK pick up where it left off the previous year, with continued growth in its portfolio and increase in profitability and shareholder return. This is on the back of an increasingly positive economic environment with better than expected gross domestic product (GDP) growth in the UK over the year. FBN UK continued to operate successfully in its existing operating environment, predominantly Africa, while seeking other opportunities for growth in light of the increasing competition from both our direct and indirect competitors.

The UK economy has shown real grounds for optimism with the services sector continuing to lead the recovery. The manufacturing sector has benefited from somewhat stronger trends recently in key European export markets. The construction sector has also witnessed gradual growth and is expected to strengthen further in 2014. UK GDP growth for 2013 was 0.8%, and is projected to be around 2.4% in 2014.

Over the last year, the UK government implemented a Help to buy Scheme to support new first-time buyers and boost the construction sector. In March 2013, it introduced significant assistance to help kick-start the mortgage market. This has widely been seen as a success, and even resulted in the withdrawal of supplementary funding to lenders by The Bank of England in November.

FBN 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.

However, despite positive progress, business continues to be impacted by macro-economic factors, and even though the positivity surrounding UK economic growth, the global economic climate still remains challenging. The International Monetary Fund (IMF) revised down its forecasts for growth in both 2013 and 2014, warning that performance could be even more lacklustre with the need for the Federal Reserve Bank to take special care as it contemplates reducing its colossal stimulus to the world's biggest economy.

Forecasts now show the US growing by 1.6% in 2013 and 2.6% in 2014, down 0.1 and 0.2 points on its midyear estimates. The US also continues to deliberate on plans for an exit from ultra-low interest rates and quantitative easing (QE) – the bond-buying strategy that has sought to pump credit into the US economy. However, restraint is being shown due to the perceived negative effect it might have on world markets.

China, the world's second largest economy, saw a huge slowdown in growth in 2013 with a reduction in demand from US and Europe severely impacting its export driven economy. The Chinese government has sought to address this by reducing its dependence on investment and exports in favour of domestic consumption, but such rebalancing has been proceeding gradually.

Emerging market economies had seen a decline in growth over the last year, predominantly due to slower growth and tighter financial conditions triggered by US monetary policy. Emerging market and developing economy growth rates are now down some three percentage points from 2010 levels, with Brazil, China and India accounting for two thirds of the decline.

The eurozone has continued to rebound from the downturn, with most countries previously in recession now emerged. Despite this, the European Central Bank (ECB) remains cautious with further regulatory measures still being implemented to further enhance the existing recovery plan and restrict countries from returning to previous regimes blamed for causing the financial crisis in the first place.

The Nigerian economy has continued to perform strongly in 2013, with its Real GDP growing by 6.8 percent in the third quarter of 2013, supported by robust performances in agriculture, services, and trade. Oil theft/production losses have adversely impacted export receipts and government revenues, leading to a significant drawdown from the Excess Crude Account. Inflation declined to 7.8 percent (end-September 2013) from 12 percent at end 2012, in part owing to lower food prices and monetary policy implemented by the Central Bank of Nigeria (CBN). The exchange rate has been stable, and the banking sector is well capitalised with low levels of non-performing loans.

Despite the positive outlook, risks still need to be managed. Growth is projected to increase to about 7% in 2014, while inflation should remain subdued in the single digits. Nigeria could be affected by a decline in oil prices, the pace of recovery in global economic and financial conditions, capital outflows, continued losses in oil production and increased security concerns.

It is presumed the economy can manage such shocks given a relatively flexible exchange rate regime, improved financial crisis management capacity, and a stable banking system. But fiscal buffers are low and a sustained high rate of growth is needed to reduce unemployment, and poverty.

OPERATING ENVIRONMENT

The regulatory environment in the UK has changed significantly, with the introduction of new bodies replacing the Financial Services Authority, as set out in the CEO's review. This was aimed at protecting consumers while ensuring the industry remains stable and promotes healthy competition between financial services providers.

FBN UK implemented Basel III when it officially came into force in January 2014. We believe the adoption of the new Basel III principles will strengthen the financial stability of the Bank.

The UK government also introduced a new scheme called Workplace pensions involving auto enrolment. Currently, only larger employers have been involved, but from 2014 onwards smaller employers will engage in the same process. FBN UK is already fully prepared for the scheme.

The Nigerian Banking industry continues to grow and strengthen, with the CBN introducing a 75% cash reserve requirement (CRR) on all public sector deposits in the Bank's possession. The new adjustment to CRR does not however, apply to private sector deposits whose CRR was retained at 12%. CBN advised the decision was taken due to the discovery of over ₦1.3 trillion which belonged to government agencies sitting in banks. The withdrawal of such funds is expected to have a significant impact on the interbank market and its lending rates.

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

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

GOVERNANCE

I must first of all say what an honour it is to be installed as Chairman of FBN Bank (UK) Limited. It gives me great pride to lead Nigeria's premier bank in the UK and am confident of the support of the entire Board for the duration of my tenure.

The Board would also like to welcome Mr Urum Eke as the Chairman of the Board Credit Committee.

The Board would also like to welcome Mr. Michael Barrett and Mr. Sam Aiyere as two new Executive Directors appointed post balance sheet date.

The Board has approved a new three year strategic business plan for the Bank for 2014 onwards. The previous plan, which was substantially exceeded, ended in 2013.

CORPORATE SOCIAL RESPONSIBILITY

FBN UK, through its parent (First Bank of Nigeria Ltd), continues to undertake its Corporate Social Responsibility; this was done by offering support or sponsorship to communities, events, charities and various other worthy causes. FBN UK donated £5,270 in 2013 to a number of organisations.

We take this responsibility very seriously and will endeavour to continue supporting justifiable causes.

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

OUTLOOK

Our outlook for 2014 is for positive growth, even as we continue to face the economic and regulatory challenges within our operating environments. With the implementation of Basel III and the requisite capital and liquidity buffers in place, FBN UK is prepared to defend its market position and grow the business further.

APPRECIATION

The Managing Director/Chief Executive Officer, Peter Hinson, will be retiring at the end of March 2014. I wish to congratulate him and wish him well in retirement. Accordingly, the Board has appointed Michael Barrett as the new Managing Director and Chief Executive Officer, subject to regulatory approval and I would like to wish him every success.

Finally, I would like to take this opportunity to congratulate FBN UK and its staff for another year of successful growth and profitability, while continuing to deliver good returns to its shareholders. I know an enormous amount of hard work and dedication goes into achieving these results in the midst of such a challenging economic climate. The continued success of FBN UK reflects positively on the Group, with the efforts of both staff and management duly appreciated by all.



Oye Hassan-Odukale, MFR
Chairman

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

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



Peter Hinson

Managing Director/Chief Executive Officer

B BCC BSRC BEC



Michael Bamber

Executive Director/Chief Operating Officer

B BSRC



Rosemary David-Etim

Executive Director, Business Development

B BCC BSRC



Oye Hassan-Odukale, MFR

Chairman/Non-Executive Director

B BGC



Bisi Onasanya

Non-Executive Director

B BEC BGC



Peter Grafham

Non-Executive Director

B BARAC BSRC BEC

Membership key:

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

**Urum Eke**

Non-Executive Director

B BCC BARAC BSRC

**Ibrahim Waziri**

Non-Executive Director

B BCC BSRC BEC

**Anthony Williams**

Non-Executive Director

B BCC BARAC BSRC BEC BGC

EXECUTIVE MANAGEMENT COMMITTEE

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

**Peter Hinson**Managing Director/
Chief Executive Officer
(Chairman)**Michael Bamber**Executive Director/
Chief Operating Officer**Rosemary David-Etim**Executive Director, Business
Development**Samuel Aiyere**

Chief Financial Officer

**Michael Barrett**

Chief Risk Officer

**Michael Connell**

Head of Compliance & MLRO*

* Money Laundering Reporting Officer

SENIOR MANAGEMENT STAFF

**Frederic Le Bourgeois**

General Manager, FBN Bank
(UK) Ltd, Paris

**Kamoru Oladimeji**

Head of FBN UK, Nigeria
Representative Office

**Trevor Fall**

Head of Customer Services

**Chris Edwards**

Head of Treasury

**Nicolas Pitiot**

Director, Head of Project and
Structured Finance

**Adetunji Fadahunsi**

Director, Corporate Banking

**Simon Singer**

Head of Trade Finance

**Martin Barney**

Director, Property Finance

**John Vowell**

Director, Structured Trade
Commodity Finance

**David Oberheim**

Director, Financial Institutions

STRATEGIC REVIEW REPORT

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

Strategy and performance

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

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Business model

How FBN UK generates and preserves value over the long term

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Key risks and mitigants

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

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MANAGING DIRECTOR/CEO'S REVIEW



Peter Hinson
Managing Director/
Chief Executive Officer

Following a challenging 2012, it was pleasing to see a tentative recovery in the financial sector in 2013. The UK economy grew by 0.8% in the third quarter of 2013 as the eurozone moved towards a more stringent and safer financial sector. The global financial system is still undergoing a series of transitions along the path towards better financial stability as stringent regulatory requirements are put in place.

Reforms were implemented at the national level and important steps were taken toward improving the architecture of the European Monetary Union, helping to reduce funding pressures on banks and sovereigns. However, in the stressed economies of Greece, Italy, Portugal and Spain, heavy corporate sector debt levels and financial fragmentation remain challenging as they continue to experience deep financial uncertainties.

In its bid to ensure a stronger Europe, the European Central Bank (ECB) has made commitments to reduce sovereign liquidity risk, and together with the ongoing advance towards banking union, have greatly reduced redenomination risk. Despite moderate improvements in some eurozone countries, the political and economic environment remains challenging as unemployment rates remain high and debt projections continue to be revised upwards.

0.8%

The UK economy grew by 0.8% in the third quarter of 2013

In the US, the world's largest economy, the Federal Reserve has indicated that if the economic recovery continues as expected, it would be appropriate to begin scaling back its asset purchase programme as a first step toward phasing out monetary stimulus. It is also anticipated that the Federal Reserve will start to taper the pace of its quantitative easing (QE) as market interest rates rose during May and June.

Emerging market economies have so far adeptly navigated through global shocks, but need to guard against potential further shockwaves. While the Nigerian economy has continued to perform adequately with growth mainly driven by the non-oil sector, gross domestic product (GDP) growth was encouraging at 6.8% compared to negative growth being experienced by many developed countries.

REGULATIONS

The global banking system continued to undergo significant change in response to the global financial crisis, as more stringent banking rules were put in place to improve financial stability. There will be stringent and costly regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, the conduct of business, the structure of operations and the integrity of financial services delivery.

In the UK, the financial services regulatory structure went through substantial reform as the Financial Services Authority (FSA) was replaced by new regulatory bodies - the Financial Policy Committee (FPC) of the Bank of England, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). FBN UK is authorised by the PRA and regulated by the FCA and the PRA and continues to work closely with both to ensure we meet the high standard required.

To mitigate future risks of similar financial and reputational losses, the Group has implemented additional controls and training, and has reviewed its product offering. Furthermore, the Group is continuing to work closely with regulators and other stakeholders to implement consistent standards in the Group's dealings with its customers.

In June 2013, the European Commission published the final Regulation and Directive, known collectively as CRR/CRD IV, which underpinned the implementation of Basel III on 1 January 2014. This regulation plays a significant role in determining how FBN UK and other financial institutions globally undertake their business going forward. Basel III includes the requirement for FBN UK to meet an increased level of minimum capital in relation to risk-weighted assets. In turn this means an increase in capital for FBN UK to support both its existing business and future balance sheet growth.

FBN UK continues to benefit from good levels of liquidity driven by its diversified deposit base that taps both retail and wholesale markets. In addition, it has continuing strong support from our parent bank, emphasising the belief our parent has in our business model. We also continue to carry out comprehensive reviews of our capital and liquidity positions through the ICAAP* and ILAA** processes respectively.

There is additional regulatory concern over Europe's focus on the proposed transfer of prudential supervisory powers to the ECB, as well as the debate over structural reforms of the European banking sector based on the recommendations of the Liikanen report. Furthermore, numerous technical guidance and implementation standards by the European Banking Authority (EBA) are pending and lending further uncertainty on the precise regulatory requirements.

The increasing cost of regulation is a major concern for us and the whole financial sector. However, there is no alternative to adherence and we have therefore increased our resources in our regulatory reporting and compliance areas to ensure our reputation remains intact.

THE BUSINESS

This financial year saw FBN UK continue with its strategy of driving growth in its existing markets. This was alongside providing a world-class international banking service to African-related businesses and individuals and in doing so, becoming the first-choice UK and European bank for Africa. We will grow the business in areas that we know and understand, and follow our customers' trade flows.

*ICAAP - Internal Capital Adequacy Assessment Process

**ILAA - Individual Liquidity Adequacy Assessment

Africa is experiencing an era of change, one that has seen it develop into a viable and exciting prospect for trade and investment. Foreign investors and financial institutions, which were previously reluctant to invest in Africa, now see it as attractive and are heavily investing in various sectors. Couple this with improved political and economic stability, compared to the volatile 80s and 90s, and it's clear that Africa is poised for a period of significant prosperity. This is supported by forecasts from the IMF, which predicts Africa will be a leader in economic growth over the next five years. Nevertheless, challenges still lie ahead but progress made over the next few years will determine if countries within Africa can emerge and compete in trade terms on a global scale with other emerging BRIC nations.

21.22%

Compared to 2012, FBN UK grew earnings by 21.22% to £92.20 million

FBN UK has maintained a competitive advantage over its UK competitors due to the fact that it has vast experience of local knowledge in its strategic target market in Nigeria and across Africa. This has seen its Structured Trade Commodity Finance (STCF) business continue to thrive and maintain a consistent level of business activity over the year. In order to capitalise on its expertise and growing opportunities within the STCF business, we have increased our coverage of the Middle East, specifically in Abu Dhabi, as we continue to follow our customers' trade flow.

In addition, the parent company's acquisition of ICB Ghana, ICB Sierra Leone, ICB Guinea, ICB Gambia and ICB Senegal from International Commercial Bank Financial Group Holdings AG, provides new growth opportunities as we establish footprints in these countries and work closely with them to effectively serve an increasing international profile of corporate and institutional customers.

FBN UK's main activity is commercial banking, which is carried out through various Strategic Business Units, some of which are:

CORRESPONDENT BANKING

FBN UK continues to offer a diversified range of correspondent banking facilities, covering all major currencies. The soft market in correspondent banking has also aided FBN UK as we continue to provide trade links for banks in Africa engaged in business with Europe and the rest of the world. Our award-winning trade finance service continued to deliver a professional and efficient service in order to meet and exceed our corporate customer needs, while ensuring a standard that surpassed previous years.

CORPORATE BANKING

The focus presently and going forward continues to be offering corporate and business banking services with a strong emphasis on trade products to Sub-Saharan African clients – predominantly Nigerian and the beneficiaries of these customers' Letters of Credit. A business development manager from the unit was transferred to Lagos, Nigeria for closer proximity to our client market and to improve efficiency in service delivery. The unit has grown respectably over the year and continues to build a strong pipeline with the parent bank.

STRUCTURED TRADE COMMODITY FINANCE

The business line continues to perform well in an extremely difficult and increasingly competitive market. The team has been able to retain their customers through competitive facility pricing and top-quality service delivery. Relationships with the First Bank Group and other African-focused banks were also strengthened in the course of the year as the unit maintained a diversified asset portfolio across various jurisdictions. The outlook for the coming year remains positive, with the team using its new footprints in Abu Dhabi to attract more clients based in the Middle East while maximising the business opportunities with their existing customers.

PROJECT AND STRUCTURED FINANCE

Over the last year, the business unit has continued to grow in a highly competitive and often difficult market. The shipping finance activity provided a new stream of business as the unit continued to take advantage of opportunities from synergies with the First Bank Group. The business line continued to develop a diversified project finance portfolio and to offer its clients bespoke finance catering for the demands of their businesses.

PRIVATE BANKING

The business continues to generate income through advisory investment management. London remains a hub for high-net-worth individuals (HNIs) and competition is strong from both new and established firms all fighting to offer a bespoke service to their clients. The unit aims to meet the needs of its clients by providing excellent customer service and leveraging the First Bank footprint. Strategically, the business will continue to focus on synergy with our parent to create awareness and establish itself within the Nigerian market, while also maintaining a holistic approach towards its customer wealth management.

PROPERTY FINANCE

The demand for London properties remains strong as the business continues to provide a platform for its customers to own or invest in properties within the M25 area. Focus continues to be on increasing awareness in the face of increasing competition, while also using the representative office in Nigeria and brokers in the UK, being predominantly FBN UK's introducers of new business transactions.

FIRSTSAVE

The FirstSave brand continues to grow in strength with both internet and postal access. It provides a viable source of term funding for FBN UK and equally offers an attractive return for its customers.

FINANCIAL PERFORMANCE

FBN UK delivered a strong and healthy profitable performance in 2013, despite the continued difficult trading environment in the year. Our capital position was strengthened through high retention of profit, while funding and liquidity positions remained healthy throughout 2013. Compared to 2012, FBN UK grew earnings by 21.22% to £92.20 million. Net interest income grew 45.96% to £51.96 million, however, fee income declined by 15.06% to £6.77 million.

Over the 12 months, the balance sheet grew by 1.99% to £2.09 billion, mainly derived from increased lending activities, ably supported by increased customer deposits. This growth in deposits was strategically driven through the mix of retail and wholesale liabilities to achieve an optimal funding mix and interest cost reduction. Further emphasis will be placed on achieving an appropriate funding mix, with the implementation of Basel III in January of this year.

We also continued to maintain a healthy capital adequacy ratio of 18.24%, with a tier 1 capital ratio of 14.30%.

The above results indicate that FBN UK was well ahead of its three-year business plan in terms of profitability. While the actual balance sheet level achieved in 2013 was 11.12% lower than full business plan projection, the profit level attained before any impairment exceeded business plan figures by 29.16%. This achievement is remarkable and commendable.

OUR CUSTOMERS

Like any business, our customers are paramount to our success and our performance is a testament to the great working relationship we have developed with our customers over the years. We recognise this role and we will continue to strive to offer our customers an excellent service at all times in order to meet their needs at a cost-effective rate.

CORPORATE GOVERNANCE

The Board of Directors currently comprises nine members: six non-executives and three executive members with a wide range of experience.

THE FUTURE

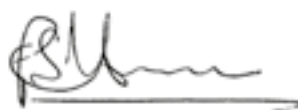
FBN UK is well placed strategically in an environment where there are vast business opportunities. The challenge going forward is to retain our existing customers, while trying to attract new customers in the face of increasing competition. Being a UK entity means we cannot ignore the current economic climate both at home and abroad. However, we believe that despite these issues, if we maintain our level of service and performance while not taking undue risk, FBN UK will continue to prosper.

CONCLUSION

While the economic climate is likely to remain challenging, we are well positioned to succeed. Our strength is built on our loyal and excellent staff and our priority remains to work closely with customers to ensure we are meeting their demands.

On this note, I would also like to thank the staff over the years, past and present, for their dedication, commitment and hard work in driving the business forward. Each and every one of them has played a significant part in positioning the business where it is today.

Finally, I would like to thank the customers, because our success is a reflection of the fantastic customer base that we have, and we will endeavour to continue delivering excellent service worthy of our customers.



Peter Hinson
Managing Director/
Chief Executive Officer

OPERATING ENVIRONMENT

GLOBAL ECONOMY

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

The recent harsh economic situation, which saw world trade output flattened in 2012, extended into the first quarter of 2013, because the economic slowdown in Europe suppressed global import demand. Dwindling output and high unemployment in developed countries reduced imports with a knock-on effect, resulting in a lower speed of export growth both in developed and developing economies. There was positive economic movement in the US in the first quarter of the year, but this was quickly eroded by the protracted weakness in the European Union (EU).

The minor eurozone economies continued to struggle and the core euro economies definitely felt the impact. However, on the upside the EU is beginning to see a gradual resolve of its debt crises, fiscal stability in minor EU member nations and ease in fiscal austerity measures.

The US also remained a concern as growth and unemployment continued to be a serious issue. The uncertainties concerning the fiscal policy outlook are not expected to ease until after the first quarter of 2014, when a final decision on the national debt ceiling is expected to be finalised.

2.1%

Inflation rate reduced from 2.7% at the close of December 2012 to 2.1%

In the long-term, when we go past the current crisis, the economic activity is not expected to rise at an appreciable rate any time soon. The reduced spending limits (expected to cut down on the budget deficit) will limit federal spending and continue to be a drag on overall economic activity. In addition, while the private sector shows some resilience and the housing market remains on a recovery path, employers are likely to keep a tight grip on business investment and hiring because of global investors' uncertainty.

However, the impulse for global growth is expected to come from the US if economic activity moves at a higher gear due to higher taxes, lower spending eases and the US Federal Reserve slowly withdraws its stimulus.

THE UK ECONOMY

The UK economy witnessed a sluggish growth for the most part of the first and second quarter, according to data released by government agencies. On the positive, the UK government borrowing level and unemployment rate remained above targets and the inflation rate reduced from 2.7% at the close of December 2012 to 2.1% as at December 2013.

This was greatly influenced by falling oil prices and broader-based weaknesses in price pressures. The reduction in inflation may be eroded, resulting in a further upward inflationary push when the talk to increase energy prices is implemented by the energy companies. The economy towards the end of the year witnessed a surprise increase in positive economic activities, especially in the construction industry. There are now real grounds for optimism that the economy is finally on the road to recovery.

The services sector continues to lead the recovery with retail sales picking up and hotels and restaurants generally seeming busier. The construction sector has picked up from a low base in the past six months and this is expected to strengthen further in 2014, but there should not be room for complacency as there are still plenty of economic risks out there to be monitored and managed.

BANKING REGULATIONS

The regulatory environment, particularly in the UK, remained very challenging. This was not helped in the least by a general negative public perception of the banking industry, made even worse by the London Interbank Offered Rate (LIBOR) fixing scandal of 2012, which has refused to go away. Global regulators continued to put in place stringent rules in an effort to ensure banks are better prepared for any future financial crisis. Some of the rules are quite restrictive and costly, but are to become effective in the medium-term. However, the UK regulator has compelled UK-based banks towards early compliance. It is strongly evidenced that the application of liquidity rules has frustrated the supply of credit to the economy. It is hoped that current pronouncement and policies of the new Bank of England leadership will restore some confidence into the industry in the coming year 2014 and beyond.

OUTLOOK

FBN UK will continue to be pro-active in responding to the ongoing economic recovery and more stringent regulatory requirements through its conservative approach to business.

STRATEGY AND PERFORMANCE

STRATEGIC OVERVIEW

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

WHAT DIFFERENTIATES US

Our competitive differentiators are:

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

OUR BUSINESS MODEL

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

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

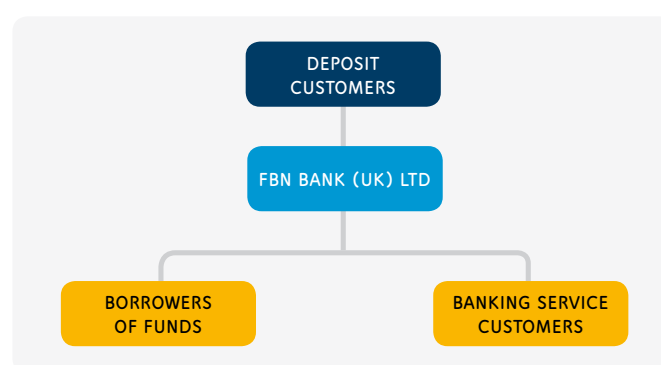
The principal activities are the provision of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance, and Structured Trade Commodity Finance to our clients.

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

FBN UK's core target markets are:

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

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



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

FBN UK accumulates funds from customer deposits, equity and debt capital, and these are lent to corporate businesses and individuals through different bank business channels, e.g., property finance, project finance, structure commodity finance, corporate finance and traditional trade finance. Both interest and fee incomes accrue to FBN UK from the various lending activities.

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

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

FBN UK recognises that its key assets are its people – staff, management and the Board. The front-facing staff provide excellent service and are supported by a highly experienced operational team. FBN UK's investment in the training and development of staff culminated in the regional recognition of our employees as the winners of the 2013 Global Trade Review award, as voted by the Global Trade Review's global and African editorial boards. This is the fifth consecutive year that FBN UK has won this award, bearing a testament to the high-quality of our service delivery.

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

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

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

STRATEGY AND OBJECTIVES

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

STRATEGIC PROGRESS:

FBN UK implemented a three year business plan to December 2013, which sets out key financial objectives. Some of the objectives to be recorded in the last year of the plan period were:

- balance sheet footing of over £2 billion;
- profit before tax of £30 million;
- a strong capital adequacy position; and
- a more diversified funding base.

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

PRINCIPAL RISK SUMMARY

KEY RISKS AND MITIGANTS

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

THE KEY RISKS FACING OUR BUSINESS

CREDIT RISK

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

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

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

MARKET RISK

Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments caused by the movements in market variables such as bond, equity or commodity prices, interest and exchange rates. Market risk exists for FBN UK where it holds securities that are affected by market fluctuations. FBN UK's investment bonds are held to maturity and therefore bond prices are of less concern. FBN UK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

LIQUIDITY RISK

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

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

LEGAL RISK

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

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

OPERATIONAL RISK

Operational risk is defined as 'the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events'. This is an area that often does not receive enough emphasis within organisations. However, a defined operational risk management framework effectively applied within an organisation, coupled with a high awareness of the underlying causes of operational risk at all levels within the organisation, results in a controlled environment that is able to evolve with changing business needs, thereby ensuring operational losses within the business are kept to a minimum. FBN UK has placed particular emphasis on improving in this area in recent years, and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

REGULATORY RISK

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators. Regulatory risk governance must begin at the Board level and cascade throughout the organisation. FBN UK ensures there is governance through its compliance and audit functions that ensures there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. This ensures regulatory risk is minimised and also ensures that the objectives of FBN UK are taken into consideration and not hindered.

IT/SYSTEMS RISK

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

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

DIVISIONAL OPERATING REVIEW

INTRODUCTION

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

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

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

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

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

OVERVIEW

From inception 11 years ago, FBN UK has maintained steady business growth. This has been greatly influenced by business diversification, injection of additional capital, expansion of funding base, continued excellent service delivery and the attraction and retention of quality human capital resources.

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

PRIVATE BANKING

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

Despite sluggish economic conditions in 2013, our Private Banking business continued to show great potential and made great strides. While the lacklustre global equity market coupled with a low interest regime affected investors' appetite for further investment, our Private Banking business still had a total assets under management (AUM) of USD17.2 million, a reduction of 9.23% compared to the 2012 amount of USD18.9 million. However, our AUM client base remained fairly stable in 2013. Property investment continued on its upward trend, comparable with previous years in line with strong recovery in the UK housing market. Gross income generated by private banking and wealth management in 2013 increased by 29% in comparison to 2012. The increase was on the back of a good performance from its property portfolio. The portfolio income performance represented 11.7% (2012: 11.0%) of FBN UK's total income.

CORPORATE BANKING

This arm of FBN UK's business encompasses corporate finance, project and structured finance, and structured trade and commodity finance. It provides financial solutions, particularly funding to both large and medium-sized firms. The financial solutions could be in the form of trade commodity loans, reserve-based funding, working capital and infrastructure finance.

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

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

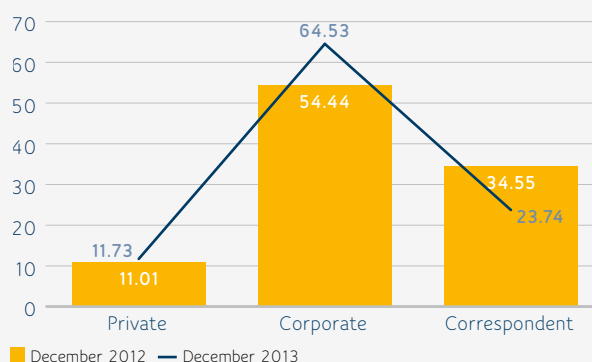
FBN UK's corporate portfolio continues to expand, with substantial inroads made, especially with the Structured Trade Commodity and Project Finance businesses. Consequently, income generated from these businesses also increased in the year.

Income generated from the Corporate Banking business increased by 44% in 2013, compared to 2012. The total portfolio income represented 64.5% (2012: 54.4%) of FBN UK's total income.

CORRESPONDENT BANKING

This business segment covers transactions with financial institutions – trade finance, letters of credit confirmations, foreign exchange transactions, payments and cash management, clearing, general lending, etc. FBN UK acts as a correspondent bank for a number of African banks and helps to facilitate trade flows between the various African countries and the rest of the world. FBN UK earns interest and fee incomes from balance sheet lending to bank customers while commissions are generated from trade finance business activities, remittances and foreign exchange transactions. The business continued to perform well, though its percentage share of income contribution reduced in 2013 to 23.8% (2012: 34.6%) due to the significant expansion in our Corporate Banking SBU. Correspondent Banking will continue to be an important SBU of FBN UK.

Percentage income contribution of Strategic Business Units



FINANCIAL REVIEW



Samuel Aiyere
Chief Financial Officer

FBN UK delivered a remarkable profit performance with marginal growth in balance sheet footing in 2013, despite a continued difficult trading environment in the year. Our capital position was strengthened through increased retention of profit, while funding and liquidity positions remained healthy throughout 2013.

INCOME STATEMENT ANALYSIS

Gross earnings increased by 21.22% to £92.20 million. The increase in gross earnings compared to the prior year resulted from the expansion of customer lending activities. Portfolio of earning assets increased by 1.47% for the year to £2.07 billion (2012: £2.04 billion) driven by an increased lending and profitable assets mix.

Net interest income grew by 45.96% to £51.96 million (2012: £35.60 million) resulting from increased interest income driven by a combination of increased customer lending activities and improved asset yield. Interest costs decreased marginally, as a result of favourable deposit liability mix.

Total commissions and fee income generated in 2013 decreased by 15.06% to £6.77 million (2012: £7.97 million). The decreased commission and fee income is attributable to a low level of trade finance activities resulting from slow global economic recovery. Our Private Banking business continued to show good potential and made great strides in the year. However, the lacklustre global equity market coupled with a low interest regime affected investors' appetite for further investment.

Operating costs rose by 17.56% to £23.83 million (2012: £20.27 million). Appropriate levels of an operational framework and systems were put in place by FBN UK to support increased business and safeguard assets. This led to a rise in staff costs, business travel, communications and premises costs. These additional expenses generated stronger growth in operating income. However, increased amounts of impaired loan charges resulted in a worse cost-to-income ratio of 49.49% (2012: 44.23%) compared to the previous year.

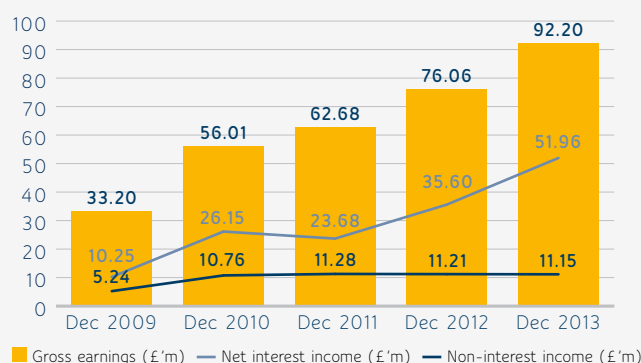
Credit impairment charges significantly increased to £8.11 million from £461,000 in the last financial year.

Consequently, FBN UK posted a profit before tax (PBT) of £31.24 million for the year ended December 2013. The profit amount exceeded the prior year's PBT by £5.13 million (19.65%).

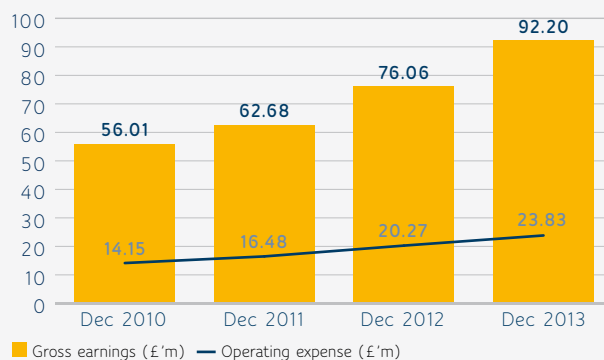
Profit before tax (£'m)



Income (£'m)



Operating income and expense (£'m)



BALANCE SHEET ANALYSIS

The balance sheet expanded by £41 million to £2.09 billion (2012: £2.05 billion) driven by marginal growth in customer deposits generated to support increased lending activities.

Earning assets increased by £30 million to £2.07 billion (2012: £2.04 billion) in 2013. Loans to customers increased by £210 million (22.73%) to £1.13 billion, while loans to banks decreased by £293 million (34.92%) to £546 million as FBN UK expanded its lending business to the productive sectors.

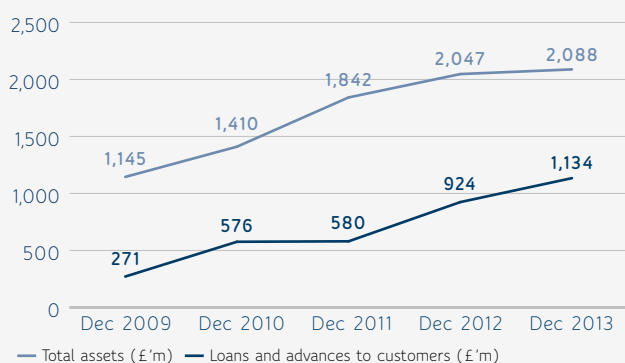
FBN UK further increased its exposure to short-term trade and commodity-related assets, mortgages and structured finance assets. The non-performing assets ratio remained low at 0.38% of total earning assets, and was fully provisioned net of collateral.

Deposit liabilities grew by 3.74% (£64 million) to £1.8 billion (2012: £1.7 billion) in 2013. The growth in deposits recorded was strategically driven through both wholesale and retail deposit liabilities to achieve an optimal funding mix and interest cost reduction. FBN UK achieved an improved deposit tenor profile, as its deposit liabilities were composed of more tenored funds compared to the previous year.

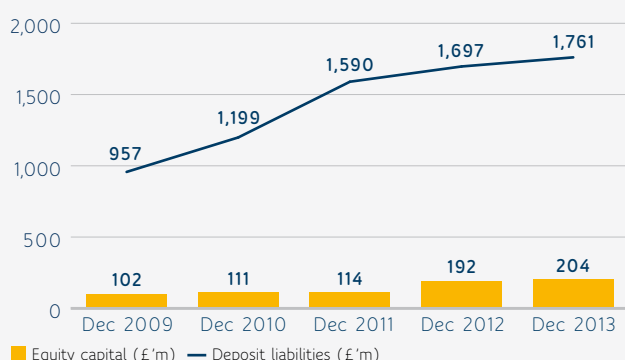
Total shareholders' equity increased by 6.25% to £204 million (2012: £192 million), as a result of a combination of high profit retention and reduction in revaluation reserve accounts. Dividend payments of £8.5 million were made in 2013 to the shareholders.

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

Movement in assets (£'m)



Equity capital and deposit liabilities (£'m)



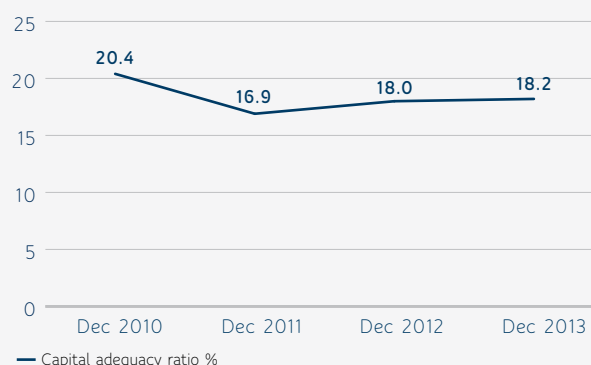
CAPITAL MANAGEMENT

At 31 December 2013, FBN UK recorded a capital adequacy ratio of 18.24% (2012: 18.01%) with a core tier 1 capital ratio of 14.30% (2012: 13.98%), reflecting the contribution from a high percentage profit retention and optimal balance sheet management. The capital ratios were in excess of regulatory requirements as at the reporting date and demonstrated the strong capital position of FBN UK.

Risk-weighted assets increased by 3.68% (£45 million) to £1.27 billion in December 2013, reflecting increased lending activities, in particular to non-financial institutions.

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

Capital adequacy ratio %



LIQUIDITY AND FUNDING

FBN 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 2013, FBN UK had £1.76 billion in customer deposits, composed of £608 million in wholesale funding and £1.15 billion in retail customer deposits, diversified among over 33,000 retail customers. A significant percentage of the retail deposits was generated through the FirstSave deposit product. In 2013, the FirstSave postal deposit product was retained and capital broadened the deposit source base.

Liquidity remained strong during the year as FBN UK continued to hold high-quality unencumbered liquid assets 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.

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

KEY PERFORMANCE INDICATORS

Return on shareholders' equity was 17.22% (2012: 17.35%) in 2013, while return on assets recorded a marked improvement at 1.50% (2012: 1.34%).

OUTLOOK

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

It is anticipated that 2014 will be challenging for FBN UK, particularly as the economic situation remains below full recovery and the regulatory environment continues to operate harder rules. Nevertheless, we look forward with optimism and confidence to identify and execute viable business opportunities, which in turn should produce excellent financial performance.

CORPORATE GOVERNANCE

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

Board and committee governance structure

To effectively operate and give appropriate attention to matters, the Board has delegated authority to its five standing committees to carry out certain tasks

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Our Board

Our Board of Directors brings a diversity of skills and experience to their task of overseeing the successful implementation of Company strategy

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Risk management oversight

FBN UK's risk management function provides central oversight of risk management to ensure that risks are properly identified and controlled

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CHAIRMAN'S INTRODUCTION



Oye Hassan-Odukale, MFR
Chairman

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

HOW DO WE GOVERN LONG-TERM SUSTAINABILITY?

A good corporate governance framework is vital for supplying a stable structure to help FBN 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 complied in full with the provisions of the UK Corporate Governance Code (the Code) during the financial year being reported.

Monitoring risk

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

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

Leadership

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

I am the new Chairman for FBN UK, having been appointed on 8 May 2013. I plan to help FBN UK develop and grow further with new drive and new ideas for its way forward.

Focus on people

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

Delivering shareholder value

FBN UK continues to have a sole shareholder. It is vital that the shareholder, FirstBank of Nigeria (FBN), is satisfied with the performance of FBN UK.

Whereas in previous years, FBN UK had paid 50% of its final post-tax profit by way of a dividend to its parent, it was agreed by FBN that, for the time being, it will accept a dividend payment of 20% of FBN UK's post-tax profit, thereby strengthening the capital ratio of FBN UK. This level of dividend payment will be reviewed in 2014 with the objectives of ensuring that FBN UK remains adequately capitalised. FBN UK also has to take into account regulatory requirements with regard to capital adequacy and the maintenance of a sufficient capital buffer.

20%

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

The report that follows explains the key features of FBN UK's governance structure to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year. The report also includes items required by the Disclosure and Transparency Rules. The statutory disclosures required in the Strategic and Directors' Reports are set out in the Annual Report and Accounts section on pages 43 to 46. Our business model is explained on page 15, as required by the Code.

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

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

LEADERSHIP

OUR BOARD

The present members of the Board are as follows:

Oye Hassan-Odukale, MFR (Chairman)

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

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

Bisi Onasanya (Non-Executive Director)

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

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

Peter Hinson (Managing Director and Chief Executive Officer)

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

Peter Hinson has more than 35 years' post-qualification international banking experience and was appointed as MD/CEO of FBN UK in 2002. Prior to joining FBN UK, he undertook numerous appointments in the Barclays Group such as risk management, strategy, human resources, business development and major debt restructurings. Immediately prior to taking executive positions in Barclays, he was responsible for the Barclays Group worldwide relationships with European headquartered oil majors, which entailed extensive global travel.

In 1995, he was appointed Director of Barclays' largest international banking centre in London, which also included responsibility for their representative office in Lagos. He then joined the Board of Barclays Offshore Services, which launched the International Premier Banking brand and in 1998 was appointed MD/CEO of their operations in the Cayman Islands and subsequently all offshore business in the Caribbean.

He also served on the Board of Barclays Private Bank in the region. Barclays sold their Caribbean business in 2002; following this, he rejoined FirstBank and led the launch of FBN UK and initiatives such as the successful development of FirstSave, a recognised UK savings brand. The success of FBN UK is very much driven by Peter's belief of hard work balanced by hard play, with an underlying theme that the customer must come first.

Michael Bamber (Executive Director/Chief Operating Officer)

(sits on Board Strategy Review Committee)

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

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

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

Rosemary David-Etim (Executive Director, Business Development)

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

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

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

Urum Eke (Non-Executive Director)

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

Urum Eke joined the Board of FirstBank in 2011 as Executive Director, Public Sector South. Before his appointment, he was Executive Director, Regional Businesses, Lagos & West, Diamond Bank Plc. His work experience spans Deloitte Haskins & Sells International where he rose to a Senior Audit Consultant and Diamond Bank Plc, where he was Branch Manager, Regional Manager and Divisional Head before he became Executive Director. He has over 29 years experience in financial services, auditing, consulting, taxation, process engineering and capital market operations. His sound managerial and motivational skills coupled with his vast experience have helped develop FBN UK's businesses within the Public Sector Group as well as on the Board. Urum

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is a member of the Institute of Management Consultants and a Fellow of the Institute of Chartered Accountants of Nigeria. He is involved in philanthropy and mentoring, and is happily married with children.

Peter Grafham (Non-Executive Director)

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

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

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

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

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

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

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

Ibrahim Waziri (Non-Executive Director)

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

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

Anthony Williams (Non-Executive Director)

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

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

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

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

After retiring in 1999, he set up a consultancy that did work for HSBC on operational risk before joining the Board of FBN UK in 2002.

Tony is an Associate of the Chartered Institute of Bankers. For many years he was a Director of the West Africa Business Association. He was also Treasurer of the Britain Nigeria Association and the Alhaji Sir Abubakar Tafawa Balewa Memorial Trust.

CHANGES TO THE BOARD AND ITS ACTIVITIES

Rosemary David-Etim, the current executive director of Business Development, is a secondee from the parent. Having secondees from the Nigerian parent in the business development role has guaranteed an understanding of the needs and requirements of the main market of FBN UK, that is an African, and in particular Nigerian, business both in the UK and Africa.

Remi Odunlami, who was in senior management for the parent bank, being on the Boards of two of its subsidiary companies, resigned as a Director of FBN UK on 19 June 2013. She was replaced by Urum Eke, also from the parent bank, on 27 September 2013. With both his and Bisi Onasanya's presence on the Board, this further strengthens the understanding of the Nigerian, and general African, market but from a non-executive perspective. We also have Ibrahim Waziri, an independent non-executive director from Nigeria.

The Board meets quarterly, usually in the London office, with additional meetings being convened as required. The annual calendar of Board and committee meetings is approved in advance at the last meeting of the Board in the previous year, and all directors are expected to attend each meeting. Their record of attendance is provided on page 29, 'Board and committee governance structure'.

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

The Board has embraced new technologies with the electronic distribution of Board papers by iPad. The use of electronic methods for the distribution of Board and committee papers makes the servicing of the meetings more efficient.

It also reduces the use of paper, which is environmentally friendly. It has, however, been agreed to review the present computer package used to make the electronic distribution of papers even more effective.

The Board agenda is carefully put together to allow sufficient time to debate each item. Board meetings are usually held on a Friday and Board directors allow a full day for these meetings in case anything has to be discussed in more detail.

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

Strategy and product development are given sufficient time for discussion at Board meetings through the Board Strategy Review Committee reports. There is also a strong representation of the senior management of FBN 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.

Over 2013, there continued to be a great focus on risk areas. FBN UK continued to push for a profitable performance but, at the same time, had to keep a close eye and control on risk areas, particularly as the economy continued to be difficult. FBN UK also continued to look into developing new areas of business.

BOARD RESPONSIBILITIES

The Board continues to focus on the many regulatory changes and challenges in the financial sector and as a result focus more closely on Board responsibilities. Regulatory changes have been highlighted as part of the directors' training programme for 2013. The directors consider it very important that they understand all the regulatory documents produced by FBN 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 FBN 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 FBN UK to meet its objectives;
- the Board must establish a framework of prudent and effective internal controls that enables risk to be assessed and managed, and monitor and assess the effectiveness of the internal controls established;
- the Board must review management performance and determine its remuneration; and
- the Board must set the Company's values and standards.

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

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

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

GROUP CORPORATE GOVERNANCE FRAMEWORK

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

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

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

FBN Holdings Plc (HoldCo)

COMMERCIAL BANKING BUSINESS

FIRST BANK OF NIGERIA LTD

FBN BANK (UK) LTD

BANQUE INTERNATIONALE DE CRÉDIT

FIRST PENSION CUSTODIAN NIGERIA LTD

FBN MORTGAGES LTD

ICB GHANA

ICB GAMBIA

ICB GUINEA

ICB SIERRA LEONE

INVESTMENT BANKING AND ASSET MANAGEMENT

FBN CAPITAL LTD

FIRST TRUSTEES NIGERIA LTD

FBN CAPITAL ASSET MANAGEMENT LIMITED

FBN SECURITIES LTD

FIRST FUNDS LTD

INSURANCE

FBN INSURANCE LIMITED

FBN INSURANCE BROKERS LTD

OTHER FINANCIAL SERVICES

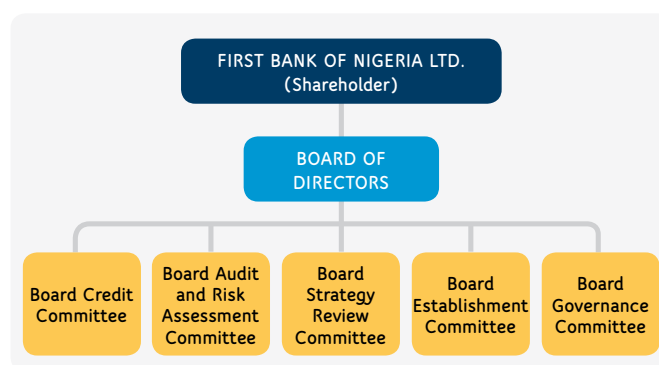
FBN MICROFINANCE BANK LTD

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, FBN UK will have to look at restructuring its business to comply with new governance requirements.

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

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

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



Director	Position	Board	Board Credit Committee	Board Audit and Risk Assessment Committee	Board Strategy Review Committee	Board Establishment Committee	Board Governance Committee
Oye Hassan-Odukale, MFR (appointed on 8 May 2013)	Chairman (with effect from 8 May 2013)	2 out of 2 meetings					Chairman 2 out of 2 meetings
Bisi Onasanya	Acting Chairman until 8 May 2013 and NED	4 out of 4 meetings			1 out of 5 meetings (not member)	Chairman 4 out of 4 meetings	Chairman until 8 May 2013 3 out of 3 meetings
Peter Hinson	MD/CEO	4 out of 4 meetings	Member 7 out of 7 meetings		Member 5 out of 5 meetings	Member 4 out of 4 meetings	
Michael Bamber	ED Operations	4 out of 4 meetings			Member 5 out of 5 meetings		
Urum Eke (appointed on 27 September 2013)	NED	1 of 1 meeting	Chairman 1 of 1 meeting	Member 1 of 1 meeting	Member 1 of 1 meeting		
Rosemary David-Etim	ED Business Development	4 out of 4 meetings	Member 7 out of 7 meetings		Member 5 out of 5 meetings		
Peter Grafham	Independent NED	4 out of 4 meetings		Chairman 4 out of 5 meetings	Member 4 out of 5 meetings	Member 4 out of 4 meetings	
Remi Odunlami (resigned 19 June 13)	NED	2 out of 2 meetings	Past Chairman 4 out of 4 meetings	Past Member 2 out of 2 meetings	Past Member 2 out of 2 meetings		
Ibrahim Waziri	Independent NED	4 out of 4 meetings	Member 7 out of 7 meetings		Member 5 out of 5 meetings	Member 4 out of 4 meetings	
Anthony Williams	Independent NED	4 out of 4 meetings	Member 7 out of 7 meetings (Chaired 2 meetings)	Member 5 out of 5 meetings	Chairman 5 out of 5 meetings	Member 4 out of 4 meetings	Member 3 out of 3 meetings

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

BOARD CREDIT COMMITTEE (BCC)

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

The BCC reviews and approves credit applications that are above the authority of the Executive Credit Committee. It grants credit facilities and monitors the resulting exposure, in compliance with FBN 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 FBN UK's credit policies.

In addition to the Company Secretary, other regular attendees at BCC meetings are the Chief Risk Officer, the Deputy Head of Risk and the Trainee Credit Analyst.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

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

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

The committee is responsible for ensuring the integrity of FBN UK's financial information and other formal documents relating to its financial performance and for making appropriate recommendations to the Board before publication. A key factor in ensuring the integrity of the financial statements is compliance with accounting standards and consistency of accounting policies on a year-on-year basis and across FBN UK. Accounting for unusual transactions, significant reporting issues and judgements 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 FBN UK's risk profile including credit risk, market risk, funding and liquidity risk and operational risk.

During 2013, the BARAC focused on the further regulatory changes that would have an impact upon FBN UK, including the demise of the Financial Services Authority (FSA) and its replacement by two regulatory bodies, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on 1 April 2013, both of which FBN UK will have to liaise and comply with going forward. This was therefore an area for concentration by the committee. Further changes to regulatory requirements were expected during 2014 and, therefore, the BARAC will continue to have a focus on this area.

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

BOARD STRATEGY REVIEW COMMITTEE (BSRC)

The objective of the BSRC is to assist the Board in discharging its responsibilities relating to FBN UK's future strategy. Its duties are to review progress against the agreed strategic plan, to consider proposals affecting the strategic direction of FBN 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 FBN UK as part of its strategy. If it considers that a particular service or product is not performing well, the BSRC will raise its concerns to the Board for further consideration and agreement as to the way forward.

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

BOARD ESTABLISHMENT COMMITTEE (BEC)

The objective of the BEC is to assist the Board in discharging its responsibilities relating to FBN 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 FBN UK's structure chart and to the remuneration structure and senior management appointments and being the final arbiter of disciplinary measures likely to lead to dismissal;
- the approval of capital and recurrent expenditure within the approved annual budget;
- the review and approval of FBN UK's HR policy, which includes the remuneration policy and a review of the remuneration policy and remuneration decisions on an annual basis (excluding those for Board directors); and
- the recommendation to the Board of any proposed remuneration incentive schemes.

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

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

BOARD GOVERNANCE COMMITTEE (BGC)

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

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

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

The BGC also has oversight of the annual review of the Board and its committees, and of any actions that fall out of that review each year. As mentioned above, a review was not carried out during 2013 due to the number of recent changes to the Board, but a Board appraisal will be done during 2014 and the BGC will oversee this process.

BOARD APPOINTMENTS AND CONTRACTS

During the year, there have been a number of changes on the Board; all the changes being with regard to non-executive directors (NEDs).

Firstly, there has been the appointment of a new independent Non-Executive Chairman, Oye Hassan-Odukale, MFR, on 8 May 2013. As well as ensuring stability with the appointment of a permanent Chairman, Oye has brought valuable and relevant experience to the Board. He is presently the Managing Director of Leadway Assurance Co Limited in Nigeria and this gives him a good understanding of business generally, as well as a strong knowledge of the opportunities in the Nigerian and African markets.

As a result of the appointment of the new Chairman, Bisi Onasanya, who is Chief Executive of the parent bank, has stood down as the Acting Chairman. However, it is good to note that he remains on the Board and is still the Chairman of the BEC. His knowledge and expertise has not therefore been lost by the Board.

Oye has also replaced Bisi Onasanya as the Chairman of the BGC and is already reviewing the governance of FBN UK and making some initial proposed changes.

Remi Odunlami, who was Chief Risk Officer for the parent bank, resigned as a NED from FBN UK, and also as Chair of the BCC, on 19 June 2013. Fortunately, FBN UK has been able to fill the vacancy on the Board and the role of Chairman of the BCC with another strong NED from the parent bank, Urum Eke, on 27 September 2013.

The non-executive element, and the Board as a whole, has, as a result of the above changes, been further strengthened. There are also plans in the pipeline for the appointment of a further two executive directors to the Board to strengthen the executive offering and knowledge on the Board.

During 2013, new contracts were agreed for use with NEDs, which included clauses to cover time commitment (to ensure that they gave sufficient time to their roles), commitment to training (to ensure that they agreed to keep themselves up-to-date with the latest regulatory and other requirements of a director) and tenure in office (to ensure that they did not remain on the Board too long, with the risk of becoming less effective as NEDs in the longer term). Copies of these contracts have now been signed by the current NEDs and would be used with any new NEDs on the Board going forward.

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

MANAGEMENT COMMITTEES

The executive management oversees the day-to-day management of FBN UK and operates through the following committees.

EXECUTIVE MANAGEMENT COMMITTEE

	Name	Title
Chairman	Peter Hinson	Managing Director
Members	Michael Bamber	Executive Director, Chief Operating Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Chief Financial Officer
	Michael Barrett	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

EXECUTIVE CREDIT COMMITTEE

	Name	Title
Chairman	Peter Hinson	Managing Director
Members	Rosemary David-Etim	Executive Director, Business Development
	Michael Barrett	Chief Risk Officer
	Sam Aiyere	Chief Financial Officer
	Grace Igbinoyesu	Deputy Head of Risk

ANTI-MONEY LAUNDERING COMMITTEE

	Name	Title
Chairman	Peter Hinson	Managing Director
Members	Michael Bamber	Executive Director, Chief Operating Officer
	Rosemary David-Etim	Executive Director, Business Development
	Michael Barrett	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Trevor Fall	Head of Customer Services

ASSET & LIABILITY COMMITTEE

	Name	Title
Chairman	Peter Hinson	Managing Director
Members	Michael Bamber	Executive Director, Chief Operating Officer
	Rosemary David-Etim	Executive Director, Business Development
	Sam Aiyere	Chief Financial Officer
	Michael Barrett	Chief Risk Officer
	Chris Edwards	Treasurer

RISK MANAGEMENT COMMITTEE

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

TREATING CUSTOMERS FAIRLY COMMITTEE

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

NEW PRODUCTS COMMITTEE

	Name	Title
Chairman	Sam Aiyere	Chief Financial Officer
Members	Michael Bamber	Executive Director, Chief Operating Officer
	Michael Barrett	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

INVESTMENT COMMITTEE

	Name	Title
Chairman	Peter Hinson	Managing Director
Members	Rosemary David-Etim	Executive Director, Business Development
	Michael Barrett	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

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. As a bank with a focus on African-related businesses, both here in the UK and in Africa, we have directors from both the UK and from Nigeria who have extensive knowledge of the African market. This helps the Board to understand both African needs and the relationship between Africa and the rest of the world with regard to both business and personal relationships.

We have a wide range of experience and skills on the Board. We particularly, have strong knowledge of credit and risk, important areas for all banks. Our non-executive directors years of experience in the banking world have been a great support and education for the executive team currently running the operational side of FBN UK.

There are a good number of non-executive to executive directors on the Board. Six, including the present Chairman, of the current nine directors are non-executive directors, with the Chairman and three of these people being classed as independent non-executive directors. There are now plans to strengthen the executive representation on the Board with the appointment of two of the present senior management team to the Board.

Two of the directors regarded as independent non-executive directors have now been on the Board for more than nine years. Consideration was therefore given by the Board during 2013 as to whether these two directors continued to act in an effective and independent manner, and it was concluded that this remained the case. However, from now on there will be an annual review to reaffirm the effectiveness of these directors with regard to their continuing independence and with a consequent need to replace them when it is time for them to step down from the Board.

There is a cross-section of cultural backgrounds, with both English and African members sitting on the Board. Women are also represented - with one of the executive directors being a woman.

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

All directors have access to the Company Secretary, who is accountable to management, through the Chief Executive and to the Board through the Chairman, on all corporate governance matters. The Company Secretary provides the directors with guidance on their responsibilities and good governance and ethics, as required. She ensures that Board procedures are followed, and applicable rules and regulations are complied with. She 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 FBN UK's expense, subject to prior approval, such independent or outside professional advisers and experts as it deems necessary or appropriate to its duties.

At each meeting of the Board, the progress of FBN 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 FBN UK.

BOARD REVIEW

As we are a growing bank, recognising the consequent need for a stronger level of governance and in compliance with regulatory requirements we carried out a Board evaluation for the first time in 2012. A Board appraisal is now to be held each year. However, with several new Board members and a new Chairman recently joining the Board, it was agreed that for 2013 an appraisal would not be particularly useful. Instead the next Board evaluation will take place in 2014, by which time the refreshed Board will have settled down and each new individual can give effective input to the appraisal process.

The initial Board review in 2012 was handled by the Company Secretary who was able to view FBN UK from a relatively independent perspective as she was not a full-time employee. However, to ensure added effectiveness of Board reviews and as stipulated in the UK Corporate Governance Code, a review will be carried out by an external person every three years.

The ultimate aim of the first Board evaluation was to identify areas where improvements in Board effectiveness and efficiency could be made and to agree an action plan to put any agreed improvements in place.

Areas considered were:

- 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.

This Board evaluation was carried out by the completion of a confidential questionnaire by each Board director. The findings from these questionnaires were put into a report by the Company Secretary and these findings were considered and discussed further by first the Board Governance Committee and then by the Board.

For the next Board evaluation in 2014, the same areas will be considered, although maybe using a different approach yet to be decided. There is every confidence that since the initial appraisal in 2012, there has been an improvement in the areas of concern raised in that appraisal. One reason for the appointment of some of the new directors had been to tackle some of the issues highlighted by this original appraisal.

During 2013, the Board agreed on Matters Reserved for the Board to make clear what had to come to the Board for decision. All the Board committee terms of reference were also reviewed and updated as necessary. This is done annually to ensure that the Board committees remain effective, with adequate authority to perform and controls in place where necessary.

APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

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

The aim of any recruitment is to find people who have a good understanding of banking in Africa, particularly in Nigeria, as well as in the UK and Europe (FBN UK has a Paris branch). This has resulted in the Board consisting of a mixture of Nigerian and English non-executive directors, as well as a mixture of English and Nigerian executive directors.

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

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

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

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

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

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

ACTION PLAN FOR 2014

There are a number of areas that will need to be actioned/completed in 2014, which are as follows:

- a) an annual update of the induction manual for new directors;
- b) an annual review of the Board committees' respective terms of reference;
- c) a skills analysis of the Board to take place, now that a new Chairman has been appointed, to help identify any gaps where there may still be a requirement for a new director;
- d) an annual review of the Board's effectiveness;
- e) the completion of the directors' training programme for 2014;
- f) a continual watch on the development of regulatory requirements and actions by FBN UK to ensure that it complies with any new or changed requirements; and
- g) a review of the computer package used for the distribution of Board papers to see if it could be replaced with one that is more efficient and more user-friendly for the Board.

ENGAGEMENT

Another main principle of the UK Corporate Governance Code (the Code) is that there should be a dialogue with shareholders based on the mutual understanding of objectives. This is very simple for FBN UK to comply with as it is a wholly owned subsidiary, being owned by FirstBank of Nigeria and therefore, only having to engage with the one shareholder.

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

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

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

There has been a drive, during 2013 to develop more business through referrals between FBN UK and its parent. This was encouraged through events for and information being given to the relationship managers of the parent to raise their awareness of what FBN UK has to offer its clients. A number of events were held in February and March 2013. This drive will continue into 2014.

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

ACCOUNTABILITY

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT PHILOSOPHY

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

- FBN UK considers robust risk management to be the bedrock of a sound financial institution;
- risk personnel are duly empowered and encouraged to perform their duties professionally and independently without undue interference;
- risk management is governed by detailed policies that are approved by the Board and communicated effectively throughout FBN UK;
- clear segregation of responsibilities and duties between market facing business units and risk management functions, while also recognising that business unit personnel are the first line of risk management defence;
- risk-related issues are taken into consideration in all business decisions;
- risk personnel act as allies and advisers to other stakeholders both within and outside FBN UK;
- FBN UK only grants credit to customers it knows and can monitor – in the widest sense of the term – including by market sector and geographical factors relating to the sectors in which the customers are involved;
- FBN UK ensures that it achieves the maximum spread by counterparty, economic sector and country;
- FBN UK sets general and specific rules in respect of counterparty risks, market-sector risks, geographical risks and credit products; and
- FBN UK complies with the legal and regulatory restrictions 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 FBN 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.
- FBN UK pays close attention to both quantifiable and unquantifiable risks.
- FBN UK's management ensures that risk and risk management awareness is enshrined throughout FBN UK.
- FBN UK avoids any business where the associated risks cannot be objectively assessed or managed.

RISK APPETITE

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

- high-quality risk assets as measured by ratio of non-performing loans to total loans and maximum average internal risk rating of the lending portfolio;
- a diverse lending portfolio to ensure there are no undue concentration concerns taking into consideration the following:
 - business unit;
 - business sector;
 - country at risk; and
 - asset portfolio tenor;
- losses due to operational risk to be constantly monitored and to be lower than industry averages;

- financial and prudential ratios to be pegged at levels more conservative than regulatory requirements – loan to deposit, capital adequacy, deposit concentration etc.; and
- FBN UK strives to minimise the following independent indicators of excessive risk appetite:
 - overdue audit queries;
 - adverse publicity; and
 - fines and regulatory penalties.

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

RISK MANAGEMENT OVERSIGHT

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

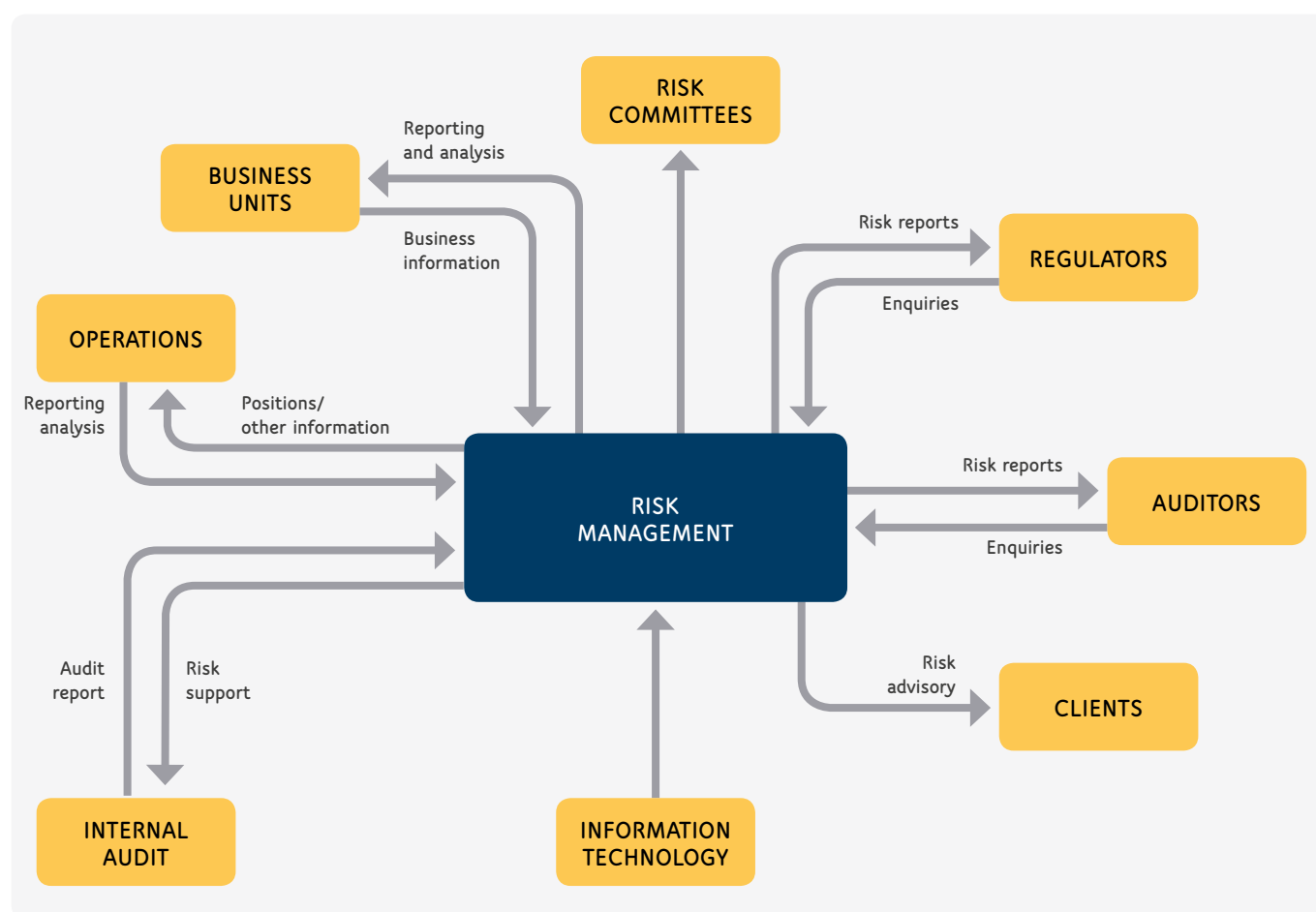


Risk management coordinates the monitoring and reporting of all risks across FBN UK and is headed and staffed by highly experienced and competent risk personnel.

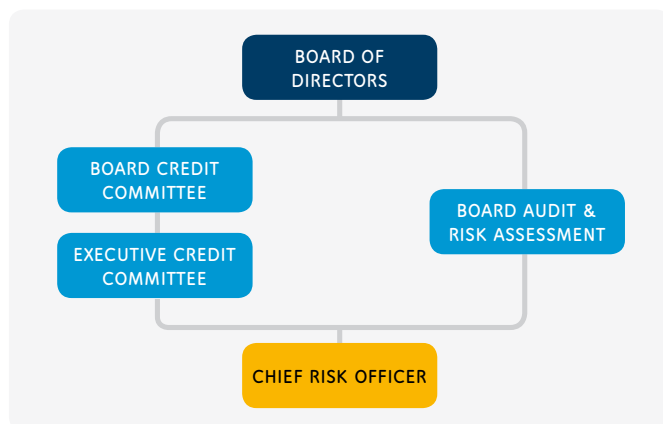
Internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively. Internal audit also tests the adequacy of internal controls and makes recommendations where deficiencies are identified.

BUSINESS UNITS RISK COMMITTEES REGULATORS

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



RISK MANAGEMENT GOVERNANCE FRAMEWORK



ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

It is the responsibility of the Board of Directors to:

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

BOARD COMMITTEES

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

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

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

Board Audit & Risk Assessment Committee

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

Board Credit Committee

The Board Credit Committee ensures effective management of credit risk by FBN 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 those going to the full Board as a recommendation.

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

Executive Credit Committee

It is the responsibility of this committee to:

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

RISK FACTORS

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

Chief Risk Officer's report

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

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Credit risk

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

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Liquidity risk

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

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CHIEF RISK OFFICER'S REPORT



Michael Barrett
Chief Risk Officer

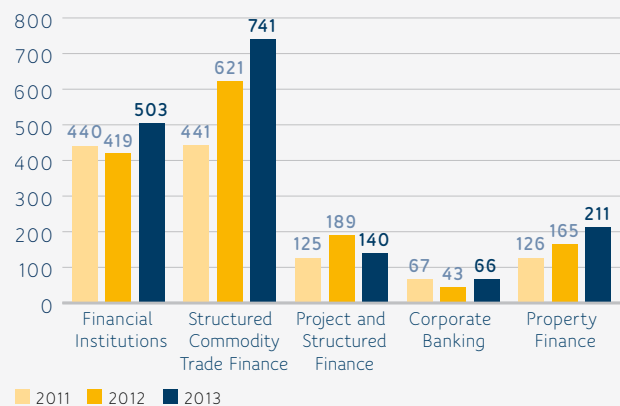
Effective risk management is core and fundamental to the business of FBN UK. The Board of Directors has ultimate responsibility for risk management and various committees within FBN UK enable the Board and Executive Management to evaluate the risks faced by FBN UK and the effectiveness of FBN UK's management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

At all times, FBN UK strives to ensure that its risk management framework is robust, up-to-date and in line with prevailing international best practice as demanded by the commitment of the Board of Directors to adopt and fully respect sound corporate governance standards within the banking industry. FBN UK also constantly reviews and measures its risk appetite statement to ensure that it is providing strategic guidance, is in line with budgets and forecasts both under normal and stressed conditions, and is forward-looking of risk tendency against risk appetite.

FBN UK's lending portfolio continues to be diversified in terms of counterparty, business unit, business sector and country at risk and there are not considered to be any concentration concerns. Naturally with a diverse portfolio, certain sectors and regions have experienced some tensions and difficulties during the year. However, there has continued to be many attractive funding propositions open to FBN UK in the five main business lines where it operates:

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

Evolution of the portfolio of assets by business lines 2011-2013



The above graph demonstrates that recent growth of FBN UK has not been from the provision of correspondent banking facilities for Nigerian Financial Institutions, which has been the bedrock of FBN UK since inception 12 years ago. Financial Institution business has on the whole been fairly flat, although it increased somewhat in 2013, which is a good result bearing in mind this market has been challenging over the last three years and has reduced in percentage terms of our overall portfolio.

The growth of FBN UK over the last four years has been primarily from customers from Structured Commodity Trade Finance, project finance and the property business sectors, which are all typically highly structured and or secured by tangible security in order to provide FBN UK with additional comfort. This was very much in line with the strategy of FBN UK.

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

RISK MANAGEMENT DISCLOSURES

CREDIT RISK

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

Over the last year FBN UK continued to expand its suite of credit products and service offerings to meet market demands. However, FBN UK remains a relatively niche product provider, concentrating its efforts on facilitating trade flows between Africa and the rest of the world. In the main, FBN UK concentrated its efforts on expanding existing business relationships in specific business sectors, rather than merely developing new relationships in new sectors, and on the whole this proved to be extremely successful from a credit risk perspective. FBN UK will continue to operate in countries, business sectors and with counterparties where it believes it fully understands the risks involved and where applicable will establish structures to mitigate risks considered as unacceptable without mitigation.

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

FBN UK has a key focus on taking swift action with account relationships showing any signs of concern. This policy has been very successful to date in bringing facilities back to performing before they go too far, and thereby reducing the amount of bad and doubtful debts that we encounter. The bad and doubtful classification and provisioning policy is considered to be prudent and in line with our peers.

These policies ensure that potential problems are highlighted at a very early stage and, where considered necessary, capital and interest provisions are made. A facility is considered as bad and doubtful immediately interest and/or repayments fall more than 90 days in arrears, although procedures ensure that they come under the attention of FBN UK's management at a far earlier stage. A capital provision is made immediately it is assessed there is a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Much of our growth over the last year is accounted for by a handful of substantial transactions, which in themselves were in excess of our regulatory single obligor limit. As a result, these transactions were 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. By way of example, we are providing a Structured Commodity Trade Finance facility in excess of USD150 million for a well-known and long-established trading company where we assist it with its supply chain of commodities, mainly in Africa. We are partnered on this transaction by two substantial multilateral development banks specialised in Sub-Saharan Africa financial transactions who participate in individual transactions within the approved structure of the facility. FBN UK retains up to our regulatory single obligor limit on this facility.

MARKET RISK

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

FBN UK does not have a trading portfolio and all assets are purchased on a 'hold to maturity' basis. In addition to the Individual Liquidity Assessment System (ILAS) buffer bond holdings, FBN UK has a relatively small portfolio of investment bonds that are directly related to our core business sectors and presently amounts to less than 5% of our total assets. FBN UK has an exposure to interest rate risk on these investment bonds. FBN UK has defined it currently has risk appetite that this portfolio may increase to a maximum of 10% of total assets. However, it is recognised that this associated interest rate risk is reduced by certain fixed rate liabilities of FBN UK (FirstSave bonds) as we have lengthened these offerings. The vast majority of FBN UK assets are on a floating rate basis and are regularly re-fixed.

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

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

5%

Less than 5% of our total assets are investment bonds

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LIQUIDITY RISK

Liquidity risk is when FBN UK is unable to maintain or generate sufficient cash resources to meet its payment obligations as and when they fall due. This occurs when counterparties who provide funding to FBN 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 FBN UK has continued to be very sound and robust over the last year, with a good mix of both retail and wholesale deposits. The FirstSave internet-based product has proved to be an extremely reliable source of liquidity as and when required and is now a well-established and recognised name in this sector. Key liquidity metrics that are considered include the percentage mismatch in the sight to one-month period, percentage of core funding to total funding base, Individual Liquidity Guidance (ILG) buffer requirement, liquidity coverage ratio and net stable funding ratio.

OPERATIONAL RISK

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

In view of the type of transactions to which FBN UK is typically exposed, it has fully recognised that operational risk is a paramount risk and as such recruited an experienced senior member of staff three years ago dedicated to oversee this important area, with a reporting line to the Chief Risk Officer. During this time, a robust Operational Risk Management (ORM) framework has been adopted and rolled out, including a detailed training programme to ensure that each member of staff is fully cognisant of operational risk and what this means to FBN UK, to ensure it is fully embedded in our culture.

FBN 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.

Detailed internal loss event data is reported and maintained throughout FBN UK and analysed in detail in order to attempt to prevent re-occurrence and hopefully avoid losses. Risk and control self-assessment is a key facet of FBN UK's operational risk framework. This, facilitated by the operational risk function, involves each business unit proactively identifying and assessing its significant operational risks and the controls in place to manage those risks.

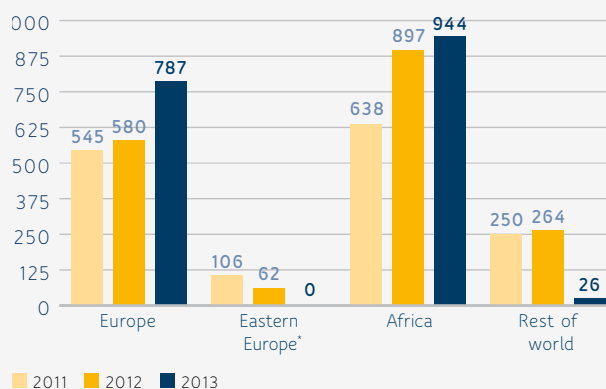
Typical with other financial institutions, FBN UK has a robust and comprehensive business continuity management framework that is regularly tested. The framework is in line with global best practice, ensuring safety and protection of FBN UK's assets, staff and customers and reassures the various FBN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

COUNTRY AND CROSS-BORDER RISK

Country risk is the risk of loss arising when political or economic conditions or events in a country negatively impact the ability of counterparties to meet their financial obligations to FBN 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 FBN UK.

FBN UK currently has exposure to approximately 50 countries globally, with half of these being in Sub-Saharan 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, FBN UK has no hesitation in reducing or cutting limits or using the insurance market to mitigate this risk where appropriate.

Evolution of commercial portfolio by area



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

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LEGAL RISK

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

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

In this respect for transactions that have these dynamics, documentation is usually drafted and perfected using FBN UK's approved external law firms, with expertise in the relevant area. In addition to this, FBN 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. Furthermore, FBN UK has recently recruited an in-house Head of Legal to oversee this important area.

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

REPUTATIONAL RISK

Reputational risk results from the damage to FBN 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 FBN UK's reputation is of vital importance to its continued success and is the responsibility of every member of staff.

Throughout FBN UK it is recognised that its reputation is key to its future, and this is instilled throughout the organisation to ensure that counterparties, regulators and shareholders – to name but a few – have faith in the organisation's ability to conduct itself well. FBN UK fully recognises that it is dealing in territories considered as high risk for compliance concerns, such as money laundering, and treats this with the seriousness that it deserves.

Anti-money laundering training is provided to all members of staff and everyone is tested regularly for competence in this important area. FBN UK benefits from robust widely used systems to ensure we are fully compliant with our regulatory obligations with regard to the prevention of both money laundering and terrorist financing.

E-BUSINESS

FBN UK provides an internet banking facility to all its customers, which enables them to make account enquiries, account-to-account transfers and third-party payments. The internet banking facility was upgraded in 2013 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 will empower customers to take greater control over their accounts and help them to interact with FBN UK from anywhere in the world, 24 hours a day.

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OFFICERS AND PROFESSIONAL ADVISERS

Oye Hassan-Odukale, MFR**Peter Stuart Hinson****Michael John Bamber****Rosemary Ifioke David-Etim****Urum Kalu Eke****Peter Arnhem Grafham****Remilekun Adetola Odunlami****Bisi Onasanya****Ibrahim Dahiru Waziri****Anthony Robert Paget Williams**

Chairman, (Appointed 8 May 2013)

Managing Director/Chief Executive Officer, (Retired 31 March 2014)

Executive Director, Operations

Executive Director, Business Development

(Appointed 27 September 2013)

(Resigned 19 June 2013)

(Acting Chairman until 7 May 2013)

SECRETARY

Venetia Carpenter, FCIS

Registered Office

28 Finsbury Circus

London

EC2M 7DT

BANKERS

HSBC Bank plc, London

Standard Chartered Bank PLC, New York

Deutsche Bank, Frankfurt

The Bank of Tokyo – Mitsubishi UFJ, Ltd, Tokyo

Credit Suisse, Zurich

SOLICITORS

DLA Piper UK LLP

London

AUDITOR

Deloitte LLP

London

STRATEGIC REPORT

STRATEGIC OVERVIEW

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

WHAT DIFFERENTIATES US?

Our competitive differentiators are:

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

OUR BUSINESS MODEL

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

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

The principal activities are the provision of corporate banking, correspondent banking, private banking, project and structured finance, property finance, and structured trade commodity finance to our clients.

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

FBN UK's core target markets are:

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

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

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

FBN UK accumulates funds from customer deposits, equity and debt capital, and these are lent to corporate businesses and individuals through different bank business channels, e.g., property finance, project finance, structure commodity finance, corporate finance and traditional trade finance. Both interest and fee incomes accrue to FBN UK from the various lending activities.

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

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

FBN UK recognises that its key assets are its people – staff, management and the Board. The front-facing staff provides excellent service and is supported by a highly experienced operational team. Our investment in the training and development of our staff culminated in a regional recognition of our employees as the winners of the 2013 Global Trade Review award as voted by GTR's global and Africa editorial boards. This is the fifth consecutive year that we have won this same award, bearing a testament to the high quality of our service delivery.

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

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

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

STRATEGY AND OBJECTIVES

Mission

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

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PRINCIPAL RISK SUMMARY

KEY RISKS AND MITIGANTS

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

KEY RISKS FACING OUR BUSINESS

Credit risk

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

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

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

Market risk

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

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

Liquidity risk

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

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

Legal risk

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

This risk is an important area of the business that FBN UK has paid particular attention to. It has recruited experienced personnel in key departments to undertake the documentation process, including in-house legal and, where necessary, the appointment of external counsel, to ensure due care and attention is given to the entire documentation process for designated transactions.

Operational risk

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

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

Regulatory risk

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

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

IT/Systems risk

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

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

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

As shown in the FBN UK's income statement, the net interest income increased by 46% compared to the prior year (2012: 50% increase), but fee income decreased by 15% over the prior year (2012: 14% increase). Overall, operating income increased by 35% (2012: 34% increase), a direct reflection of increased business volume.

One of FBN UK's key measurements of the effectiveness of its operations is calculating operating margin after direct costs. FBN UK achieved an operating margin after direct costs of 50% (2012: 56%). The commendable operating margin is attributable to strong operating income earned despite loan impairment charges made during the year.

The balance sheet shows that FBN UK's net assets at the year-end have marginally increased compared to the prior year end. FBN UK's asset level has increased by 2.0%, from £2,047 million at 31 December 2012 to £2,088 million at 31 December 2013. The growth in the balance sheet size is due to a general increase in customer base and continued diversification of business conducted.

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NON-FINANCIAL HIGHLIGHTS

Service delivery and operational efficiency

During the year, FBN UK has delivered products and services to its customers in the most cost-effective manner possible while still ensuring the high quality of its products, service and support. We have been able to streamline its core processes and strategy in order to effectively respond to continued changing market conditions. As part of this initiative, FBN UK embarked on the upgrade of its core banking software, which will suitably enhance its internal process and its e-business offering.

Systems upgrade

FBN UK upgraded its internal banking software in 2013. This was a significant undertaking in light of incorporating the old with the new software, while making sure disruptions to its banking activities were kept to a minimum. The software upgrade has been hugely advantageous to FBN UK in the sense that it has sped up its internal processing system; it is more up-to-date and in line with other technological advances in the banking system. The system is also more tailored to FBN UK's current banking requirement and needs, with its functionality adaptable to FBN UK's future requirements.

Customer satisfaction

FBN UK's business managers travelled extensively to meet with customers, especially in Africa and other parts of the world, to enable them to gain a better understanding of customer needs and requirements. Feedback indicates a high level of satisfaction with our service delivery.

Cultural awareness

Culture plays a major part in the world we live in and in the jobs we do. FBN UK operates in an increasingly diverse environment and as such management is always seeking to create a more culturally aware organisation. FBN UK seeks to encourage strong relationships amongst staff and with its customers. In order to achieve this, a series of cultural awareness workshops were organised in 2013. This initiative has helped strengthen staff's commitment to one another and to customers.

FUTURE PROSPECTS AND GOING CONCERN

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

FBN UK will continue to assess and respond as appropriate to the global economic situation, particularly the economic and sovereign debt crises in the eurozone and the US. While FBN UK had minor direct exposure to European sovereign debt as at 31 December 2013, it will continue to restrict exposure to higher risk counterparties.

A high capital adequacy ratio (18.24%) was recorded at the year end and it will be maintained at a satisfactory level in future. Liquidity is key to the business and as a policy due consideration is given to ensure FBN UK maintains a strong liquidity position at all times, in order to meet its financial obligations. The directors believe that FBN UK is well placed to manage its business risk successfully; hence they continued to adopt the going concern basis in preparing the annual report and accounts.

FBN 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

COMMITMENT TO OUR CUSTOMERS

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

TREATING CUSTOMERS FAIRLY

FBN UK is committed to treating customers fairly. The Treating Customers Fairly (TCF) Committee regularly reviews and monitors the application of TCF principles to all aspects of FBN UK's customer business, with the aim of ensuring the effectiveness of systems and controls designed to deliver fair treatment of customers. The Head of Compliance reports on TCF to the Board and undertakes an annual survey of customers on treating customers fairly. In 2013, 425 customers very kindly responded to the survey (2012: 428). FBN UK provides regular Treating Customer Fairly training for employees who must then pass a test to ascertain their understanding of this important business principle.

COMPLAINT HANDLING

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

CHARITABLE CONTRIBUTIONS

FBN 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 FBN UK's commitment to its social responsibility. FBN UK donated £5,270 in 2013.

Taxation payments

FBN 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. FBN UK complies with the United Kingdom voluntary tax code.

By order of the Board



For and on behalf of
FBN Bank (UK) Limited
 14 April 2014
 Registered office address:
 28 Finsbury Circus, London EC2M 7DT

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DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2013. The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

ACTIVITIES

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

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

BUSINESS REVIEW

FBN UK is an authorised banking institution and provides a range of banking and financial services. There have not been any significant changes in FBN 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 FBN UK's activities in the forthcoming period.

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

DIRECTORS

The directors, who all served throughout the year, unless otherwise shown, are as listed on pages 7–8 of the report.

RESULTS AND DIVIDEND

FBN UK's profit for the year after taxation amounted to £23,948,664 (2012: £19,664,161).

A dividend of £4,600,000 was paid by FBN UK in respect of the year ended 31 December 2013 (2012: £nil). No final dividend is proposed (2012: £3,900,000).

Dividend per share was 6.44 pence (2012: nil).

GOING CONCERN BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis, as the directors are satisfied that FBN UK has the resources to continue in business for the foreseeable future.

CHARITABLE CONTRIBUTIONS

During the year, FBN UK made charitable contributions totalling £5,270 (2012: £4,600).

CAPITAL STRUCTURE

FBN UK has two key components to its capital structure, being £132 million share capital and subordinated debt amounting to £50 million. Whilst the subordinated debt is disclosed as a liability in the financial statements, it counts as upper tier 2 capital for the regulatory capital base.

No new ordinary shares were issued during the year (2012: £50,000,000). There was no increase in FBN UK's authorised share capital during the year.

No additional subordinated debt was issued by FBN UK during the year (2012: £nil).

Further information regarding FBN UK's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Basel II Pillar 3 (the Pillar 3 disclosures). These disclosures are published on FBN 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 FBN UK'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 FBN UK's auditor is aware of that information.

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

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

By order of the Board

For and on behalf of
FBN Bank (UK) Limited
14 April 2014
Registered office address:
28 Finsbury Circus, London EC2M 7DT

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DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) 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 FBN UK and of the profit or loss of FBN UK 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 IFRS 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 FBN UK's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain FBN UK's transactions and disclose with reasonable accuracy at any time the financial position of FBN UK 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 FBN UK 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 FBN UK's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of FBN Bank (UK) Limited for the year ended 31 December 2013, which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, the cash flow statement and the related notes to the accounts 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to FBN UK'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 FBN UK'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 FBN UK and FBN UK'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 FBN UK'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 FBN UK's affairs as at 31 December 2013 and of FBN UK's profit for the year then ended;
- have been properly prepared in accordance with IFRS 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 IFRS AS ISSUED BY THE IASB

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

In our opinion FBN UK financial statements comply with IFRS 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 FBN UK, or returns adequate for our audit have not been received from branches not visited by us; or
- FBN UK'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.



Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
14 April 2014

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31 Dec 2013 £	31 Dec 2012 £
Continuing activities			
Interest receivable	4	81,047,287	64,881,423
Interest payable	4	(29,084,041)	(29,253,215)
Net interest income		51,963,246	35,628,208
Fees and commissions income	5	6,768,204	7,973,939
Dealing and exchange profits		2,166,293	2,571,143
Other operating income		751,751	662,715
Investment revenues	4	1,467,967	-
Operating income		63,117,461	46,836,005
Administrative expenses	6	(23,825,384)	(20,268,696)
Impairment charge	24	(8,110,683)	(461,237)
Loan recovery	24	57,233	28,484
Profit on ordinary activities before taxation		31,238,627	26,134,556
Tax expense		(7,289,963)	(6,470,395)
Profit on ordinary activities after taxation		23,948,664	19,664,161
Not to be reclassified to profit and loss			
Revaluation of available-for-sale financial assets		(5,002,099)	11,222,061
Tax effect of other comprehensive income		1,162,988	(2,749,405)
Total comprehensive income for the year		20,109,553	28,136,817

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

The results above arose wholly from continuing activities.

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BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	31 Dec 2013 £	31 Dec 2012 £
ASSETS			
Cash at bank and in hand	11	93,269,164	75,029,212
Loans and advances to banks	12	545,551,714	838,951,804
Loans and advances to customers	13	1,134,069,198	924,807,196
Investments in subsidiaries	14	-	1
Available-for-sale financial assets	15	298,850,515	200,707,554
Property and equipment	16	1,677,923	563,652
Intangible fixed assets	17	2,112,583	1,793,390
Other assets	18	2,739,195	3,125,880
Deferred tax asset		51,812	36,610
Financial assets - derivatives		9,812,485	2,480,799
Total assets		2,088,134,589	2,047,496,098
LIABILITIES			
Deposits by banks	19	608,308,121	604,227,400
Customer accounts	20	1,152,290,948	1,092,832,446
Other liabilities	21	73,813,061	106,192,294
Financial liabilities - derivatives		15,459	2,064,435
Subordinated liabilities	22	50,011,271	50,022,486
Total liabilities		1,884,438,860	1,855,339,061
Called up share capital	23	132,000,000	132,000,000
Revaluation reserves		2,926,836	6,765,947
Retained earnings		68,768,893	53,391,090
Equity shareholders' funds		203,695,729	192,157,037
Total liabilities and shareholders' funds		2,088,134,589	2,047,496,098

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 14 April 2014.

Signed on behalf of the Board of Directors



Oye Hassan-Odukale (MFR)
Chairman



Michael John Bamber
Executive Director

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital £	Revaluation reserve £	Retained earnings £	Total equity £
Balance attributable to equity shareholders as at 31 December 2011	82,000,000	(1,706,709)	33,726,929	114,020,220
Issued share capital	50,000,000	-	-	50,000,000
Revaluation of available-for-sale financial assets	-	11,222,061	-	11,222,061
Current tax charge on available-for-sale financial assets	-	(2,749,405)	-	(2,749,405)
Profit for the year	-	-	19,664,161	19,664,161
Balance attributable to equity shareholders as at 31 December 2012	132,000,000	6,765,947	53,391,090	192,157,037
Revaluation of available-for-sale financial assets	-	(5,002,099)	-	(5,002,099)
Current tax credit on available-for-sale financial assets	-	1,162,988	-	1,162,988
Profit for the year	-	-	23,948,664	23,948,664
Profit adjustment	-	-	(70,861)	(70,861)
Dividend paid	-	-	(8,500,000)	(8,500,000)
Balance attributable to equity shareholders as at 31 December 2013	132,000,000	2,926,836	68,768,893	203,695,729

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

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31 Dec 2013 £	31 Dec 2012 £
Cash flow from operating activities			
Profit before tax		31,238,627	26,134,556
Adjustment to reconcile net profit to cash flow from (used in) operating activities			
Depreciation of property and equipment		226,059	209,762
Depreciation of intangible assets		539,808	277,064
Proceeds from sale of investment securities		(1,467,967)	-
Movement in accrued interest		361,487	(313,960)
Impairment charge		8,053,451	432,753
		38,951,465	26,740,175
Net decrease/(increase) in assets relating to operating activities			
Loans and advances to banks		327,828,323	284,506,775
Loans and advances to customers		(169,188,675)	(299,271,841)
Available-for-sale financial assets		(102,663,626)	(76,931,646)
Investment – royalty		(7,955,925)	-
Other assets		(8,402,838)	(4,459,172)
		78,568,724	(69,415,709)
Net increase/(decrease) in liabilities relating to operating activities			
Due to banks		4,394,581	(111,159,645)
Due to customers		59,458,502	218,153,146
Other liabilities		(32,304,691)	17,477,892
		31,548,392	124,471,393
Corporation tax paid		(8,158,949)	(6,296,232)
Net cash from operating activities		101,958,167	48,759,451
Cash flow from investing activities			
Acquisition of fixed assets		(2,203,457)	(1,682,368)
Disposal of fixed assets		810	-
Net cash used in investing activities		(2,202,647)	(1,682,368)
Cash flow from financing activities			
Dividend paid		(8,500,000)	-
Proceeds from issue of share capital		-	50,000,000
Net cash (used in)/from financing activities		(8,500,000)	50,000,000
Net increase in cash and cash equivalents		91,255,520	97,077,083
Cash and cash equivalents at the beginning of the year	30	239,873,981	142,796,898
Cash and cash equivalents at the end of the year	30	331,129,501	239,873,981

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

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FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

GENERAL INFORMATION

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

BASIS OF PREPARATION

FBN UK has prepared these financial statements using the International Financial Reporting Standards (IFRS) as adopted in the European Union and has also applied IFRS as issued by the International Accounting Standards Board (IASB).

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

GOING CONCERN

FBN UK's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 43-46. The financial position of FBN UK, its cash flow and capital position are as described on pages 10-13. 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.

FBN UK has considerable financial resources, as evidenced by its high capital adequacy ratio, together with long-term deposit and loan contracts with a number of customers across different geographic areas and strong support from its shareholders. Also, FBN UK has developed a broader customer base, thereby ensuring stable and long tenored deposits to support profitable business growth. The financial forecasts indicate that FBN UK will continue to operate profitably in the future. As a consequence, the directors believe that FBN 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 FBN UK has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continued to adopt the going concern basis in preparing the annual report and accounts.

ACCOUNTING CONVENTION

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

INCOME RECOGNITION

a) Interest income and expense

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

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. The effective interest rate incorporates fees receivable that are an integral part of the 'effective interest rate' of a financial instrument.

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

b) Non-interest income

Fees and commissions

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

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

FOREIGN CURRENCY

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

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

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FINANCIAL INSTRUMENTS

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

FBN 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 FBN UK manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative that 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 that are not classified upon initial recognition as available-for-sale or at fair value through profit and loss.

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

FINANCIAL ASSETS AVAILABLE-FOR-SALE

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

IMPAIRMENT OF FINANCIAL ASSETS HELD AT AMORTISED COST

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

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

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FINANCIAL LIABILITIES

FBN 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.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

OTHER FINANCIAL LIABILITIES

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

DETERMINING FAIR VALUE

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

PROPERTY AND EQUIPMENT

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

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

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

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

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

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INTANGIBLE ASSETS

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

LEASES

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

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

PROVISIONS

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

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. FBN 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

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

CASH AND CASH EQUIVALENTS

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

USE OF ESTIMATES

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

CAPITAL INSTRUMENTS

FBN 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 FBN UK after the deduction of liabilities. The components of a compound financial instrument issued by FBN UK are classified and accounted for separately as financial liabilities or equity as appropriate.

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ADOPTION OF NEW AND REVISED STANDARDS

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

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

FBN UK has not applied the following new and revised IFRS that have been issued, but are not yet effective:

Amendments to IFRS 7 and 9	Mandatory effective date of IFRS 9 and transition disclosures ³
Amendments to IAS 1	Presentation of items of other comprehensive income ³
IAS 32	Offsetting financial assets and financial liabilities ⁴

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

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

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

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

LOAN IMPAIRMENT PROVISIONS

FBN 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 the management's best estimate of future cash repayments and proceeds from any security held. The actual amount of the future cash flows and the date they are received may differ from these estimates and consequently, actual losses incurred may differ from those recognised in these financial statements.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

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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

FBN UK's main activity is commercial banking, which is carried out in the United Kingdom and France.

4 NET INTEREST INCOME

a) Net interest income

INTEREST AND SIMILAR INCOME	31 Dec 2013 £	31 Dec 2012 £
Due from banks	22,343,862	28,713,924
Loans and advances to customers	49,538,696	29,500,812
Available-for-sale financial assets	9,164,729	6,666,687
	81,047,287	64,881,423

Interest accrued 2013 was £198,191 (2012: £77,205) on impaired loans is included in the total interest income above unless this was suspended.

INTEREST EXPENSE AND SIMILAR CHARGES	31 Dec 2013 £	31 Dec 2012 £
Due to banks	2,198,129	4,882,205
Due to customers	24,835,791	22,123,417
Debt issued and other borrowed funds	2,050,121	2,247,593
	29,084,041	29,253,215

b) Investment revenue

	31 Dec 2013 £	31 Dec 2012 £
Gain on sale of available-for-sale investments	1,467,967	-
	1,467,967	-

5 FEES AND COMMISSIONS INCOME IS DERIVED FROM

INTEREST EXPENSE AND SIMILAR CHARGES	31 Dec 2013 £	31 Dec 2012 £
Loans	979,907	1,118,825
Letters of credit	3,889,046	4,925,929
Funds transfer	698,267	680,616
Other	1,200,984	1,248,569
	6,768,204	7,973,939

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6 ADMINISTRATIVE EXPENSES

	31 Dec 2013 £	31 Dec 2012 £
Average no of employees (including three (2012: three) executive directors)		
Banking division	76	62
Operations	49	50
Administration	16	13
	141	125
	31 Dec 2013 £	31 Dec 2012 £
Wages and salaries (including directors)	12,826,797	10,209,420
Social security costs	904,992	841,821
Other pension costs	573,271	527,487
Total staff costs	14,305,060	11,578,728
Other administrative expenses	9,520,324	8,689,968
	23,825,384	20,268,696

7 DIRECTORS' EMOLUMENTS

	31 Dec 2013 £	31 Dec 2012 £
Directors' fees	234,300	155,300
Other emoluments	1,834,197	1,061,541
Contribution to a money purchase pension scheme	50,508	60,340
	2,119,005	1,277,181

The highest paid director received emoluments, excluding pension contributions, totalling £650,641 (2012: £434,967) and pension contributions of £28,734 (2012: £28,572).

Three directors received pension benefits in the year to December 2013 (2012: three).

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8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 Dec 2013 £	31 Dec 2012 £
Operating profit is stated after charging:		
Depreciation - property and equipment	226,059	209,762
Amortisation	539,808	277,063
Auditor's remuneration:		
- audit of half year accounts	80,000	80,000
- audit of annual accounts	85,000	76,000
- financial and regulatory assurance	10,000	4,000
- tax advisory services	-	3,800
Rental of premises held under operating leases	904,891	872,577

9 TAXATION

Tax on profit on ordinary activities charged in the income statement

(i) Analysis of tax charge on ordinary activities

	31 Dec 2013 £	31 Dec 2012 £
United Kingdom corporation tax based on the profit for the year	7,313,443	6,484,340
Prior period current tax adjustment	(8,278)	(21,129)
Total current tax	7,305,165	6,463,211
Deferred Tax:		
- temporary differences, origination and reversal	(13,153)	372
- effect of tax rate change	4,935	3,183
- prior period deferred tax adjustments	(6,984)	3,629
Tax expense	7,289,963	6,470,395

(ii) Reconciliation of the total tax charge

	31 Dec 2013 £	31 Dec 2012 £
Profit on ordinary activities before tax	31,238,627	26,134,556
Tax at 23.25% (31 December 2012: 24.5%) thereon	7,262,981	6,396,361
Effects of:		
- expenses not deductible for tax purposes	37,309	88,351
- effect of tax rate change	4,935	3,183
- prior year adjustment	(15,262)	(17,500)
Tax expense	7,289,963	6,470,395

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10 DEFERRED TAX

The following are the deferred tax assets recognised by FBN UK and movements thereon during the current and prior reporting period. Deferred tax is calculated on temporary differences using the tax rate of 21% (2012: 23%). The Finance Act 2013 reduced the UK corporation tax rate from 24% to 23% with effect from 1 April 2013. In the March 2013 Budget Statement, the UK government announced that the main rate of corporation tax was to be reduced to 21 % from 1 April 2014 and the reduction was substantively enacted on 17 July 2013. A further reduction to the main rate was enacted in the Finance Act 2013 to reduce the rate to 20% by 1 April 2015.

	Accelerated tax depreciation £	Other temporary differences £	Total £
At 1 January 2012	27,365	16,429	43,794
Charge to income	2,758	(3,130)	(372)
Effect of tax rate change	(2,119)	(1,064)	(3,183)
Prior period adjustment	(3,629)	-	(3,629)
At 31 December 2012	24,375	12,235	36,610
Charge to income	16,032	(2,879)	13,153
Effect of tax rate change	(4,121)	(814)	(4,935)
Prior period adjustment	6,984	-	6,984
At 31 December 2013	43,270	8,542	51,812

11 CASH AT BANK AND IN HAND

	31 Dec 2013 £	31 Dec 2012 £
Cash	120,108	150,221
Short-term balances with other banks	93,149,056	74,878,991
	93,269,164	75,029,212

12 LOANS AND ADVANCES TO BANKS

	Performing loans as at 31 Dec 2013 £	Impaired loans as at 31 Dec 2013 £	Total £	Performing loans as at 31 Dec 2012 £	Impaired loans as at 31 Dec 2012 £	Total £
Repayable on demand or at short notice	83,065,344	-	83,065,344	48,637,111	-	48,637,111
Remaining maturity:						
- three months or less excluding on demand or at short notice	423,695,020	-	423,695,020	714,113,233	-	714,113,233
- one year or less but over three months	31,636,794	-	31,636,794	59,714,803	-	59,714,803
- five years or less but over one year	7,154,556	-	7,154,556	16,486,657	-	16,486,657
	545,551,714	-	545,551,714	838,951,804	-	838,951,804

Total loans advanced to First Bank of Nigeria Limited (parent bank) at 31 December 2013 were £20,988,690 (2012: £25,695,096).

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

None of the loans and advances to banks was impaired (2012: £nil) and no collateral was held.

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13 LOANS AND ADVANCES TO CUSTOMERS

	Performing loans as at 31 Dec 2013 £	Impaired loans as at 31 Dec 2013 £	Total £	Performing loans as at 31 Dec 2012 £	Impaired loans as at 31 Dec 2012 £	Total £
Repayable on demand or at short notice	154,794,993	-	154,794,993	115,143,935	1,063,723	116,207,658
Remaining maturity:						
- three months or less excluding on demand or at short notice	550,247,282	-	550,247,282	439,852,315	-	439,852,315
- one year or less but over three months	54,256,253	-	54,256,253	63,070,501	813,859	63,884,360
- five years or less but over one year	240,252,850	-	240,252,850	193,851,168	-	193,851,168
- Over five years	134,517,820	-	134,517,820	112,195,870	-	112,195,870
Less allowance for impairment (Note 24)	-	-	-	-	(1,184,175)	(1,184,175)
	1,134,069,198	-	1,134,069,198	924,113,789	693,407	924,807,196

As at 31 December 2013, the Bank had advanced £154,794,993 overdrafts (2012: £116,207,658) and £979,149,953 fixed term loans (2012: £808,186,913) to customers. £124,252 was granted as staff loans (2012: £98,766).

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

None of the loans and advances to customers was impaired (2012: £1,184,175) and no collateral (2012: £445,184) was held.

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

14 INVESTMENTS IN SUBSIDIARY

	31 Dec 2013 £	31 Dec 2012 £
Subsidiaries		
Coombe Valley Properties Ltd	-	1
	-	1

In June 2011, FBN UK established Coombe Valley Properties Limited as a subsidiary. The Company had issued share capital of 100 at £1 each, £0.01p paid, of which FBN UK had 100% holding. Coombe Valley Properties Limited was incorporated in the United Kingdom and registered in England and Wales.

The operation of Coombe Valley Properties Limited was wound down through the sale of its assets and liquidation of outstanding liabilities during this financial year. The Company was successfully deregistered at the Companies House in 2013 and ceased to be a subsidiary of FBN UK Limited.

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15 INVESTMENTS

a) Available-for-sale financial assets

	31 Dec 2013 £	31 Dec 2012 £
Available-for-sale financial assets carried at fair value		
Financial Instruments available for sale	294,910,347	201,043,733
Available-for-sale valuation	3,940,168	8,942,267
Less impairment provision	-	(9,278,446)
Balance as at 31 December 2013	298,850,515	200,707,554
Maturity:		
Less than three months	181,904,805	49,971,178
One year or less but over three months	36,654,997	-
Between one year and five years	59,041,480	128,850,311
More than five years	21,249,233	21,886,065
Balance as at 31 December 2013	298,850,515	200,707,554

FBN UK holds its securities portfolio as available-for-sale and assesses at each balance sheet date whether or not there is objective evidence that the portfolio or a specific debt security is impaired.

As at 31 December 2013, FBN UK had minimal exposure to sovereign debt in comparison to its balance sheet and capital. The exposure (\$8m) was to the Kingdom of Belgium and did not present any default concern.

In compliance with new regulatory rules, FBN UK held £181.90m United Kingdom treasury bills in support of its liquidity requirement as at 31 December 2013.

b) Investment royalty

	31 Dec 2013 £	31 Dec 2012 £
Investment - royalty	7,955,925	-
Less impairment provision	(7,955,925)	-
Balance as at 31 December 2013	-	-

During 2013, an impaired customer loan was restructured and reclassified as investment royalty. The restructuring terms required that FBN UK make a full impairment provision for the asset.

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16 PROPERTY AND EQUIPMENT

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

17 INTANGIBLE FIXED ASSETS

	Computer software £
Cost	
at 31 December 2012	2,857,567
Additions	861,306
at 31 December 2013	3,718,873
Accumulated depreciation	
at 31 December 2012	1,064,177
Charge for the year	542,113
at 31 December 2013	1,606,290
Net book value	
at 31 December 2013	2,112,583
at 31 December 2012	1,793,390

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18 OTHER ASSETS

	31 Dec 2013 £	31 Dec 2012 £
Accounts receivable	1,276,890	388,814
Prepayments	1,462,305	2,737,066
	2,739,195	3,125,880

19 DEPOSITS BY BANKS

	31 Dec 2013 £	31 Dec 2012 £
Repayable on demand	216,531,332	208,776,063
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less	384,512,427	395,143,805
- one year or less, but over three months	7,264,362	307,532
	608,308,121	604,227,400

Total deposits due to First Bank of Nigeria Limited at 31 December 2013 were £307,523,038 (2012: £325,927,045).

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

20 CUSTOMER ACCOUNTS

	31 Dec 2013 £	31 Dec 2012 £
Repayable on demand	204,006,640	203,717,840
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less but not repayable on demand	462,950,775	387,261,053
- one year or less, but over three months	193,607,682	281,241,896
- more than one year but less than five years	288,518,809	220,611,657
- more than five years	3,207,042	-
	1,152,290,948	1,092,832,446

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

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21 OTHER LIABILITIES

	31 Dec 2013 £	31 Dec 2012 £
Taxation	2,732,303	4,749,075
Social security and other taxes	1,181,655	569,629
Cash collateral	56,553,627	89,114,408
Customers' unclaimed balances	613,601	593,802
Others payable	12,731,875	11,165,380
	73,813,061	106,192,294

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

22 SUBORDINATED LIABILITIES

	31 Dec 2013 £	31 Dec 2012 £
Subordinated debt		
Principal	50,000,000	50,000,000
Accrued Interest	11,271	22,486
	50,011,271	50,022,486

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

23 SHARE CAPITAL

	31 Dec 2013 No. of shares	Amount £	31 Dec 2012 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	132,000,000	132,000,000	132,000,000	132,000,000

Ordinary Shares:

First Bank of Nigeria Limited holds 132,000,000 (2012: 132,000,000) or 100% (2012: 100%) of the ordinary shares issued. No new shares were authorised (2012: nil) and issued (2012: 50,00,000) during the year. Each share carries a voting right of one vote.

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24 IMPAIRMENT

	31 Dec 2013 £	31 Dec 2012 £
Opening balance	10,462,621	10,441,967
Charge to income statement	8,110,683	461,237
Loan recovery	(57,233)	(28,484)
Exchange difference	(352,752)	(412,099)
Amount written off	(10,207,394)	-
Closing balance	7,955,925	10,462,621
Available-for-sale financial assets (Note 15 a)	-	9,278,446
Investment - royalty (Note 15 b)	7,955,925	-
Loans and advances to customers (Note 13)	-	1,184,175
	7,955,925	10,462,621

FBN 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 2013, none of the mortgage customers had entered into any such arrangement.

25 CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal issues

At 31 December 2013, there were no pending legal cases or issues in progress which may have a material impact on the financial statements of FBN UK (2012: nil).

b) Operating lease commitments

	31 Dec 2013 £	31 Dec 2012 £
Within one year	893,152	889,678
Between one and five years	3,094,126	2,193,255
More than five years	8,466,713	-
	12,453,991	3,082,933

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

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c) Off-balance sheet liabilities

	31 Dec 2013 £	31 Dec 2012 £
Contingent Liabilities		
Letters of credit	183,392,604	96,078,733
Guarantees given to third parties	93,974,918	93,313,396
	277,367,522	189,392,129
	31 Dec 2013 £	31 Dec 2012 £
Loan commitments		
Undrawn irrevocable loan commitments	25,900,315	107,986,896

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 2013 £	31 Dec 2012 £
Assets		
Amounts due from parent bank		
Loans	20,988,690	25,695,096
Cash at bank	998,972	14,546,571
	21,987,662	40,241,667
Liabilities		
Amounts due to parent bank	307,523,038	325,927,045
Subordinated liabilities	50,000,000	50,000,000
Amount due to fellow subsidiaries	24,214,762	31,986,881
	381,737,800	407,913,926
Letters of guarantee		
From parent bank	158,083,777	88,623,853
Income		
From parent bank	6,326,387	4,341,910
From fellow subsidiaries	36,224	4,467
Expenses		
To parent bank	2,840,113	4,211,653
To fellow subsidiaries	173,935	182,161
	3,014,048	4,393,814

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Mortgages were approved and advanced on a commercial arm's length basis, to seven (2012: three) Directors of First Bank of Nigeria Limited, during the year. As at 31 December 2013, a total mortgage amount of £5,966,867 (2012: £3,114,458) was outstanding in respect of these Directors.

No personal loans (2012: one) were made to the Directors of First Bank of Nigeria Limited as at 31 December 2013 (2012: £200,000).

Loan of £425,311 (2012: £552,000) was advanced to a key management personnel of FBN UK and was outstanding as at 31 December 2013.

Deposit liabilities totalling £500,699 (2012: £885,623) were held by FBN UK in respect of these Directors.

Subordinated loans of £16.5m and £33.5m were granted by First Bank of Nigeria Limited in December 2010, and were outstanding as at 31 December 2013 (note 22).

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

27 FINANCIAL RISK MANAGEMENT

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FBN 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.

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

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

FBN 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.

FBN UK does not have a trading book. FBN UK 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. FBN UK's lending is in USD, GBP, EUR, JPY and CHF. FBN UK deals in spot and forward foreign exchange transactions.

The main risks arising from FBN 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 FBN UK's credit function which are designed to ensure that loans are made in accordance with FBN UK'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

FBN UK's Credit Committee is responsible for approving credit recommendations and making other credit decisions as per its delegated authority within FBN UK's Credit 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.

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

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

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

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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.

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

The tables below show the maturity of FBN UK's financial assets and FBN UK's exposure to credit risk based on residual maturity, markets and countries in which FBN UK'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 2013	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Not exposed to credit risk £'000	Total £'000
Assets							
Cash at bank and in hand	93,269	-	-	-	-	-	93,269
Loans and advances to banks	506,760	14,118	17,519	7,155	-	-	545,552
Loans and advances to customers	705,042	39,164	15,092	240,253	134,518	-	1,134,069
Treasury bill	181,905	-	-	-	-	-	181,905
Available-for-sale financial assets	-	21,942	14,714	59,041	21,249	-	116,946
Tangible fixed assets	-	-	-	-	-	1,678	1,678
Intangible fixed assets	-	-	-	-	-	2,113	2,113
Other assets	-	-	-	-	-	2,739	2,739
Deferred tax	-	-	-	-	-	52	52
Financial assets - derivatives	9,812	-	-	-	-	-	9,812
Total assets	1,496,788	75,224	47,325	306,449	155,767	6,582	2,088,135

AS AT 31 DECEMBER 2012	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	75,029	-	-	-	-	-	75,029
Loans and advances to banks	762,751	40,542	19,172	16,487	-	-	838,952
Loans and advances to customers	555,155	20,903	42,702	193,851	112,196	-	924,807
Available-for-sale financial assets	49,971	-	-	128,850	21,886	-	200,707
Tangible fixed assets	-	-	-	-	-	564	564
Intangible fixed assets	-	-	-	-	-	1,793	1,793
Other assets	389	-	-	-	-	2,737	3,126
Deferred tax	-	-	-	-	-	37	37
Financial assets - derivatives	2,481	-	-	-	-	-	2,481
Total assets	1,445,776	61,445	61,874	339,188	134,082	5,131	2,047,496

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AGE ANALYSIS OF PAST DUE BUT NOT IMPAIRED ASSETS

The table below shows the age analysis of past due but not impaired risk assets. FBN UK held collateral (2012: £nil) against these assets.

	31 Dec 2013 Gross Amount £	Collateral £	Amount £	31 Dec 2012 Gross amount £	Collateral £	Amount £
Within three months	217,288	217,288	-	607,421	-	607,421
Between three to six months	420,353	420,353	-	-	-	-
Over six months but less than one year	602,697	602,697	-	-	-	-
Over one year	256,203	256,203	-	-	-	-
	1,496,541	1,496,541	-	607,421	-	607,421

ANALYSIS OF IMPAIRED FINANCIAL ASSETS

The following table shows analysis of impaired financial assets.

	Amortised cost 31 Dec 2013 £	Provision on 31 Dec 2013 £	Net book value 31 Dec 2013 £
Investment – royalty (note 15 b)	7,955,925	7,955,925	-
	7,955,925	7,955,925	-

	Amortised cost 31 Dec 2012 £	Provision on 31 Dec 2012 £	Net book value 31 Dec 2012 £
Loans and advances to customers (note 13)	1,877,582	1,184,175	693,407
Available-for-sale financial assets (note 15)	9,278,446	9,278,446	-
	11,156,028	10,462,621	693,407

FBN UK holds collateral in respect of certain loans and advances to banks and customers that are impaired. The following table shows financial and non-financial assets, recognised on FBN UK's balance sheet.

	31 Dec 2013 £	31 Dec 2012 £
Residential property	-	445,184
Commercial property	-	-
Investment – royalty (note 15)	-	-
	-	445,184

In general, FBN UK will seek to dispose of property and other assets obtained by taking possession of collateral and convert into cash as rapidly as the market for the individual asset permits.

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CREDIT EXPOSURE BY SECTOR

	31 Dec 2013 £'000	31 Dec 2012 £'000
Banks	729,569	1,022,882
Corporates	1,084,154	878,655
Government	187,111	70,867
Individuals	70,907	67,092
	2,071,741	2,039,496

Credit exposure by location

	31 Dec 2013 £'000	31 Dec 2012 £'000
Western Europe	895,985	860,247
Eastern Europe	54,793	6,196
Africa	665,279	778,830
Others	455,684	394,223
	2,071,741	2,039,496

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.

FBN UK extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have acceptable Fitch (or equivalent) ratings. A sizeable percentage (27%) (2012: 36%) of FBN 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 2013, FBN UK's maximum exposure to credit risk was £2,170m (2012: £2,137m), of which £7.95m (2012: £10.84m) 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 £300m (2012: £294m) against which FBN UK held cash collateral of £85m (2012: £99m). In addition, FBN UK had collateral of £300m (2012: £293m) in respect of other credit exposures.

Generally, FBN 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 FBN UK 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, FBN UK also pledged assets as collateral to secure trade related liabilities. The aggregate amount of assets pledged was £101.3m (2012: £51.8m).

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. FBN 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 FBN 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 2013 as a basis of disclosing FBN UK's interest rate sensitivity analysis.

INTEREST RATE SENSITIVITY ANALYSIS

FBN UK holds a combination of fixed and variable rate assets and liabilities. As a consequence of holding variable rate financial instruments, FBN UK 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.

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

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

AS AT 31 DECEMBER 2012	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
Total financial assets	619,311	1,146,312	260,445	13,428	2,039,496
Less: fixed rate assets	(49,971)	(424,287)	(92,193)	-	(566,451)
Total variable rate assets	569,340	722,025	168,252	13,428	1,473,045
Total financial liabilities	876,573	783,180	36,537	769	1,697,059
Less: fixed rate liabilities	(692,226)	-	-	-	(692,226)
Total variable rate liabilities	184,347	783,180	36,537	769	1,004,833
Net cash flow interest rate risk exposures	384,993	(61,155)	131,715	12,659	468,212
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	3,850	(917)	1,317	127	4,377
Possible impact of decrease in Libor/Euribor on profit/loss	(3,850)	917	(1,317)	(127)	(4,377)

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 FBN UK to match the currencies and its assets and liabilities as far as practicable. It is also the policy of FBN 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 FBN UK's net foreign currency exposures as at 31 December 2013 as a basis of disclosing FBN UK's foreign currency sensitivity analysis.

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FOREIGN CURRENCY SENSITIVITY

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

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

AS AT 31 DECEMBER 2013	USD £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	(2,697)	(3,403)	(4,274)
Impact of 5% increase in FC: GBP rate	135	170	214
Impact of 5% decrease in FC: GBP rate	(135)	(170)	(214)

AS AT 31 DECEMBER 2012	US Dollar £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	6,392	1,215	(44)
Impact of 5% increase in FC: GBP rate	(320)	(61)	2
Impact of 5% decrease in FC: GBP rate	320	61	(2)

28 LIQUIDITY RISK

FBN UK is authorised by the Prudential Regulation Authority (PRA) and regulated in the United Kingdom by the Financial Conduct Authority (FCA) who set the required liquidity mismatch parameters. FBN 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 FBN 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 2013	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Liabilities						
Deposits by banks	601,044	7,264	-	-	-	608,308
Customer accounts	666,958	18,688	174,919	288,519	3,207	1,152,291
Other financial liabilities	73,813	-	-	-	-	73,813
Financial liabilities - derivatives	16	-	-	-	-	16
Subordinated liabilities	11	-	-	-	50,000	50,011
Off balance sheet items:						
Letters of credit	122,911	39,721	17,109	-	3,652	183,393
Undrawn loan commitments	25,900	-	-	-	-	25,900
Guarantees	63,742	4,430	25,386	417	-	93,975
Total liabilities	1,554,395	70,103	217,414	288,936	56,859	2,187,707

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AS AT 31 DECEMBER 2012	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	603,920	-	307	-	-	604,227
Customer accounts	590,979	38,559	242,682	220,612	-	1,092,832
Other financial liabilities	106,192	-	-	-	-	106,192
Financial liabilities - derivatives	2,064	-	-	-	-	2,064
Subordinated liabilities	22	-	-	-	50,000	50,022
Off balance sheet items:						
Letters of credit	71,926	20,159	3,993	-	-	96,078
Undrawn loan commitments	107,987	-	-	-	-	107,987
Guarantees	13,398	12,692	66,849	374	-	93,313
Total liabilities	1,496,488	71,410	313,831	220,986	50,000	2,152,715

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

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

	31 Dec 2013 £'000	31 Dec 2012 £'000
Financial assets		
Cash at bank and in hand	93,269	75,029
Fair value through profit and loss (FVTPL)		
- Designated as FVTPL	9,812	2,481
Available-for-sale financial assets	298,851	200,707
Loans and receivables	1,679,621	1,763,759
	2,081,553	2,041,976
Financial liabilities		
Fair value through profit and loss (FVTPL)		
- Designated as FVTPL	16	2,064
Other financial liabilities (deposits and subordinated loans)	1,810,610	1,747,081
	1,810,626	1,749,145

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

	Book value 31 Dec 2013 £'000	Book value 31 Dec 2012 £'000	Fair value 31 Dec 2013 £'000	Fair value 31 Dec 2012 £'000
Financial assets				
Cash at bank and in hand	93,269	75,029	93,269	75,029
Loans and advances to banks	545,552	838,952	545,552	838,952
Loans and advances to customers	1,134,069	924,807	1,134,069	924,807
Available-for-sale financial assets	294,911	201,043	298,851	200,707
Financial asset - derivatives	8,954	2,537	9,812	2,481
	2,076,755	2,042,368	2,081,553	2,041,976
Financial liabilities				
Deposits by banks	608,308	604,227	608,308	604,227
Customer accounts	1,152,291	1,092,832	1,152,291	1,092,832
Financial liabilities - derivatives	11	1,968	16	2,064
Subordinated liabilities	50,011	50,022	50,011	50,022
	1,810,621	1,749,049	1,810,626	1,749,145

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

Investment royalties

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

Financial assets – derivatives

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

Deposits by banks

These comprise mainly 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.

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Customer accounts

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

Financial liabilities - derivatives

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

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 FBN UK that are measured subsequent to initial recognition at amortised cost, available-for-sale and fair value through the profit and loss (FVTPL), grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); 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).

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

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AS AT 31 DECEMBER 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
FINANCIAL ASSETS				
Amortised cost				
Loans and advances to banks		838,952		838,952
Loans and advances to customers		924,493		924,493
Available-for-sale				
Available-for-sale financial assets	200,707	-	-	200,707
FVTPL				
Financial asset - derivatives (FVTPL)	-	2,481	-	2,481
	200,707	1,765,926	-	1,966,633
FINANCIAL LIABILITIES				
Amortised cost				
Deposits by banks		604,227		604,227
Customer accounts		1,092,832		1,092,832
Subordinated liabilities		50,022		50,022
FVTPL				
Financial liabilities - derivatives (FVTPL)	-	2,064	-	2,064
	-	1,749,145	-	1,749,145

30 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS IN FBN UK CASH FLOW STATEMENTS

	31 Dec 2013 £'000	31 Dec 2012 £'000
Cash at bank and in hand	93,269,164	75,029,212
Loans and advances to banks - repayable on demand	83,065,344	48,637,111
Loans and advances to customers - repayable on demand	154,794,993	116,207,658
Cash and cash equivalents at 31 December 2013	331,129,501	239,873,981

31 PENSION COSTS

FBN UK operates a defined contribution pension scheme for staff, and contributions were made during the year totalling £573,271 (2012: £527,487). This amount forms part of total staff costs recorded under administrative expenses.

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

32 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party is FBN Holdings Plc FBN Holdings, 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 FBN UK is a member is FBN Holdings Plc. Copies of such accounts may be obtained from the Company Secretary, FBN Holdings Plc, Lagos, Nigeria.

33 DIVIDEND PAID

An interim dividend of £4,600,000 (2012: £nil) was paid by FBN UK in respect of year ended 31 December 2013. No final dividend is proposed (2012: £3,900,000).

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43 STRATEGIC REPORT

46 DIRECTORS' REPORT

47 DIRECTORS' RESPONSIBILITIES STATEMENT

48 INDEPENDENT AUDITOR'S REPORT TO THE
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49 STATEMENT OF COMPREHENSIVE INCOME

50 BALANCE SHEET

51 STATEMENT OF CHANGES IN EQUITY

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FIVE-YEAR FINANCIAL HIGHLIGHTS

	31 Dec 2013 £	31 Dec 2012 £	31 Dec 2011 £	31 Dec 2010 £	31 Dec 2009 £
BALANCE SHEET					
ASSETS					
Cash at bank and in hand	93,269,164	75,029,212	17,554,507	16,738,427	7,136,337
Loans and advances to banks	545,551,714	838,951,804	1,128,941,539	756,193,496	849,553,076
Loans and advances to customers	1,134,069,198	924,807,196	580,293,531	575,790,096	270,978,606
Investment in subsidiary	-	1	1	10,373	10,373
Securities-held-to-maturity	-	-	-	-	14,233,782
Available-for-sale financial assets	298,850,515	200,707,554	111,392,338	58,330,632	-
Property and equipment	1,677,923	563,652	516,685	360,095	369,860
Intangible assets	2,112,583	1,793,390	647,684	680,430	681,262
Other assets	2,739,195	3,125,880	1,811,304	2,045,993	1,134,384
Deferred tax asset	51,812	36,610	43,794	71,161	92,284
Financial assets - derivatives	9,812,485	2,480,799	536,268	22,835	549,063
	2,088,134,589	2,047,496,098	1,841,737,651	1,410,243,538	1,144,739,027
FINANCED BY:					
Share capital	132,000,000	132,000,000	82,000,000	82,000,000	82,000,000
Reserves	71,695,729	60,157,037	32,020,220	28,911,852	19,670,128
Deposits by banks	608,308,121	604,227,400	715,387,045	608,855,076	455,975,834
Customer accounts	1,152,290,948	1,092,832,446	874,679,300	590,292,118	500,227,751
Other liabilities	73,813,061	106,192,294	80,543,059	47,531,027	70,173,204
Financial liabilities - derivatives	15,459	2,064,435	7,095,239	2,647,513	16,069
Subordinated liabilities	50,011,271	50,022,486	50,012,788	50,005,952	16,676,041
	2,088,134,589	2,047,496,098	1,841,737,651	1,410,243,538	1,144,739,027
INCOME STATEMENT					
Gross earnings	92,201,502	76,089,220	62,706,451	56,007,963	33,197,153
Net operating income	63,117,461	46,836,005	34,983,991	36,909,550	15,491,381
Operating expenses	(23,825,384)	(20,268,696)	(16,463,447)	(14,153,616)	(7,928,254)
Provision for losses	(8,110,683)	(461,128)	(976,897)	(11,815,498)	(6,802,735)
Loan recovery	57,233	28,375	93,839	6,140,393	-
Profit before tax	31,238,627	26,134,556	17,637,486	17,080,829	760,392
Taxation	(7,289,963)	(6,470,395)	(4,751,715)	(4,909,799)	(237,730)
Profit after tax	23,948,664	19,664,161	12,885,771	12,171,030	522,662
Dividend	8,500,000	-	6,000,000	5,000,000	-

ABBREVIATIONS

ALCO	Asset & Liability Committee	GDP	Gross Domestic Product
AMCON	Asset Management Company of Nigeria	GMD	Group Managing Director
BARAC	Board Audit & Risk Assessment Committee	HNI	High net worth individual
BCC	Board Credit Committee	HR	Human Resources
BEC	Board Establishment Committee	IASB	International Accounting Standards Board
BGC	Board Governance Committee	IBAM	Investment Banking and Asset Management
BIC	Banque Internationale de Crédit SARL	ICAAP	International Capital Adequacy Assessment Process
BSRC	Board Strategy Review Committee	ICAN	Institute of Chartered Accountants of Nigeria
CAR	Capital adequacy ratio	ICB	International Commercial Banks
CBN	Central Bank of Nigeria	IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer	ILAA	Individual Liquidity Adequacy Assessment
CRM	Credit Risk Management	IMF	International Monetary Fund
CRO	Chief Risk Officer	LIBOR	London Interbank Offered Rate
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
FBN UK	FBN Bank (UK) Limited	PBT	Profit before tax
FFL	First Funds Limited	PMS	Performance Management Scheme
FPCNL	First Pension Custodian Nigeria Limited	RRP	Recovery and Resolution Plan
FSA	Financial Services Authority	SBU	Strategic Business Unit
FTNL	First Trustees Nigeria Limited	SSA	Sub-Saharan Africa
FVTPL	Fair value through profit and loss	STFC	Structured trade & commodity finance
FX	Foreign Exchange	TCF	Treating Customers Fairly



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