FirstBank
Since 1894

FIRST FORWARD

FIRST BANK OF NIGERIA PLC
ANNUAL REPORT AND ACCOUNTS 2011

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First Forward – on our transformation journey

This year's report title, *First Forward*, reflects our progress towards consolidating our industry leadership. During the year, we navigated a competitive and evolving financial landscape and continued transforming our business and the way we interact with a dynamic marketplace.

The banking and broader financial services industry remains fundamentally attractive now and for the medium to long term. We believe that sustained improvement in our performance, clarity of direction and restructuring ideally positions us to readily recognise and seize these opportunities and realise our aspiration to become Sub-Saharan Africa's leading financial services group.

In 2012, we will offer more integrated solutions for our customers, improve our standards of excellence and ultimately drive value for our shareholders.

About FirstBank

FirstBank has its headquarters in Lagos, Nigeria and international presence in London, United Kingdom; Paris, France; Johannesburg, South Africa; Beijing, China; Abu Dhabi, UAE; and Kinshasa, DR Congo.

Drawing from our experience since 1894 and with a focus on growth and efficiency, we continue to consolidate our footprint in Nigeria, diversify and transform our Bank and build scale internationally. Being the most resilient financial brand in Nigeria, we remain the 'clear leader and Nigeria's bank of first choice' delivering best-in-class financial results while creating the enabling environment for sustainable long-term growth.

The FirstBank Group is a well-diversified financial institution with subsidiaries involved in capital market operations, insurance services, investment banking and asset management, private equity/venture capital, pension fund custody management, registrar services, trusteeship, mortgage and microfinance banking. Within the Bank, we are structured along corporate, institutional, private, public and retail banking customer segments, giving us the ability to drive deeper product penetration and develop sector expertise with relationship management based on a deep understanding of customer needs.

FirstBank has been listed on the Nigerian Stock Exchange since March 1971 and has an unlisted Global Depositary Receipt (GDR) programme. Currently, there are 32.6 billion issued shares with ownership from over 1.3 million shareholders across the globe.

The Bank continues to maintain strong ratings from Standard & Poor's, Fitch, Global Credit Rating and Agusto & Co. A recipient of several awards during the year, FirstBank attained a BS 25999 certification in Business Continuity Management Systems from the British Standards Institute (BSI), indicating a resilient capacity in achieving key business objectives when faced with disruptions whether due to a major disaster or a minor incident and a consistent framework based on international best practice to managing business continuity.

FirstBank Group has 717 business locations and 1,538 ATMs nationwide.

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Overview of FirstBank

Group structure

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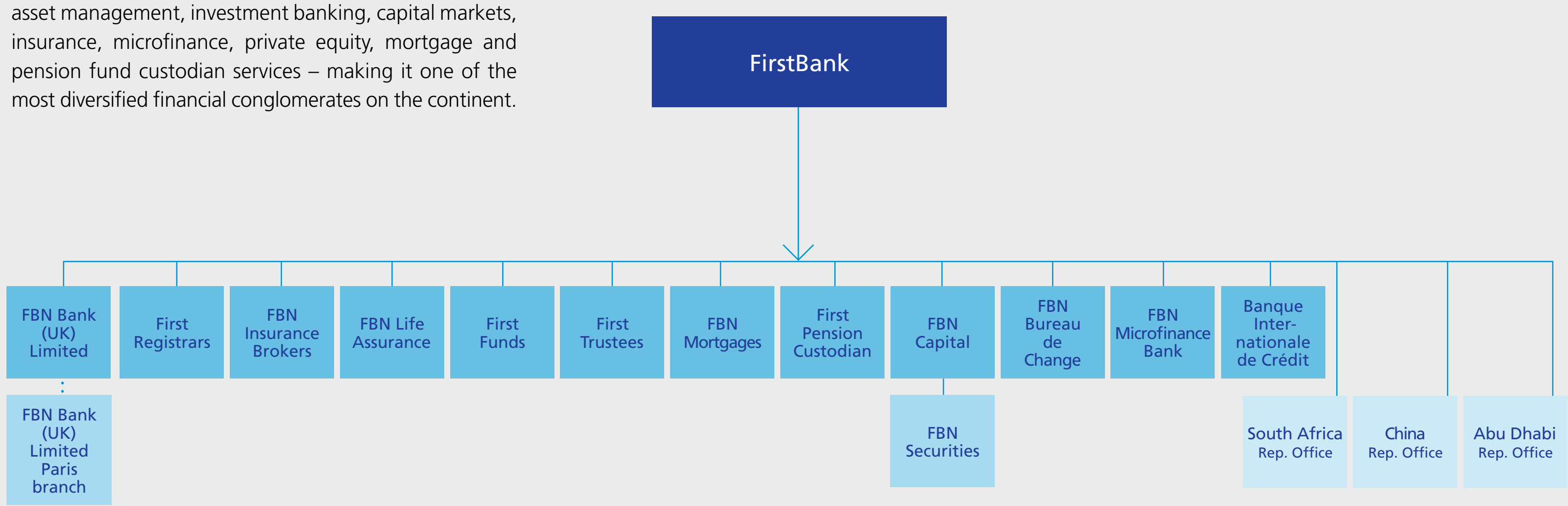
The FirstBank Group comprises 12 subsidiaries, spanning asset management, investment banking, capital markets, insurance, microfinance, private equity, mortgage and pension fund custodian services – making it one of the most diversified financial conglomerates on the continent.



Our presence

■ Head office
● Subsidiary
○ Branch of London
○ Representative office

Strategic approach

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Group vision
To become Sub-Saharan Africa's leading financial services group

Group strategic priorities
- Restructuring for growth
- Business line expansion
- International expansion
- Group synergies and cross-selling
- Sequencing growth systematically

Bank vision
To be the clear leader and Nigeria's bank of first choice

Bank financial priorities
- Fees and commissions increase
- Selective loans and advances (LAD) creation
- Pricing optimisation
- Low-cost deposit mobilisation
- Operating expenses (OPEX) containment

Bank non-financial priorities
- Service excellence
- Brand transformation
- Talent management
- Performance management
- Credit quality/process excellence

Market capitalisation

₦290.43bn

Credit ratings

For more detail go to www.firstbanknigeria.com/ir/creditratings

	Report date	National		International		Outlook
		LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	
Standard & Poor's	January 2012	**ngA+**	**ngA-1**	**B+**	**B**	Positive
Fitch ratings	September 2011	**A+(ngA)**	**F1(ngA)**	**B+**	**B**	Stable
Global credit ratings	August 2011	**AA-**	**A1+**	-	-	-
Agusto & Co	August 2011	**A+**	**-**	-	-	Stable

Strategic Business Units (SBUs)

	Corporate Banking	Institutional Banking	Private Banking	Public Sector Banking	Retail Banking	Treasury[1]
Customer segments	Private organisations with annual revenue greater than ₦500 million and midsize and large corporate clients with annual revenue in excess of ₦5 billion but with a key man risk	Multinationals and large corporate clients with revenue greater than ₦5 billion	High net worth individuals and families	Federal and State governments	Mass retail, affluent as well as small business and Local governments	Treasury and corporate related activities
Net revenue ₦'mn	31,397	39,301	1,591	30,444	109,016	32,968
% of deposits	6.7%	13.0%	0.9%	29.1%	49.6%	0.7%
% of loans and advances	23.8%	48.2%	0.5%	9.0%	18.5%	NA
Number of accounts at the end of 2011	7,441	3,757	701	3,876 North 4,077 South	2,045,499 North 5,651,841 South	NA

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1 Treasury is not a strategic business unit but contributes to the net revenue and percentage of deposits.

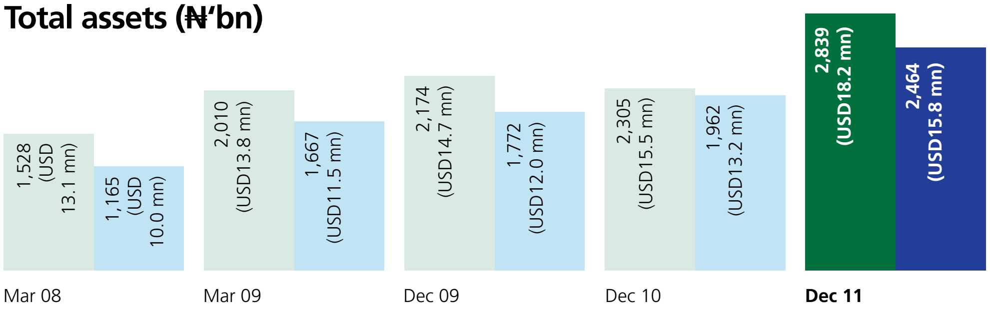
Highlights

For the year ended 31 December 2011

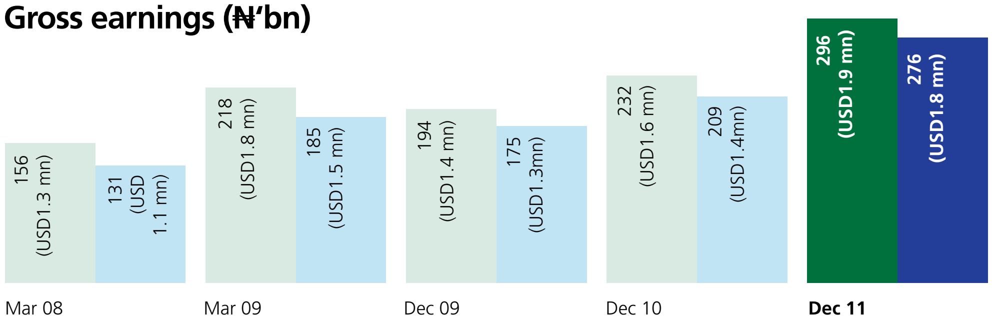
Group Bank

Financial

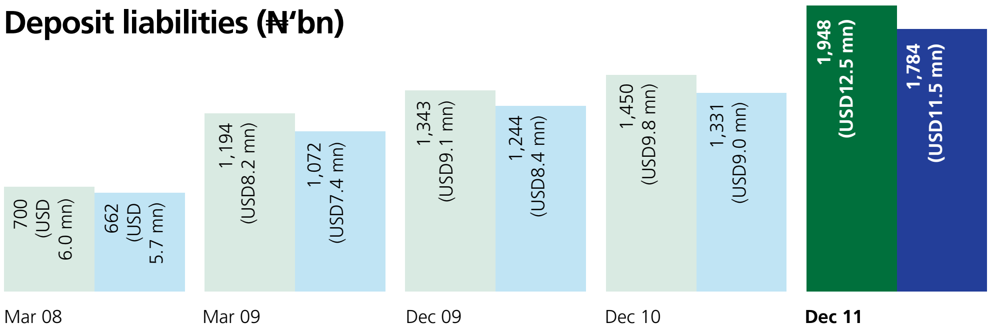
Total assets (₦'bn)



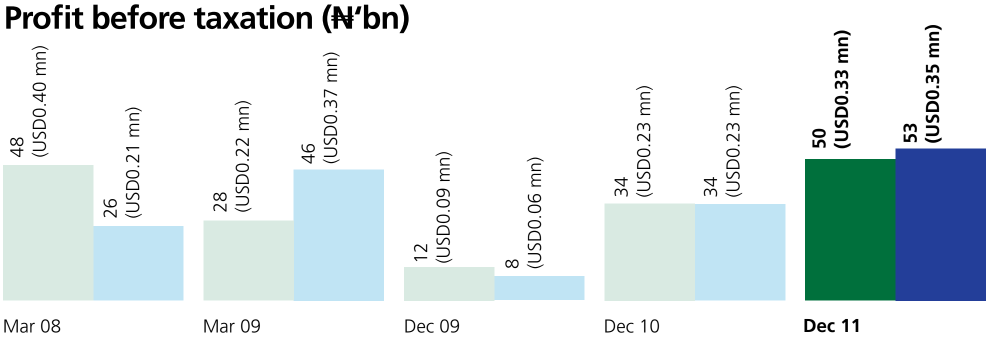
Gross earnings (₦'bn)



Deposit liabilities (₦'bn)



Profit before taxation (₦'bn)



Exchange rate as at December 2011 was ₦155.7 to USD1, with an average rate in the year at ₦152.1 to USD1 (December 2010 was ₦148.7 to USD1, with an average rate in the year at ₦148.3 to USD1).

Non-financial

Strategic review

At the group level, 2011 marked the first full year of operations of the Group's Life Insurance subsidiary joint venture and our operationally integrated investment banking and asset management group, and our first regional acquisition.

Within the Bank, we began a new three-year strategic planning cycle expanding our four key strategic pillars to five financial and five non-financial priorities.

Service delivery and operational excellence

In the 2012 KPMG Customer Satisfaction Survey, assessing 2011 performance, the Bank moved from a ranking of 10th to 8th in the retail customer segment survey and from 6th to 3rd in the corporate customer segment.

Talent and performance management

We enhanced our internal workforce management portal, to support our increased focus on performance management, completed an extensive staff compensation review exercise and conducted a review of score cards and Key Performance Indicators (KPIs) for individual roles across the Bank.

Brand transformation

Our brand transformation strategy re-positioned the Bank fundamentally, consequently, improving the perception and sustaining the Bank as a market leader in the financial services sector.

Credit quality and process excellence

We comprehensively reviewed our credit policy and process efficiency towards meeting the Bank's growth imperative while a new recovery structure was established to focus on prompt workout of delinquent accounts.

Bank operating structure

2011 marked the end of our first full year of operating under the new operating structure resulting in an increase in customer-centricity and specialisation across the Bank, now culminating in the creation of a dedicated emerging corporate desk within Corporate Banking SBU, ensuring the Bank effectively serves this segment.

	The Group				The Bank	
	12 months to Dec 2011 ₦ million	12 months to Dec 2011 $ million	12 months to Dec 2010 ₦ million	12 months to Dec 2010 $ million	12 months to Dec 2011 ₦ million	12 months to Dec 2010 ₦ million
Major balance sheet items						
Total assets and contingencies	**4,385,570**	**28,167**	3,327,636	22,383	**3,030,917**	2,296,570
Total assets	**2,839,373**	**18,236**	2,304,686	15,502	**2,463,543**	1,962,444
Loans and advances	**1,235,615**	**7,936**	1,127,900	7,587	**1,128,851**	1,017,411
Deposit liabilities	**1,947,803**	**12,510**	1,450,095	9,754	**1,783,777**	1,330,771
Share capital	**16,316**	**105**	16,316	110	**16,316**	16,316
Shareholders' funds	**365,485**	**2,341**	339,205	2,274	**373,572**	345,922
Major profit and loss account items						
Gross earnings	**296,329**	**1,949**	232,079	1,565	**275,629**	209,187
Charge for doubtful accounts	**(44,814)**	**(295)**	(21,590)	(146)	**(41,902)**	(22,596)
Profit before exceptional item and taxation	**65,555**	**431**	33,541	226	**68,029**	33,154
Exceptional item	**(15,489)**	**(102)**	226	2	**(15,501)**	383
Profit after exceptional item before taxation	**50,066**	**329**	33,767	228	**52,528**	33,537
Taxation	**(5,281)**	**(35)**	(4,590)	(31)	**(5,066)**	(1,414)
Profit after taxation	**44,785**	**294**	29,177	197	**47,462**	32,123
Dividend						
Declared	**26,106**		19,580	132	**26,106**	19,580
Information per 50k ordinary share						
Earnings (basic)	**₦**		**₦**		**₦**	**₦**
Basic	**1.40**		0.95		**1.45**	0.98
Adjusted	**1.40**		0.95		**1.45**	0.98
Net assets	**11.20**		10.39		**11.45**	10.60
Total assets	**87.01**		70.63		**75.49**	60.14
Stock Exchange quotation					**8.90**	13.73
Ratios	**%**		**%**		**%**	**%**
Cost to income	**56.8**		67.0		**55.1**	65.8
Return on average assets	**1.8**		1.4		**2.1**	1.7
Return on average shareholders' funds	**13.0**		9.6		**13.2**	9.7
Capital adequacy	**20.5**		20.4		**26.0**	27.6
Number of branches/agencies and subsidiaries	**717**		652		**650**	611
Number of shares in issue (million)	**32,632**		32,632		**32,632**	32,632

Quick read

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Quick read
Group strategy

The FirstBank Group aspires to be Sub-Saharan Africa's leading diversified financial services provider. By virtue of being Nigeria's largest bank, FirstBank is already the largest player in Sub-Saharan Africa (excluding South Africa) and we have commenced a structured programme of business line and geographic expansion.

2011 marked the first full year of operations of the Group's life insurance subsidiary joint venture, the first full year of our operationally integrated investment banking and asset management group, and our first regional acquisition. 2012 will see us restructuring to a holding company structure with an increased focus on driving synergies and cross-selling across our businesses and expanding into the general insurance space.

Objectives

- Enhance our value proposition to customers via the offering of seamlessly integrated solutions.
- Boost shareholder value as revenue and cost synergies are exploited across businesses and geographies.
- Diversify the Group income stream.

Key initiatives

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Group strategic priorities		Related initiatives/2011 progress
	Restructuring for growth	• Set-up of new Group holding company. • Initiated process of divestitures of non-core businesses.
	Business line expansion	• Establishing a leading domestic investment bank. • Establishing a leading insurance underwriting business. • Focusing heavily on priority businesses within each business group (e.g., emerging corporates, asset management).
	International expansion	• Acquisition of Banque Internationale de Crédit (BIC), DRC. • Launch of UAE representative office.
	Group synergies and cross-selling	• Coordinating activities of private banking businesses across geographies (i.e. Nigeria, UK). • Significant increase in joint mandates between Investment Banking and Asset Management business (IBAM) and commercial bank (Institutional, Public Sector SBUs).
	Sequencing growth systematically	• Completed operational integration of IBAM to enhance competitiveness and position for building scale. • Focus on inorganic expansion of core banking business.

Measuring our success

#1 position across major balance sheet metrics in Nigeria

Gross premium income earnings of over ₦1 billion in FBN Life Assurance

Over ₦97 billion AUM in IBAM

Acquired one of the most profitable banks in the Democratic Republic of Congo

FBN Bank UK is the #1 Nigerian bank in the UK across all metrics

Current Group strategy progress

For more detail turn to page 34

We have achieved our short-term goal of consolidating leadership in Nigeria and 2012 will see us move into our next phase of diversifying the Group structure and completing our transformation initiatives.

Consolidate leadership position in Nigeria

Be number one in every business segment.

Continue aggressive Bank transformation.

Structure for growth in investment banking, asset management and insurance.

Rep office expansion; initial SSA exploration/foray.

Short term

Diversify Group and transform Bank

Drive Bank transformation to completion.

Build scale in investment banking, asset management and insurance and leverage Group synergies.

Commence SSA regional expansion in earnest.

Medium term

Build scale internationally

Significant SSA expansion and growth in banking with selective international foray in non-Bank financial services.

Focus on driving economies of scale and scope across international network and portfolio businesses.

Long term

Current progress

Opportunities and challenges

Being one of the few banking groups in Nigeria that will evolve into a universal banking group, we see significant prospects to maximise cross-selling opportunities across our businesses. New business lines added to the Group in the last few years will also considerably deepen our service offerings, facilitating the delivery of superior financial services across a wide spectrum and ensuring there is no vacuum in meeting the needs of our customers. The acquisition of Banque Internationale de Crédit (BIC), one of the most profitable banks in the Democratic Republic of Congo, launched our Sub-Saharan Africa expansion plans, which are expected to deliver benefits including greater earnings diversification and increased shareholder value through higher returns on equity.

With respect to our transformation to a Holdco structure, our challenge will be to ensure that it is completed quickly and carefully, within the stipulated time set by the CBN and with minimum disruption to our Group activities. In this regard, we have set up a dedicated project implementation team to manage and own the process, with direct oversight by the Group executive management.

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Quick read
Bank strategy

2011 marked the beginning of a new three-year strategic planning cycle for FirstBank. As a bank, we affirmed our vision of being the 'bank of first choice', wherever we operate, and articulated aspirations to **defend** our scale, **extend** performance leadership to a broader set of metrics, **lead** our peers in every business in which we operate, and **balance** short-term performance with the long-term health of our banking franchise.

In 2011, we achieved growth of 34% in deposits and 48% in profit before tax (PBT) and the recognition of our brand as the number one bank brand in Nigeria by Brand Finance, and FirstBank as the most innovative bank in Africa by the *African Banker* magazine.

Objectives

- Deliver superior shareholder value via an aggressive focus on growth and profit maximisation.
- Expand the Bank's leadership into other dimensions – customer satisfaction and value, employee desirability, capital efficiency, etc.
- Position the Bank for sustained dominance in a complex and rapidly evolving market.

Key initiatives

Towards the end of 2010, we began a process to review our medium-term strategy. As part of that strategic planning exercise, we expanded the four key strategic pillars, which formed the basis of our strategy in previous years, namely growth, service excellence, performance management and people into five financial and five non-financial priorities, which will form the basis of our focus in 2011–2013 and act as levers to drive our 2013 strategic targets.

Strategic priorities to 2013

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Bank financial priorities
- Fees and commissions increase
- Selective loans and advances (LAD) creation
- Pricing optimisation
- Low-cost deposit mobilisation
- Operating expenses (OPEX) containment

Bank non-financial priorities
- Service excellence
- Brand transformation
- Talent management
- Performance management
- Credit quality/process excellence

Measuring our success

34% growth in deposits

48% growth in profit before tax

From third to second quartile in customer satisfaction rankings

#1 in total assets, deposits and loans and advances

#1 bank brand in Nigeria 2011
Brand Finance

Most innovative bank in Africa 2011
African Banker magazine

Targets to 2013

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Outperform profit before tax **Widen operating margin to deliver solid profit growth**	3% return on assets[1] **Satisfy shareholder expectations**	55% cost–income ratio **Reduce from current levels**
Boost net revenue **Aggressively grow revenue to meet/exceed market growth rate**	25% return on equity[1] **Exceed cost of capital**	≤6% non-performing loans **Contain within acceptable thresholds**
Grow total deposits and loans **Grow low-cost deposits to fund prudent loan growth ahead of market**	#1 total assets **Maintain industry leadership position in total assets**	Top five service levels **Establish strong top five position in customer satisfaction surveys**

1 Pre-tax return on equity and pre-tax return on assets.

Opportunities and challenges

Our five financial priorities are focused on creating a platform for us to generate higher returns and deliver superior value to our shareholders. Leveraging on our Group structure, we intend to increase our fees and commissions income through cross-selling based on extensive customer analytics. The implementation of our risk-based pricing regime will revise pricing tools and policies to ensure they are aligned with market and guarantee a reduction in revenue leakages lost to sub-optimal pricing. Our selective LAD creation priority will selectively and prudently grow our loan portfolio in key growth sectors of the economy, with a shift towards assets with higher (risk-adjusted) yields.

We recognise that managing growth poses a significant challenge to any organisation and, as such, have developed our five non-financial priorities around managing the growth we expect from our financial priorities. We have built a superior workforce, committed to exceeding customer expectations by attracting, developing and retaining the best industry talent and have introduced service-focused initiatives, which include a centralised processing centre. In addition to this, to effectively manage and maintain our credit quality, we have developed a strong credit analysis platform as well as clear loan covenants and transaction dynamics. Risk-based pricing has been adopted and our risk management systems strengthened with risk appetite thresholds conceived based on prevalent business realities, prudential guidelines and strategic thrust and defined in the Bank's credit portfolio plan. Product limits, obligor limits and risk acceptance criteria have also been aligned with the Bank's risk appetite.

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Quick read
Progress on our Bank transformation

Service delivery and operational excellence

We aim to promote excellent service as a competitive advantage in our bid to consolidate our leadership in the industry. Executing our service transformation initiative along the themes of service quality, cost optimisation and process excellence is already yielding encouraging results. We intend to maintain a 'value realisation focus' in ensuring that this approach continues to translate to improvements in frontline customer experience in order to truly become the Bank of choice to present to prospective customers.

Progress in service delivery initiatives

Channel optimisation and migration

Continue to drive uptime and availability of channels to increase customer usage. Maintain focus on enhancing self-service options and improving the ease-of-use experience, while streamlining support for transactions on alternative channels.

89% ATM migration rate, up from 50% in 2010

Centralised Processing Centre and branch process re-engineering

We continue to extend the efficiency gains (shorter turnaround times, cost savings and increased productivity) from deploying the CPC by migrating more branches and identified processes to the CPC platform, while leveraging on technology to enhance the effectiveness of CPC operations.

~₦1 billion annual savings expected at steady state

Manning/frontline transformation

Comprehensive review to align staff mix, skills/profiles with job requirements is in progress. Upon completion, we expect to have a more efficient staff mix, while building a capable workforce to drive our growth plans.

Branch transformation

Encouraging product sales data from rebranded branches demonstrates that positioning branches more like sales outlets (introduction of indoor product and service advertising, enabling easy identification of service points and improved aesthetics) can directly translate to more sales and revenue. Select strategic locations have been rebranded in 12 cities across the country.

300% growth in e-products signup in branded branches

Customer experience/issue resolution

We continue to monitor the pulse of the customer experience through our multimedia contact centre solution and targeted initiatives driven by our Service Management Team. We are making the contact centre more accessible as a customer interaction channel and strengthening our customer feedback and issue resolution processes.

Over 80,000 calls made to the contact centre in the fourth quarter of 2011 alone

Advancements in operational excellence

Cost optimisation quick-wins

The Bank stands to gain long-term cost savings from the consolidation of print assets at the head office and the automation of the (ad hoc) account statement request and printing process in our branches. Progress in reducing the number of print assets as well as our reliance on specialised printers, has reduced our total expenditure on acquisition and maintenance. We have also instituted accountability by putting in place mechanisms for monitoring and controlling printing costs and improved customer satisfaction by reducing waiting times on account statement requests.

Process management

We are establishing a process management centre of excellence, which aims to deliver end-to-end visibility of mission-critical processes, enhance value creation of the Bank's process assets and achieve alignment between the Bank's daily activities and its overall business strategy.

38% reduction in total costs from operating printers

Current service delivery and operational excellence progress

	Fix the basics	Consolidate	Sustain and innovate
Priorities	Bring current service levels to par with market expectations Put in place infrastructure for next frontier of service delivery Eliminate basic waste and enhance execution	Launch service initiatives to fortify our current customer base Drive operating efficiencies Targeted network roll-out of key initiatives from phase 1	Conclude network roll-out of key initiatives from phase 1 and 2 Continuous/ongoing improvement for critical processes Set up processes to drive innovation
	2009	2010 / 2011	2012 / 2013
Selected achievements	**Service delivery quick-wins** • contact centre implementation • pilot of centralised processing centre (CPC) – 5 branches • branch transformation prototype – 2 locations. • cost optimisation quick-wins: – fleet management – central admin	**Roll out of key initiatives** • 20 (cumulative, 22) branches for branch transformation • 205 (cumulative, 210) branches on various CPC services **Drive operating efficiencies:** • optimal manning structure implemented (branch operations) • automated cheque confirmation • new statement printing solution	**Roll out of key initiatives** • roll out of 58 (cumulative, 80) branches for branch transformation • 243 (cumulative, 458) branches on CPC on various services **Drive operational efficiencies** • ATM migration from 52% to 89% • print optimisation: 38% reduction in total cost from operating printers • contact centre enhancement: increased number of calls – inbound and outbound

2012 priorities

Notwithstanding these modest improvements, the Bank aspires to be among the top five banks in the next customer satisfaction survey[1] and to attain leadership not just in size but in profitability and (operational) efficiency. Our mindset for 2012 is ensuring we consolidate on the gains we have made in our service delivery programme, and set up structures to ensure sustainability going forward. These aspirations will shape the priority initiatives for year 2012, which include:

- Consolidating progress in current service delivery initiatives – by concluding the CPC roll-out and transiting to a day-to-day business operations model (while constantly reviewing the processes to improve for efficiency); and finalising our branch transformation program by concluding rebranding of the identified priority branches and institutionalising the design into future branch design and ongoing maintenance.
- Sustaining gains in channel migration and rapidly exploit opportunities offered by the on-going (CBN) driven payments system transformation – by continuously driving improvements in our features and functionality, while also leveraging our channel offerings to develop innovative solutions to meet the practical needs of our clients in light of the CBN cash-less policy.
- Implementing and operationalising the process and service quality assurance (PSQA) initiative – prioritise and redesign/ improve high-value end-to-end processes, achieve better process governance and process standardisation, improve process visibility and strategic alignment, and ensure long-term sustainability of major improvements.

1 The 2013 customer satisfaction survey for the 2012 financial year.

Quick read

Progress on our Bank transformation

Talent management

Talent management initiatives have become more relevant now than ever before. The Bank realises the fact that the differentiating factor of any organisation will depend on how well its pool of talents is managed and retained.

To this effect, the Human Capital Management and Development department (HCMD) introduced many initiatives aimed at managing the numerous talents existing in the Bank. Some of these initiatives are highlighted below.

Progress with initiatives

Competency framework/directory

The competency framework is a central tenet of our talent management framework. Realising this, a Competency Directory was developed in which competency requirements for the enterprise, the various SBUs and SRFs were documented. The competency framework will be used to drive the achievement of our HR initiatives such as resourcing, learning and development, talent and career management, secondment, etc.

Capability building

An effective learning and capability building framework was established to align with current and evolving practices on the leading and global requirements for talent management with focus on technology driven competency-based knowledge management.

FirstLearn

FirstLearn (FBN e-learning initiative) was developed to address the changes in learning mode for the diverse workforce while reducing the cost of training delivery. FirstLearn continued to play a vital role in our learning intervention and as a cost-saving initiative. About ₦41 million was saved on training costs as a result of the deployment of e-learning modules.

First Academy

The architectural framework for curricula development for all the schools in the Academy commenced in 2011. The Bank became a member of the Global Association of Corporate Universities and Academies (G-ACUA) and was permitted to use their logos alongside our own.

Knowledge management

To ensure explicit and tacit knowledge was shared across the Bank, a knowledge management framework was developed to foster capability building through the management and repository of critical knowledge assets. The underlying premise is that knowledge is a scarce and valuable resource. The objective is for the Bank to become better at identifying, acquiring, developing and storing meaningful knowledge in the organisation. The knowledge management framework will support innovative learning, knowledge repository and sharing.

7,626 staff were trained, accounting for 98% of total staff in the system

2012 priorities

To provide a business-centric functionality on a unified talent management platform and drive effective talent management, HCMD will embark on workforce segmentation and a workload analysis for back-office functions to dimension properly talent identification and segmentation. This will assist in the development of a Talent Pool Management Framework that is unique to the Bank. Regardless of this, fairness and consistency will be applied in all talent management processes alongside diversity considerations. The Talent Pool Management Framework will support other HCMD initiatives such as resourcing, learning and development, career and succession planning. Our belief in an effective talent management framework hinges on the fact that 'an organisation that makes work as fulfilling as possible will develop and retain the most productive workers and enjoy the most loyal customers'.

Performance management

The Bank places high emphasis on staff performance. This is in line with its aspiration to establish a performance-driven culture and system. In order to achieve this, specific initiatives and interventions were introduced in the 2011 financial year.

Progress with initiatives

Review of scorecards/Key Performance Indicators

The scorecards for Strategic Business Units (market-facing job functions) and branch operations were completed and fully implemented while the fine tuning of the Strategic Resource Functions (back-office job functions) scorecards commenced in order to ensure that the Key Performance Indicators (KPIs) are clearly linked to business strategy.

Pay for Performance (PFP)

The eligibility criterion for PFP was reviewed to accommodate staff that score a minimum of 50% in their performance appraisals. The justification being that it is the joint contribution of all staff, irrespective of their performance levels, that has added up to the total enterprise performance.

Performance monitoring

Signed-off scorecards were uploaded on People First Management System (PFMS). Training on the performance management process also commenced while the governance framework designed around the process continued to be upheld. Performance fairs, campaigns and road shows were held to sensitise staff about the performance management system and process to ensure adequate education of staff and for effective monitoring of the appraisal process.

80% of employee survey respondents feel highly engaged and are committed to the organisation

2012 priorities

Our priorities for performance management for 2012 will include the deployment of the Hyperion system to track the achievement of individual, team, group and enterprise scorecards and Key Performance Indicators (KPIs). The Bank believes honestly in the concept of 'what gets measured gets rewarded' and it is also moving from merely measuring to finding, explaining meaning and proffering solutions to performance dips. We also intend to redesign the appraisal form and system to incorporate the competency catalogue recently developed for the Bank. The entire back-office scorecard will also be implemented in 2012. The Bank's compensation framework will be adjusted based on the workforce segmentation that will be in place in 2012 while we will continue to intensify the road shows on performance management in order to ensure continuous education.

Alternative delivery channels

At the beginning of the year, it was clear to us that we needed to deliver on some key areas of the business to enhance customer confidence and re-position the Bank for excellent customer service in an increasingly competitive market. Our primary focus was, therefore, on improved channel availability, streamlining of our card product portfolio to meet the needs of our discerning customers, and reduction in time to serve.

In addressing the payment needs of all our customer segments, we streamlined our card product offering into a bespoke card product portfolio including the implementation of a Visa Infinite Card Scheme – the most prestigious Visa Card Scheme in the world – for our Private Banking customers.

We have grown the number of cards from about 1.5 million at the beginning of the year to over 4.3 million at the end of the financial year. Our Card Active Rate now stands at 76%, up from less than 48% at the beginning of the year. We have also grown the percentage of retail accounts with cards from less than 38% at the beginning of the year to over 72% as at the end of the year.

We currently process about 30% of all transactions on Interswitch network, occupying the first position among the 23 banks on Interswitch network. Our channel migration rate has also headed north to over 89% as at the end of the year, far above 58%, which we had at the beginning of the year. In addition, the number of ATM transactions carried out monthly on our ATMs grew by 184% from 3.2 million in January 2011 to 9.1 million as at December 2011.

During this year, the Bank was issued the license to operate mobile payment services, which would be rolled out in the second quarter of 2012. The mobile payment initiatives will enable the Bank to play a pivotal role in redefining financial market boundaries and the customer service experience, creating a leap in value for our stakeholders and maintaining leadership position on all fronts of financial services in the country.

176% growth in monthly ATM transactions

2012 priorities

Having effectively repositioned our e-business structure and products to dominate the card and electronic payment business in Nigeria, we expect this should be an important source of earnings diversification for the Bank. Our focus remains to solve real problems for our customers using our electronic platforms, to ensure they are able to make payments faster, more simply and intuitively than they can now. Our mobile payment initiatives will help the Bank to play a pivotal role in redefining financial market boundaries and the customer service experience, creating a leap in value for our stakeholders and maintaining its leadership position on all fronts of financial services in the country.

Quick read
Progress on our Bank transformation

Credit quality and process excellence

The strategic focus of the credit risk function has continuously improved the overall quality of the Bank's risk assets through effective credit policies and products and enhance the process efficiency towards meeting the Bank's growth imperative.

Progress with initiatives

In light of this, the Bank closed the year with a non-performing loan ratio of 2.4%, a significant improvement on our prior-period position; reviewed the credit policy comprehensively in line with international best practices and with prevalent risks and market demands; adopted a credit risk stress test model to provide a forward-looking risk assessment and tolerance; defined risk appetite thresholds in the credit portfolio plan of the Bank; assigned risk ratings to obligors through Board-approved rating methodologies; took deliberate steps to keep exposures within acceptable limits and dilute concentration risks; and established a new recovery structure to focus on the prompt workout of delinquent accounts.

2.4% non-performing loan ratio as at 31 December 2011, a significant improvement on our prior-period position

2012 priorities

Going forward, the key priority for the credit risk function will be to purposefully manage the risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised, as well as ensure portfolio flexibility and liquidity and compliance with the Bank's policies and regulatory provisions.

Treasury

The Group's Treasury focuses on optimising the use of the Group's balance sheet, managing the inherent price and liquidity risks and driving sales and trading activity.

There has been significant investment in resources required to drive asset and liability management from a strategic forward-looking standpoint to optimise the return on the Bank's accrual portfolios. A rather more dynamic approach has been taken in managing the various securities portfolios with a view to more active realisation and strategic reinvestment throughout the year, in anticipation of market trends and yields.

We have also taken a more active approach in our funding and gapping activities across currencies as our balance sheet terms out in response to corporate asset growth. Furthermore, we focused efforts to build out and enhance our sales and trading capabilities while improving on risk taking and coverage of the various markets and products where trading is done.

In anticipation of market trends and yields, and to optimise the return on the Bank's portfolio, a more dynamic approach in managing the various securities portfolios across government bonds and treasuries was adopted while enhancing our sales and trading capabilities

2012 priorities

In 2012, our focus will be to consolidate on the restructuring of our Treasury and Markets function that we commenced in 2011. We will focus on the continuation of building out our product capabilities, especially in the area of derivatives sales and deployment of innovative hedging solutions to support our client needs. To drive this, we will aggressively implement our Treasury sales process, so we can increase and enhance our client engagement, as increasing our product through-put and transaction volume is a key priority.

We also intend to fortify our trading team to support our client flow business and seek to expand our activities across other Sub-Saharan markets. Market risk management is also key and we will strive to roll out standardised processes and policies across our businesses, especially as we seek to integrate our Treasury functions across all our Group geographies, to maximise value and efficiency.

Product innovation and customised solutions

The Bank deepened its customer patronage across all segments of the economy through various product optimisation initiatives/strategies.

Progress with initiatives

FirstDiaspora suite of products

FirstDiaspora suite of products are designed to encourage inward remittances and homeland savings/investments by Nigerians living in the diaspora. In addition, the Bank migrated from implementing omnibus credit facilities to segment-specific dealer finance schemes. Revenue accruable from product sales witnessed impressive growth during the year.

Retail

At the retail end, the Bank maintained its leadership in consumer banking and significantly grew this portfolio with a variety of premium liability and asset products. During the year, substantial amounts in loans were disbursed to over 201,020 individuals across the country; in line with our objective to boost the productive capacity of small and medium enterprises (SMEs), the Bank also financed over 58,607 SME customers in various sectors and lines of business. In preparation for the cashless country, a number of electronic channels-based products have been developed.

Agriculture

FirstBank maintained its largest market share in terms of total number of agricultural projects financed by banks under the Commercial Agriculture Credit Scheme – financing 46 projects out of a total of 178 projects. In the last seven years, the Bank's agricultural business has grown at a compounding annual growth rate of 42%.

Money transfer

In the money transfer business, the Bank sustained leadership in Western Union transfers and overtook eight other banks to become the best in MoneyGram MT within its first year of operation. This feat earned the Bank the MoneyGram 2010 Best Receiver Agent in Africa award. To further deepen our remittance portfolio, in 2011 we entered into partnership as a receive agent for Ria money transfer services, a subsidiary of Euronet Worldwide and third largest money transfer service in the world, and have since commenced Ria money payout through branches.

Over 58,607 SME customers financed

2012 priorities

For 2012, we will aggressively grow our e-payment and collection mandates and volumes from both large corporates and individual customers leveraging the CBN Cashlite policy via alternative channels to serve both customers and non-customers alike, and generally drive the adoption of FirstPay, FirstCollect, FirstEduportal and FirstPaylink by corporate customers for increased payment and banking convenience, compliance with CBN and overall reduction in service delivery cost.

To increase earnings from domestic and international funds transfer, we will rapidly deploy our new money transfer product, RIA, across all branches, and work with our other money transfer operators – Western Union and MoneyGram.

In growing our agricultural lending portfolio effectively, we will participate in the opportunities presented by the Federal Government's agricultural transformation agenda on input supply.

Our risk assets portfolio will be further deepened through ongoing reviews and enhancement of global limits for key distributorship lending in the oil, telecommunications and general trading industries.

We will introduce a bank-wide loyalty programme that will seek to reward customer patronage and loyalty while enhancing the uptake of products across the FirstBank Group.

Brand transformation

The major strategic thrust of the Bank's brand transformation is to increase market share by squarely addressing the brand perception gap and positively impacting consumer conversion from awareness to adoption, while sustaining its wide array of customer base.

Our ultimate aim is to be the leading Nigerian financial brand by choice, share of voice and brand equity, transforming perception to a transformed financial services brand with rich heritage, cross-generational customer base and youthful, proactive human capacity.

In 2011, FirstBank clinched the Most Innovative Bank in Africa award by African Banker Awards, and was most recently named Nigeria's number one banking brand by Brand Finance Top 500 Banking Brands 2012, veritable testimonies to the Bank's reverberating brand transformation.

Nigeria's number one banking brand by Brand Finance Top 500 Banking Brands 2012

2012 priorities

For 2012 and beyond, we are evolving a holistic, longer-term, three to five-year Marketing and Corporate Communications Strategy focused on shoring up brand equity through innovation and clear-cut leadership. Our engagements will include a

- full brand audit, including all naming conventions and trademarks;
- full corporate identity refresh to energise the brand and give it the impetus to stride ahead as the quintessential market leader in the banking segment – covering internal and external elements;
- full corporate campaign; and
- creation of a clear differentiated 'ownable' proposition.

Quick read

For more detail turn to page 57

Quick read
Review of operations

2011 marked our first full year of operating under the new Bank operating structure. This model saw the Bank move from utilising geography as the primary organising axis for its business (North, West, etc.) to organising business along five customer segments (Corporate, Institutional, Private, Public Sector and Retail). These Strategic Business Units (SBUs) are supported by 15 non-market facing Strategic Resource Functions (SRFs) covering operations, human resources, legal, information technology, risk management, etc. to provide a backbone, drive efficiency and increase responsiveness to the Bank's customers. A major SRF initiative implemented during the year is the centralisation of operations reporting across the network into a single head with intermediate management oversight (versus the commercial and operational arms of branches reporting into branch managers). The net effect of this initiative is a strong increase in customer-centricity and specialisation across the Bank, with corresponding results in performance. In 2011, detailed strategies were mapped out for the SBUs with top-line priorities outlined for the SRFs and implementation of these continues in earnest in 2012.

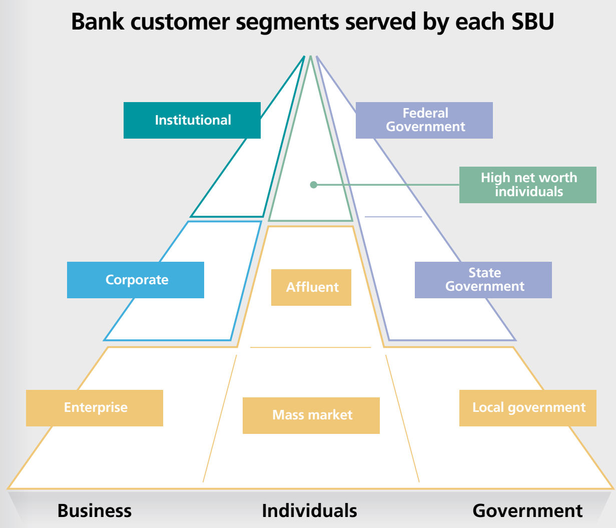
Objectives

- Re-align our business to focus on meeting specific customer needs.
- Fully leverage our capabilities and take advantage of all available opportunities to grow our business.
- Deepen our understanding of every segment we serve and tailor our value proposition to enable enhanced customer acquisition, cross-selling and retention.
- Deliver excellent service without sacrificing processing quality.
- Improve effectiveness of end-to-end credit processing from origination to collection.
- Ensure continuous process improvement powered by process review and automation.

Operating structure

For more detail turn to page 57

- FirstBank
  - Corporate Banking
  - Institutional Banking
  - Private Banking
  - Public Sector
  - Retail Banking



Measuring our success

#1 public sector bank in Nigeria

Rapid 48% growth in new private banking clients

Over 60% growth in LAD (corporate)

89% channel migration achieved

Cost-to-income ratio reduced to 55%

First bank in Nigeria to deploy on-the-spot card issuance

Progress with initiatives

Customer segments

Action

- Shifted from geography as primary organising axis to customer segments.
- Redesigned nationwide coverage/deployment model to align with new organisation.
- Harnessed opportunities in the lower markets.

Impact

Significantly enhanced customer focus and specialisation across the organisation resulting in:

- better service;
- more tailored product delivery;
- 'small' customer attention;
- greater transparency; and
- accelerated growth.

Strategic resource functions

Action

- Centralised operations reporting with intermediate management to provide oversight closer to branches.
- New structure with ROMs, AOMs and BOMs instituted with direct line of sight to the Group Head, Operations.
- Centralised Processing Centres (CPCs) deployed to more efficiently provide processing (now 450 branch coverage).

Impact

Greater focus and specialisation within operations resulting in:

- enhanced service levels;
- greater accountability; and
- empowerment and greater authority at the branch level.

Note: ROM – Regional Operations Manager. AOM – Area Operations Manager. BOM – Branch Operations Manager.

Opportunities and challenges

Our reorganisation has provided clear opportunities to delineate our market and focus on priority segments. In 2011, we further broke down our market facing operating model to create the emerging corporates business unit to focus primarily on clients in the lower end of the corporate banking cadre; comprising clients with annual turnover of ₦500mn – ₦2bn. This move is expected to harness the distinctive opportunities available within that sub-segment and ensure that their particular needs are adequately addressed.

Our Retail Banking group has also been dimensioned to provide an individual value proposition to the affluent sub-segment of the retail market, employing a robust relationship management model, targeted product offerings and an array of cross-selling opportunities across the Group to ensure that it continues to play a significant role in the overall performance of the Bank in future.

The introduction of quick service points (QSPs), our leaner branch formats, to provide touch points for customers will significantly reduce brick and mortar overheads and aid the cost-reduction drive. The implementation of our new instant card issuance system and customer selected (instant) PIN solution has significantly streamlined our card issuance process and is expected to continue to eliminate the operational cost overheads related to printing and distribution of PIN mailers and delays experienced by customers in activating their cards.

In summary, our reorganisation has provided the required impetus for us to drive our business and as we enter into the second full year of running the model, the only challenge will be to ensure that we sustain the enhanced performance the restructuring has so far delivered. In this regard, we will not rest on our oars and have put in place a process review and automation system to ensure continuous process improvement.

Chairman's statement

Fellow shareholders, invited guests, distinguished ladies and gentlemen, I am pleased to welcome you to the 43rd Annual General Meeting of your Bank. I am equally honoured to present to you a review of the business and operations of your Bank for the financial year ended 31 December 2011.

Our commitment at the 42nd Annual General Meeting was that the Bank would deliver this year's financial and operating results to exceed your expectations. I am happy to report that, despite a less-than-salutary operating environment, your Bank has once again recorded a healthy result and raised the industry expectations bar.

The change theme, which defined most of last year, continued in the current reporting period. However, the most significant aspect of the change over the last 12 months was in the suddenness and unpredictability of its direction. To a considerable extent, the volatility in the numbers that this gave rise to was not so much the consequence of changing fundamentals, but the result of market sentiments responding to just about every development in the most important indexes. European sovereign debt figures were the index that roiled the markets the most, as the latter responded in equal proportion to changes in yields for the debts of the more vulnerable European countries, and to perception of the political leadership's ability and willingness to address the problem.

There was also concern over the effect of slowing growth in Europe on the outlook for Asia, especially China. A drop-off in external demand put pressure on Asian authorities to strengthen intra-regional trade, and by extension on the Chinese authorities to move demand in favour of domestic sources. The Thai floods and their effects on manufacturing supply chains across Asia were a major downside to the regional outlook. On balance, the last 12 months favoured exporters of primary produce over exporters of industrial machinery. Nonetheless, by year-end, a resurgence in consumer spending, and softening unemployment numbers in the United States of America, held out the possibility of better-than-forecast performance in the world's leading economy in 2012.

On the back of firm global oil prices, and strong non-oil sector growth, domestic output growth held up nicely in the face of the global downturn. And the domestic banking industry indicated signs of recovery from its 2009 crisis, as it responded to the Central Bank of Nigeria's (CBN) effort to improve monetary conditions, and to the Asset Management Corporation of Nigeria's (AMCON) continued repair of the industry's balance sheet. AMCON issued the second tranche of the first series of three-year zero coupon bonds in the period covered by this report. Having already exchanged Series 1 Tranche 1 of ₦1.15 trillion late last year at an annual yield of 10.13% p.a., it issued the second tranche valued at ₦20.62 billion at a coupon of 11.8% p.a.

Converging global trends as growth prospects soften worldwide

With global output growth increasingly off pace, the two-track growth path that characterised last year threatened to converge in the review period. The solid fiscal and current account balances, with which a number of emerging economies had entered the global crisis and which had provided useful buffers against the more severe consequences of the crisis, came under pressure, as external terms of trade worsened for this group of economies. The European Union's tardiness in agreeing political terms for redressing its sovereign debt crisis drove downgrades of sovereign debt across the region in almost the same measure as it inflicted mild reversals of fortunes, especially for countries in South America and Asia, but also including a number of Sub-Saharan African countries.

With exporting economies likely to withstand the worst of further deepening of the Eurozone crisis, by the end of the year, the International Monetary Fund (IMF) estimated global output growth for 2011 at 4.0%, down from 5.1% in 2010. Within this context advanced economies (with the US growing at 1.5%, Eurozone at 1.6% and Japan at -0.5%) are estimated to have grown by 1.6% last year. Among emerging and developing economies, growth in China remained the strongest last year, at 9.0%, followed by India at 7.8%. Both these countries, however, saw output fall from 10.3% and 10.1% respectively in 2010. At 5.2% last year, growth in Sub-Saharan Africa was down on the 5.4% recorded in 2010, with Ghana, 13.5% (7.7% in 2010); Ethiopia, 7.5% (8.0% in 2010); Equatorial Guinea, 7.1% (-0.8% in 2010); and Nigeria, 6.9% (8.7% in 2010), the lead growth engines.

The biggest threat to the global economy from this crisis includes the rise of protectionist sentiments, a destabilising reversal in capital flows and a possible increase in global inflation. On the other hand, the main policy choice appears to be between strict EU central control (as favoured by Germany) and the preservation of national sovereignty (preferred by the French).

Reduced momentum in the face of stronger global headwinds

In keeping with the dominant trend in the economy, the non-oil sector held on as the main driver of output growth in 2011. Agriculture (at about 43.64% of GDP) was responsible for the lion's share of non-oil sector growth, followed by the wholesale and retail trade sector (18.29%). Despite revenue from the oil and gas sector contributing 88.3% of total export earnings, the sector accounted for only 14.27% of output growth in 2011. On balance, output growth in 2011 was estimated at 7.69%, down on the 7.87% recorded in 2010. The near full pass-through of export earnings into government's spending showed up in an increase in the broad money (M2) gauge over the review period. M2 rose from ₦11.48 trillion in 2010 to 12.17 trillion over the past 12 months.

How much of the pressure on domestic prices that we saw during the year was because of this rise in monetary aggregates is difficult to tell. But the consumer price index was stuck in the 11–12% range until June, when the sequence of policy tightening measures implemented by the CBN began to bear fruit. Thereafter, the CPI entered single digits before stabilising around a 10% mid point since September. In part, the moderation in inflation numbers over the last 12 months owed a great deal to the tighter monetary policy environment.

However, besides its effect on domestic prices, the CBN's increase in the policy rate, banks' cash reserve requirements and liquidity ratios apparently had a salutary effect on the naira's exchange rate. One effect of these measures was to make the returns on naira-denominated assets in the formal financial sector more attractive, and hence lift pressure on the domestic currency from the demand for foreign exchange. Consequently, the naira exchanged at ₦156.7/USD1 in December, from the ₦149.17/USD1 at which it opened the year. Still, concerns remained at the unofficial market, where the naira exchanged at ₦164/USD1 in the parallel market in December, up from the ₦156/USD1 with which it opened the year.

Flat-lined gross external reserves (despite strong oil prices in the global markets and oil production figures above baseline numbers) indicated that elevated supply by the CBN to the official foreign exchange markets may have helped moderate the naira's exchange rate in the review period. Gross external reserves closed at USD32.93 billion, up slightly from the USD32.35 billion at which it opened the year.

The banking industry

The CBN commenced the gradual rollback of its most recent intervention in the industry in the review period. By far the strongest of these positive signals was the Asset Management Corporation of Nigeria's (AMCON) recapitalisation of five banks, an act which saw the total number of banks in the country drop from 24 to 20. The industry's average capital adequacy ratio (CAR) rose significantly to 17.12% from 13% because of this. However, much of the growth in private sector credit last year was due to AMCON's borrowing to finance its activities. Tighter monetary conditions last year also drove increases in money market rates.

In the review period, the CBN introduced a number of policies with far-reaching impact on the banking industry. Pertinent among these was the introduction of the 'cashless economy policy', which stipulates a daily cumulative limit of ₦150,000 and ₦1,000,000 on free cash withdrawal and lodgement by individuals and corporate customers respectively. The industry also passed a major landmark with the release of guidelines for the operations of non-interest banking and subsequent issuance of approval-in-principle for the establishment of the country's first ever Islamic bank.

To ensure the success of the cashless policy as well as the convenience of our numerous customers, your Bank has made substantial investments in its technology platform and systems, built multiple distribution channels, including an electronically linked branch network, automated telephone banking, internet banking, and the introduction of 'first-monie' under the mobile payment framework.

On the international front, in addition to its presence in the United Kingdom, Paris, South Africa and China (Beijing), your Bank received approval from the Central Bank of the UAE to establish a representative office in Abu Dhabi in the review period. This office is expected to be fully operational within the first quarter of 2012. Furthermore, over the same period, your Bank acquired 75% equity interest in Thorens Limited, which owns a 99% interest in the Banque Internationale de Crédit (BIC), Congo. This acquisition is the opening phase of a strategic continuum that should see the Bank grow its pan-African footprint in parallel with the expansion of business opportunities across the sub-continent.

FirstBank's operations

Our strategic priorities shaped our operations in the review period. Consistent with our commitment to managing our talents for value, we concentrated on boosting our employees' 'inner work life' through enhanced welfare initiatives throughout the review. With respect to our commitment to keeping a lid on operating expenses, over the period covered by my report, the Bank focused on right origination, cost-effective and error-free operations and effective complaint resolution. Through FirstContact, the Bank continued driving improvements in service quality encompassing all customer touch points such as branches, ATMs, internet banking, email service, as well as back-office support functions. It is worthy of note that a total number of 290,000 inbound calls and 44,994 emails were received and treated to the very delight of customers in the review period. The contact centre also contributed significantly to the channel migration effort.

Full implementation last year of our new operating structure was crucial to our ability to gain traction on the many initiatives that characterised our operations in the review period. It would be a necessary condition for our continued success that we are able over the next implementation cycle to leverage lessons from the restructuring in search of a more efficient operating structure.

Looking ahead, I assure you that the management of your Bank is committed to investing more in advanced technology that will provide competitive advantage in customer satisfaction.

The Board

The following changes took place on the Board during the financial year ended 31 December 2011:

1. **Resignations**

   None

2. **Appointments**

   - Mr Urum Eke was appointed Executive Director with effect from 16 May 2011; and
   - Mr Bello Maccido was appointed Executive Director with effect from 1 January 2011.

3. **Retirement by rotation**

   A resolution was passed to the effect that the retiring Directors, namely: Mr Bisi Onasanya, Mrs Remi Odunlami, Alhaji Mahey Rasheed, OFR, who would retire by rotation and being eligible, offer themselves for re-election, are hereby re-elected Directors of the Company while Mrs Ibukun Awosika, Mrs Khadijah Alao-Straub, Mr Ambrose Feese, Mr Ebenezer Jolaoso, Alhaji Lawal Ibrahim, Alhaji Ibrahim Waziri, Mr Obafemi Otudeko, Mr Tunde Hassan-Odukale, Mallam Bello Maccido and Mr Urum Eke were elected Directors of the Company.

Appreciation

My first year in office as Chairman of what is arguably the most exciting organisation to work with in Nigeria's financial space has involved a steep learning curve. It has to this same degree been a very interesting period, enlivened and enriched by the enormous goodwill and support that I enjoyed from diverse quarters during this period.

My gratitude goes to our shareholders for the supportive ambience, which allowed us to reach the sterling numbers that this report speaks to.

The Board, Management and staff of the Bank were exceptional in their work ethic, and in the teamwork without which the successes I count at both the individual and institutional levels would have been impossible. Thank you.

To you all, I pledge that our efforts in the new financial year shall be geared to exceeding the best of this report.

Prince Ajibola Afonja
Chairman

April 2012

Leadership and governance
Board of Directors

For full biographies turn to page 163

Prince Ajibola Afonja
Chairman

Bisi Onasanya
Group Managing Director/Chief Executive Officer (GMD/CEO)

BARAC BCC BFGPC BGCI MCC MCG

Ambrose Feese
Non-Executive Director

BARAC BGC

Bello Maccido
Executive Director (Retail North)

BARAC BCC MCC MCG

Ebenezer Jolaoso
Non-Executive Director

BCC BFGPC BGC

Ibiai Ani
Non-Executive Director

AC BFGPC

Ibrahim Waziri
Non-Executive Director

BARAC BCC BFGPC

Ibukun Awosika
Non-Executive Director

AC BFGPC

Kehinde Lawanson
Executive Director (Corporate Banking)

BCC BFGPC MCC MCG

Khadijah Alao-Straub
Non-Executive Director

BCC BFGPC

Lawal Ibrahim
Non-Executive Director

AC BFGPC

Mahey Rasheed, OFR
Non-Executive Director (Independent)

BCC BGC

Obafemi Otudeko
Non-Executive Director

BCC | BFGPC

Remi Odunlami
Executive Director/ Chief Risk Officer

ACI | BARACI | BCC | BFGPC | MCC | MCG

Tunde Hassan-Odukale
Non-Executive Director

BARAC | BCC

Urum Eke
Executive Director (Public Sector South)

BARAC | BCC | MCC | MCG

Executive Vice Presidents

For full biographies turn to page 167

Adebayo Adelabu
Executive Vice President/Chief Financial Officer (CFO)

ACI | BARACI | BFGPCI | MCC | MCG

Bashirat Odunewu
Executive Vice President (Institutional Banking)

MCC | MCG

Bernadine Okeke
Executive Vice President and Head of Private Banking

MCC | MCG

Dauda Lawal
Executive Vice President (Public Sector North)

MCC | MCG

Gbenga Shobo
Executive Vice President (Retail South)

MCC | MCG

Tijjani Borodo
Executive Vice President/Company Secretary

MCC | MCG

Membership key

AC	Audit Committee
ACI	Audit Committee (in attendance)
BARAC	Board Audit & Risk Assessment Committee
BARACI	Board Audit & Risk Assessment Committee (in attendance)
BCC	Board Credit Committee
BFGPC	Board Finance and General Purpose Committee
BFGPCI	Board Finance and General Purpose Committee (in attendance)
BGC	Board Governance Committee
BGCI	Board Governance Committee (in attendance)
EXCO	Executive Committee
MCC	Management Credit Committee
MCG	Management General Committee

Leadership and governance

Managing Directors of subsidiaries

Akinwumi Fanimokun
MD, First Pension Custodian Nigeria Limited

Bayo Olugbemi
MD, First Registrars Nigeria Limited

Louis-Odilon Alaguillaume
MD, Banque Internationale de Crédit SARL

Martins Shoga
Acting MD, FBN Bureau de Change Limited

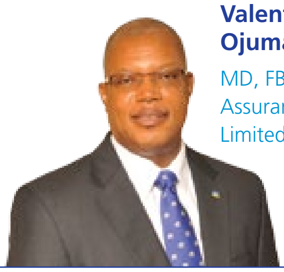
Fidelis Ojeah
Acting MD, Insurance Brokers Limited

Kayode Akinkugbe
MD, FBN Capital Limited

Pauline Nsa
MD, FBN Microfinance Bank Limited

Peter Hinson
MD, FBN Bank (UK) Limited

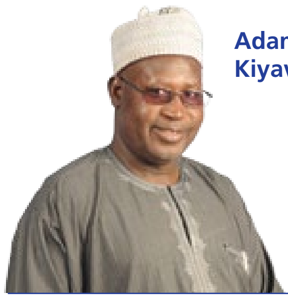
Subu Giwa-Amu
MD, FBN Mortgages Limited



Valentine Ojumah
MD, FBN Life Assurance Limited

Olumide Oduntan
MD, First Trustees Nigeria Limited

Shareholder representatives on the Audit Committee



Adamu Kiyawa

Peter Asu

Raphael Attu

The Audit Committee is made up of shareholder representatives (left) and members of the Board.

Awards

Most Innovative Bank of the Year in Africa by African Banker Awards

FirstBank clinched the award in recognition of the creative use of technology to grant the unbanked and underbanked population in Africa access to reliable, convenient and affordable financial services through the introduction of bio-metric technology, cash deposit ATMs and mobile financial service solutions, among other interventions to promote financial inclusion and improved customer experience not offered by our competitors.

Best Banking Group in Nigeria by World Finance Banking Awards 2011

This award identifies FirstBank as the industry leader in the Nigerian Banking industry in terms of the Bank's achievements in product innovation, originality and quality, market development, excellence in client representation and best practice in the financial and business world.

Best Bank in Nigeria, Best Trade Finance Provider in Nigeria, Best Foreign Exchange Provider in Nigeria, by Global Finance Awards

FirstBank has been the winner of the Best Bank in Nigeria, Best Trade Finance Bank in Nigeria, and Best Foreign Exchange Bank in Nigeria, awarded by Global Finance for the past seven consecutive years in recognition of the Bank's consistent leadership in international trade, foreign exchange provision and innovative banking in Nigeria.

2011 Sectoral Leadership Award in Banking by Pearl Awards

The Bank clinched this award in recognition of its sustained excellence and innovation in the Nigerian Banking milieu and particularly in the Nigerian Stock Market. FirstBank remains one of the most capitalised stocks on the Nigerian Stock Exchange after being the first quoted company in Nigeria to hit the one trillion naira mark in market capitalisation.

Most Trusted Bank for 2011 by BrandHEALTH Limited

FirstBank was acclaimed as The Most Trusted Bank after an independent survey carried out by BrandHEALTH Limited and the Bank won the award for the second consecutive year. This award further asserts the Bank's leadership in the banking industry.

Nigeria People's Bank Award 2011 by Africa Leadership Awards 2011

The Nigeria People's Bank Award 2011 is in recognition of FirstBank's outstanding contributions to the financial industry in Nigeria and the Bank's efforts at restoring people's confidence in the industry. The award portrays the extent of the Bank's share of voice among stakeholders and is a public acknowledgement of the ongoing corporate transformation in the Bank.

Best Financial Reporting Company 2011 by Africa Investor

First Bank of Nigeria Plc emerged the winner of the Africa Investor Best Financial Reporting Company for 2011, beating three other Nigerian banks to clinch it. The award accentuates the Bank's adoption of globally acceptable standards of financial reporting to enhance shareholders' value and fortify our business relationships with numerous stakeholders that require financial statements to make informed decisions.

Best Company in Consumer Issues by SERA Awards

FirstBank won the award in recognition of its consumer and data protection and privacy policies, which led to its certification by the International Organization for Standardization ISO/IEC 27001: 2005 Information Security Management Systems (ISMS) from the British Standards Institute (BSI).

Awards

Special Information Management Award for Banks in recognition of FirstBank's ISO 27001 Certification by Records and Information Management and Awareness Awards

FirstBank is the first financial institution in Nigeria to attain ISO 27001 Information Security Management Systems certification, enabling us to offer improved and secure banking transactions to our customers. The Bank was awarded the ISO/IEC 27001: 2005 certification on 8 September 2010 after attaining the global standard for information security. The certification also ensures that the Bank's contractual, legislative and regulatory requirements are met.

Telecom Financing Bank of the Year by Nigeria Telecom Awards

FirstBank was declared winner of the Telecom Financing Bank of the Year cognisant of the Bank's partnership with major operators in the telecommunications sector. The Bank is committed to availing term loans and working capital credit lines in foreign exchange and local currency to support network rollout and expansion as well as bridging working capital needs of the telecommunications industry.

OTL Africa Downstream Energy Finance Award by Downstream Energy Finance Awards

FirstBank won the award in recognition of its partnership and support for the downstream sector. For over two decades, the Bank has continuously aligned with the downstream sector, understanding the needs and developing capacity to maintain our position as the preferred lender to both the established and budding industry participants in the downstream sector.

Hall of Grace Award by Alpha Grace Media Resources

The Bank won this award in recognition of its immense contribution to the agricultural sector. The Bank offers a wide range of agricultural solutions to support the entire agricultural enterprise value chain and addresses the needs of various segments of the agricultural sector ranging from micro, small and medium to large enterprises.

Best Bank in Agricultural Financing in the Federal Capital Territory by Bankers Clearing House Committee

This award was presented to the Bank for being the Best Bank in Agricultural Financing in the Federal Capital Territory. To support Agricultural Financing in the nation, the Bank implemented an organisational architecture that empowers all the Bank's branches with appropriate asset creation mandates supported by automated credit origination and management systems.

2010 Best African Receiving Agent by MoneyGram

FirstBank joined the MoneyGram family in May 2010. In April 2011, the Bank won the 2010 Best Receiving Agent Award, having paid out ₦23.5 billion over a short period. This award indicates the Bank's resilience and proficiency in customer service and foreign exchange, consummating in this fantastic feat for a new entrant into the MoneyGram family.

Employer of Choice Award by Multi-Talent Heritage & Associates

This award recognises FirstBank's commitment to efficient and responsible business management, which cultivates a highly motivated, capable and entrepreneurial workforce. The Bank promotes a business environment that provides job security, employee health and wellbeing, and capacity building through training interventions based on competence requirements, business needs and evolving business opportunities.

Most Supportive Financial Institution Award by Nigerian Institution of Estate Surveyors and Valuers, Lagos State Branch

The Most Supportive Financial Institution was awarded to the Bank by the Nigerian Institution of Estate Surveyors and Valuers, Lagos State Branch in recognition of the Bank's tremendous impact and positive contributions to the real estate sector and the profession of estate surveying and valuation in general. The award reinstates the Bank's excellent performance and industry leadership in the real estate sector.

Business review

In this section

Group Managing Director/Chief Executive Officer's review

Distinguished shareholders, ladies and gentlemen, it is with great pleasure that I, on behalf of the Board of Directors, welcome you to the 43rd Annual General Meeting of FirstBank and present to you our financial statements for the year ended 31 December 2011.

Introduction

The year 2011 was an important one for FirstBank for a number of reasons: it was the first full year of operations under the new Bank operating structure, introduced in 2010; it marked the beginning of a new strategic planning cycle for the 2011–2013 horizon; and during the year we completed the first in a series of planned entries into selected banking sectors across Sub-Saharan Africa. Furthermore, in spite of a challenging operating and economic backdrop, I am proud to report that we have delivered much improved results. We successfully combined efforts to defend our leadership position in the industry with on-track execution of our extensive transformation programme anchored on growth and service delivery, which we began in 2009. Thanks to the dedicated efforts of the Group's exceptional staff, under the guidance of a sound management team, and with the unwavering support of our Board and shareholders, FirstBank remains the clear leader in the Nigerian banking industry.

On the whole, strong performance in 2011 was substantially driven by the impact of the new operating structure at the Bank and the ancillary alterations to our incentive and performance management systems aimed at aligning staff rewards and compensation to our overall goals. The Group is clearly already delivering results under the new operating structure, which was designed with the primary objective of increasing our attention to effectively serving the customer by enabling greater specialisation, deeper market penetration, closer relationship management and tailored product delivery. These benefits are already being recognised by our customers and industry observers: according to the 2012 KPMG Customer Satisfaction Survey, assessing 2011 performance, the Bank ranked 8th (from 10th in 2010) in its annual retail customer segment survey and 3rd (from 6th in 2010) in its annual corporate customer segment survey. Also in 2011, FirstBank was recognised by *African Banker* magazine as the Most Innovative Bank in Africa and already in 2012, we have been named Nigeria's #1 banking brand by *Brand Finance*. These are significant achievements in the space of just one year.

During 2011, the Bank recorded a number of important achievements across market-facing Strategic Business Units (SBUs) and non-market-facing Strategic Resource Functions (SRFs), while the different non-banking businesses within the Group also made great strides. We spent considerable efforts drilling down into the fundamentals and exigencies of our business and have clearly articulated our strategic priorities into 2013. We have defined five financial and five non-financial strategic priorities required to sustain our market leadership, and also to extend our leadership across all efficiency frontiers, which I will touch upon in this review.

Further information can be found on page 32.

In the year 2012, we will focus on driving accelerated growth and delivering results in line with our priorities. Above all, our goals are to ensure that FirstBank achieves pre-eminence in each of the business areas that we choose to operate in, and to ensure delivery of unmatched shareholder returns.

Industry context

During the year under review, the banking industry witnessed a number of regulatory actions and interventions, which either had or will have, in the current year, notable impact on the industry's operating context. Perhaps most significantly, there was a resolution to the banking sector crisis and recapitalisation process launched in 2009 with the Central Bank of Nigeria's (CBN) intervention in eight licensed commercial banks. Today, we are down to 20 banks operating in the sector under different licensing categories, with four banks having been acquired by competitors, and three others having been nationalised. The industry is in a much healthier state as a result: as at October 2011, industry capital adequacy ratio (CAR) stood at 19% compared to 14% in December 2010. In addition, average shareholders' funds were around ₦115 billion as at December 2011 compared to ₦70 billion a year before. At the same time, however, we are consequently operating in a much more competitive environment, given fewer banks and stronger capitalisation, at a time when the Nigerian economy has begun to turn the corner.

In addition, a number of policies introduced by the CBN during 2011 will affect the way we run our business across a number of different areas going forward. Key among these are the retail cash collection and lodgements policy (cashless banking), licensing of mobile money operators, non-interest banking, licensing of the first Islamic bank in Nigeria and changes to cash processing frameworks. We aim to be at the forefront of regulatory compliance in the industry and continually evaluate ways to efficiently run our businesses while being responsive to regulatory impetus and taking advantage of new opportunities as they emerge.

Further information on the Bank's operating environment can be found on pages 30 to 31.

Business performance

The Group has delivered tremendously improved financial performance in 2011 vis-à-vis 2010 and impressive results compared to competition. The size of our balance sheet increased by 32% despite the challenging economic backdrop and lacklustre industry circumstances, and as at December 2011, total assets were ₦2.8 trillion and total assets and contingents were over ₦4.4 trillion. We recorded impressive increases in profitability and finished the year strongly, growing profit after tax by 47% year on year to ₦45.7 billion and delivering earnings per share of ₦1.40.

The quality of our funding base has continued to improve, providing a platform for building sustainable income streams and maintaining our competitive advantage. Deposits grew at over 34% during the year to approximately ₦2 trillion, obviously benefitting from our clearer focus under the revised operating structure. Our Public Sector SBU is undisputedly the #1 player, and we continue to deepen relationships at every level. Consequently, during the year, we were chosen as preferred partner to an impressive number of State Governments, and currently hold a share of approximately 25% of Federal and State Government allocations. Retail Banking recorded an increase of almost one million in new accounts opened, a significant portion of which came from new customers in the youth segment, as a result of a deliberate strategy. We also recorded strong growth in domiciliary accounts due to increasing activity in the oil and gas sector and the launch of our FirstDiaspora products, designed to encourage inward remittances and homeland savings and investments by Nigerians living abroad. Although retail and public sector customers remain key liability providers, we have seen strong deposit growth across all segments of our business and therefore, significant headroom abounds to drive lending, notwithstanding our healthy loan to deposit ratio of 65.2% at year end.

Loans are obviously also another key driver of our business and we successfully grew our loan portfolio significantly in 2011, closing the year at ₦1.2 trillion. Our headline loan growth rate of just 9.2% does not take into account active switching of a substantial portion of intra-group and money market lines into corporate loans and the sale of over ₦100 billion of eligible performing loans to the Asset Management Corporation of Nigeria (AMCON), including 100% of our exposure to Seawolf Oilfield Services (an action driven at reducing portfolio concentration and addressing single obligor concerns). Consequently, we recorded normalised loan growth of around 40.6% year on year.

Our Corporate Banking and Retail Banking SBUs in particular were drivers of loan growth as the Bank pursued an increased focus on driving medium-sized loans to the corporate, consumer and small and medium enterprises (SME) segments. In 2011, the Bank disbursed substantial amounts in loans to over 200,000 individuals across the country and financed close to 60,000 SME customers in various sectors and lines of business. This resulted in aggregate growth of 25% in consumer and retail loans during the year. Notwithstanding this push, as at December 2011, our NPL ratio stood at just 2.4%, driven in part by asset sales to AMCON. We have defined a threshold NPL ratio of 6% as an acceptable ceiling in the medium term, given our drive to generate assets in the relatively higher yielding retail, corporate and SME segments and we will continue to adopt strategies to proactively manage our NPL portfolio, including aggressive remedial and recovery action and focused tracking of individual accounts.

During the year, we also recorded very strong income growth. Gross earnings rose by 28% to ₦296 billion and net interest income rose by 51% to ₦183 billion. Improvements in net interest income were sustained due to a combination of account level re-pricing across the entire portfolio, which had a significant impact on our asset yields versus 2010, lower cost of funds and the favourable interest rate environment. In addition, we dedicated efforts towards improving our mix in favour of higher yielding assets, with our treasury operations being increasingly efficient and more sophisticated. We have also introduced active hedging policies to our portfolio, including derivatives and similar instruments.

We remain focused on reducing the impact of interest rate volatility on our business by diversifying income streams. Around one quarter of our earnings currently are generated from fees, commissions and similar income, and increasing this percentage is one of our medium-term strategic priorities. During the year, a number of our SBUs achieved notable increases in trade financing and similar activities and we continued to proactively drive fees and similar income by stricter monitoring of commission on turnover (COT) concessions, and with a concerted push towards electronic banking products and channels.

Further information on our financial review can be found on pages 83 to 105.

Major contributors to our successes in the year under review were improvements to, and aggressive deployment of, our bills and electronic payments solutions to both public and private sector clients. During the year, we created a bespoke card product portfolio that addresses the payments needs of all our customer segments and we now have the capability to issue a number of our cards (with accompanying PINs) on the spot in our branches. As a result, we grew the number of active cards to over 4.3 million from about 1.5 million at the beginning of the year. FirstBank is currently the largest issuer of Verve cards across the industry and it is estimated that one out of every three active cards in the market is a FirstBank Verve Card. Further, our card activity rate increased from 48% to 76% during the period and we recorded year-on-year growth of 92% in the number of FirstBank Verve Card transactions across POS terminals nationwide. In addition, we have seen significant improvements in the availability of our automated teller machines (ATMs) with the roll out of 129 additional ATMs across the country during the year (bringing the total to 1,538) and a significant boosting of our ATM uptimes to around 90%, bringing us closer towards our target of 99%. The number of transactions on our ATMs grew almost three-fold during the course of the year to around 10 million per month.

We expect that the new cashless banking policy will be beneficial to our non-interest income stream and we undertook initiatives in 2011 such that the Bank is already positioned to offer fast and convenient cashless payment services to take full advantage of this opportunity in 2012. We have organised awareness programmes for customers on the cashless policy and we will aggressively deploy additional POS terminals across the country. In addition, we have enhanced the internet banking platform to enable interbank transfers, and we have integrated our web and POS modules into FirstCollect, to facilitate electronic sales collection through alternative channels on behalf of our corporate customers. We also launched FirstPayLink, a multi-platform internet gateway that links to the corporate customers' websites to facilitate online payments with both international and domestic cards.

Further information on our alternative delivery channels (e-business) initiatives can be found on page 53.

In early 2011, we launched a new Private Banking SBU focusing on providing personal banking and wealth management services to our high net worth clients. The business continues to develop in strides, with total assets under management of around ₦22 billion as at December 2011. During the year, Private Banking launched new world standard VISA Infinite Cards and added the provision of transactional banking services to its growing portfolio of service offerings. We have huge aspirations for Private Banking, which will continue to work closely with our Investment Banking and Asset Management division and FBN Bank (UK) to develop an onshore private banking product that competes favourably with the foreign banks.

Performance reviews for all our SBUs can be found on pages 57 to 72.

On the cost side, we have identified cost containment as one of our five medium-term financial priorities and set a target cost to income (CI) ratio of 55% by 2013.

Group Managing Director/Chief Executive Officer's review

As at December 2011, our CI ratio was 57%, reflecting good progress being made towards achieving our 2013 target. Since 2009, we have undertaken a number of transformation projects aimed at directly addressing our cost base while also improving service delivery. To date, projects successfully completed include the opening of our 24-hour customer call centre (FirstContact), centralised processing of many of our back-office functions, centralisation of our fleet management operations, consolidation of our head office print assets, transformation of 80 existing branches and creation of a number of new branch formats, among other initiatives. These and other actions have delivered measurable impacts on our cost base. For instance, our Centralised Processing Centre (CPC) has been a major success story. We commenced rollout in mid 2010 with five branches and a selected number of processes. Since then, we have added additional processes and included more branches, taking the current number to 458 branches that have been fully or partially migrated to the CPC. Annual CPC impact, in terms of cost savings, is estimated at approximately ₦1.4 billion.

During 2011, we continued to rationalise and upgrade our branch portfolio and took actions to encourage enhanced cost discipline across the Group. We also implemented, effective January 2011, an upward review of staff compensation policies aimed at re-aligning the Bank with best-in-class industry benchmarks to ensure that we continue to attract the best talent. In addition, we successfully executed the most aggressive phase to date of the Bank's brand transformation programme, aimed at fundamentally re-positioning FirstBank from a perception of 'First' representing 'old generation' to 'First' meaning 'the very best'. We embarked on extensive employee engagement programmes and rolled out a number of campaigns aimed at increasing awareness of the Bank's capabilities and raising our profile within key customer segments, including youth and HNI. These included the *Did You Know?* media campaign and a thought-leadership programme anchored on the FirstBank Impact Series. Furthermore, we selectively employed strategic advertising for increased visibility, including international TV commercials, and extensive digital media engagements (incorporating Facebook, Twitter, YouTube, etc.). Today, FirstBank has developed an appreciably more youthful and engaging 'look and feel', both internally and externally, and we have successfully improved on our public perception.

Outside of the Bank, our other businesses continue to improve as well. The Investment Banking and Asset Management (IBAM) division has undergone an extensive re-organisation process under the leadership of FBN Capital, including the re-alignment of our investment banking, asset management, financial markets and principal investments/private equity businesses under a single umbrella. IBAM has significantly boosted its personnel and capabilities across client coverage, debt and equity sales and research, and successfully hosted its inaugural investor conference in November 2011. We have a medium-term strategy of building scale in investment banking by leveraging on Group synergies, and this will involve working hand in hand with other Group businesses, including SBUs across the Bank, to become a total solutions provider to corporate, institutional and public sector clients.

In insurance, FBN Life Assurance is growing rapidly and continues to deliver on expectations. The partnership with Sanlam continues to be successful and the business has shown itself to be an innovator and a pace-setter in the life assurance sector in Nigeria. The insurance industry as a whole remains highly fragmented and we expect FBN Life Assurance to play a consolidating role in the near term.

Internationally, we made great strides in building our business and increasing FirstBank's profile. International expansion is an important part of our growth strategy and, following on from Beijing in 2010, we opened a third representative office in Abu Dhabi in 2011. We aim to have presence in each of the major financial centres of the world, and through our Abu Dhabi Representative Office, expect to tap into the burgeoning trade flows between Nigeria and the Arab region.

In the last quarter of the year, we also acquired 75% interest in Thorens Limited, which owns a 99% interest in Banque Internationale de Crédit (BIC), a bank in the Democratic Republic of Congo. BIC is a leading bank, poised to take advantage of massive untapped potentials in the DRC banking sector. We have acquired a strong management team and our equity partners have deep relationships and a proven track record in-country. We have great expectations of BIC and look forward to growing the business and sharing best practices between Nigeria and the DRC into the long term. FirstBank is now present in six locations outside Nigeria and we expect to steadily increase this number over the next few years. We intend to announce at least one significant regional acquisition during 2012.

Looking ahead

2012 marks the beginning of the next phase of our transformation. This year, we have turned our primary focus from structuring and laying the foundations for growth, as we did over the last three years, to profitably driving accelerated growth across the various business areas and boosting revenues in key segments. We will continue to defend our scale advantage (given its inherent benefits), drive efficiency to increase market share and customer loyalty, as well as create value for our shareholders. To achieve this, we will aggressively pursue our five financial and five non-financial priorities.

Financial priorities

We will selectively add loans to our portfolio, taking advantage of the Bank's strong liquidity position and low-cost funding base in the light of improving economic fundamentals. We aim to prudently increase our exposure to certain key sectors and will continue to implement strategies to shift the mix of our portfolio towards higher yielding assets. Our Corporate Banking, Retail Banking and Institutional Banking SBUs are central to this effort, which will see us drive standardised, small ticket loans to our corporate customers, SMEs and consumer lending clients, as well as build capability in structured finance.

We will also focus on increasing our non-interest income component and have identified a number of opportunities across the Group to achieve this. In addition to our existing push towards electronic and online banking platforms, mobile money is another major opportunity to drive fee-based income. The Bank was granted a mobile money licence by the CBN in 2011, on the basis of which we launched our mobile money product (Firstmobile) in the first quarter of 2012, having secured partnerships with three of the four major GSM operators in the country and with negotiations ongoing with the fourth operator. FirstBank is uniquely positioned to take advantage of the mobile money opportunity given our strong retail mass market focus and significant brand equity. Furthermore, we expect that our Institutional Banking SBU and Investment Banking and Asset Management businesses will be key additional levers to drive non-interest income going forward.

Cost containment is another of our financial priorities, and we have a number of projects ongoing that are expected to directly impact on our cost-to-income goal. During the year, we will make improvements to our cost allocation processes, review our procurement procedures and continue to optimise our branch portfolio, among other initiatives. Already this year, we have launched a programme to change the mix of our branch infrastructure in favour of smaller, less costly quick service point (QSP) formats, three of which were opened in January 2012. We have a nationwide target of 100 new locations (branches and QSPs) during 2012.

In terms of our net interest income, we have narrowed in on our asset pricing framework and are implementing changes to our pricing processes and methodology in order to maximise yields on our loan portfolio. Projects to address both of these issues are already underway, following on from the success of steps taken in 2011 towards re-pricing aspects of our portfolio. In parallel, we will drive low-cost deposit mobilisation, an area where the Bank has a natural competitive advantage, to further optimise net interest margins.

Further information on our financial priorities can be found on pages 42 to 44.

Non-financial priorities

In support of our loan creation and price optimisation priorities, one of our back-office priorities in the coming year will be to rapidly improve our credit processes. We are currently in the process of reviewing our policies and procedures to identify opportunities for optimisation, with the principal objectives of improving processing times as well as credit quality, while minimising losses.

We will combine improvements to our credit processes with a continued focus on service excellence. We have set a target of achieving top three in independent customer service surveys by 2013. Consequently, during 2012, we will consolidate progress made in respect of current service delivery initiatives and drive new projects aimed at improving the customer experience. A number of projects are already underway including expansion of the capabilities of FirstContact to leverage full multimedia and Interactive Voice Response capability, and continued rollout of centralised processing to include more branches and processes, given significant improvements already achieved in turnaround times and productivity of branches already included in the programme.

With respect to our brand, for 2012 and beyond, we have developed a holistic medium-term strategy focused on shoring up brand equity through innovation and clear-cut leadership. Our engagements will include a full brand audit including all naming conventions and trademarks, a full corporate identity refresh to energise the brand, and a review of our international branding strategy as we continue to add new markets.

The welfare and performance of our people are of major strategic importance to the Group. On the performance management side, we will continue to invest in developing a strong performance culture. In 2010, we developed new appraisal score cards for all our front-office functions and, in 2011, we began the process of detailing score cards for every single back-office function. This process will be completed in 2012. In terms of talent management, we will continue to proactively manage the welfare and development of our workforce, building on significant achievements made in 2011. This year, Human Capital Management and Development will embark on workforce segmentation and a workload analysis exercise for back-office functions. This will assist in the development of a Talent Pool Management Framework that will support other planned talent management initiatives spanning resourcing, learning and development, career and succession planning.

Finally, a critical imperative that must be addressed in 2012 is the legal structure for the Group, in response to the CBN's directive in 2010 regarding divestment of non-banking subsidiaries from deposit money banks. At the time when the directive was announced, we were already considering ways to optimise the activities of the Group and as part of that were in the process of reviewing the Group legal structure to enhance clarity and improve business cohesion. Consequently, we have been working for close to three years on designing an acceptable structure that balances the objectives of the regulator with the exigencies of the various businesses in our Group. We submitted a compliance plan, approved during 2011, as part of which the Bank will become a subsidiary of a holding company (FBN Holdings), the activities of certain subsidiaries will be subsumed into the Bank (e.g. FBN Mortgages) and First Registrars will be divested. The Bank will transfer ownership of other current subsidiaries to FBN Holdings, which will be listed on the Nigerian Stock Exchange in exchange for shares currently held in FirstBank. FBN Holdings will be regulated by the CBN as an 'Other Financial Institution' and will consequently not undertake any operating activities, serving instead as an investment vehicle for shares in the Bank and other businesses. We expect to fully implement the transition to the holding company by the second half of 2012, after all necessary approvals, including that of shareholders, are obtained.

Further information on our non-financial priorities can be found on pages 45 to 47.

Conclusion

In conclusion, since 2009, we have been very busy, painstakingly laying foundations to re-position the Group in order to create a truly formidable institution and thereby re-gain FirstBank's rightful place as the unchallenged leader in the Nigerian banking sector. We continue to believe that this goal is achievable if we can build on our current trajectory and stay on track with our transformation agenda.

Our aspiration is to develop winning value propositions across all our business units, deepen segment specialisation and transform the FirstBank brand, while selectively innovating across new business areas. We must also leverage the strengths and capabilities that exist across our diverse Group, driving synergies between businesses and ensuring that each business is a leader in its respective field. We recognise, however, that we will not be able to achieve this without attracting the best hands in the industry. Consequently, we will continue to deploy efforts towards proactive talent and performance management to drive results into the long term.

The challenges are significant, especially as competitors continue to copy and innovate. However, we are excited at the possibilities that lie ahead of us and remain confident that we will achieve our ambitions with the continued support of all our stakeholders.

Thank you all and God bless.

Bisi Onasanya
Group Managing Director/
Chief Executive Officer

April 2012

Operating environment

Global economy

Poor fiscal conditions, resulting from soft underlying growth, focused the market's attention on the sustainability of public debt positions last year. Along with the economic aftershocks of the earthquake in Japan and the unprecedented political upheavals in the Middle East and North African (MENA) region, these forces combined to lower output growth last year. Consequently, global output growth is estimated to have dipped to 4.0% in 2011, down from 5.0% in 2010. Advanced economies saw the steepest drop in output numbers, with the IMF estimating GDP growth for this category of countries at 1.6% in 2011, down from 3.1% in 2010. Unlike at any other period since the start of the global financial and economic crisis, emerging and developing countries witnessed deterioration in output growth last year. At 6.4%, this was down by 90 basis points from the 7.3% at which this group of countries, including Russia, China, India and Brazil, grew in 2010. As the debt crisis in Europe drags on, the consequent fall in demand across economies in the region took its toll on output growth in Asia. China's trade surplus declined for the most part in the year in review. Exports were the hardest hit, and the 13.8% year-on-year increase in November's numbers for overseas shipments was China's poorest since 2009.

This growing convergence of economies around a lower output growth median would suggest that most emerging economies have run down the buffers with which they entered the crisis. With the economic elbow room available to emerging economies tighter, the outlook for the global economy is increasingly dependent on a swift and effective resolution of Europe's sovereign debt crisis. The cost of borrowing for some of the Eurozone's largest economies, including Italy and Spain, has significantly shot up as lenders fear governments will not be able to pay back money they have borrowed. In this regard, the design of policy frameworks consistent with speedy resolution of the current crisis environment has varied across countries.

Short-term policy responses include the Chinese government's decision to continue paring banks' reserve requirements in a boost to push up lending numbers, and the 'quantitative easing' measures deployed by the US Federal Reserve Bank and the Bank of England, designed to stimulate their respective economies in the wake of a drop off in external demand induced by the crisis in Europe. As part of this process, the Federal Reserve's USD400 billion Operation Twist programme, announced in September, is expected to lead to a lowering of yields on longer-dated government debt. Still, the medium- to long-term policy direction in both advanced countries and frontline emerging economies remains essential, since purchases by central banks cannot on their own compensate for normal movements in policy rates.

With soft market sentiments remaining the dominant consideration as the crisis appears to reach across continents, there is considerable uncertainty over the extent to which stronger budget rules, as agreed to by European leaders in December, will help support the post-crisis single currency.

By year end 2011, the fear of contagion from the crisis in peripheral European economies reaching to the central countries in the monetary union was underlined as Standard & Poor's signalled its intent to downgrade its ratings for 17 European countries. However, US consumer numbers picked up at the end of the year, as customers responded positively to retailers' discount offers.

Nigeria

In spite of strong global headwinds, output growth held up well in 2011. Robust non-oil sector performance drove a projected 7.7% increase in GDP in the 12 months ended December 2011. This, however, is slightly down on the 7.9% recorded for 2010. Strong year-long growth in such sectors as agriculture, wholesale/retail trade, telecommunications, manufacturing and financial services, was moderated in the third quarter of the year by negative growth in the oil industry resulting from a decrease in production. Average daily oil production in 2011 dropped to 2.4 million barrels per day (mbpd) from 2.5mbpd the previous year. Still, because the price of the nation's light crude blend (Bonny Light) was higher in 2011 than in the previous year, hydrocarbon export earnings remained the single biggest contributor to official earnings in the review period. Bonny Light averaged USD114.3 per barrel in 2011 as against USD80.9 per barrel in 2010.

With real interest rates turning positive, domestic prices moderated in the review year. In part, lower inflation also responded to a better harvest in the year, leading to an increase in the food supply. Accordingly, the National Bureau of Statistics records the Composite Consumer Price Index (CPI) as rising to 10.3% year on year in December 2011. This compares with 11.8% recorded in December 2010. The average headline inflation in 2011 was 10.9% compared with 13.8% in 2010. On the other hand, the percentage change in the average composite CPI in the year to end December 2011 over the average of the CPI in the corresponding period of 2010 was 10.8%.

Nonetheless, pressures remain at the fiscal level as strong current account surplus supported elevated government spending in the review period. The surplus on the current account stood at 12.7% of GDP as at year end, as against 2.5% for the same period in the preceding year 2010. On the back of solid trade numbers, government's fiscal operations remained weak, resulting in a provisional budget deficit equivalent to 3.3% of GDP as against the 3% ceiling prescribed by the Fiscal Responsibility Act. In the absence of further fiscal consolidation, government's over-spend will continue to drive increases in monetary aggregates, which in turn will feed into domestic price pressure and constrain efficient price discovery in the foreign exchange markets. The resulting higher government borrowing may result to crowding out, making it difficult for private sector credit growth to recover as quickly and as strongly as required by the economy. Under this scenario, the Central Bank of Nigeria (CBN) will be compelled to continue its non-accommodative monetary policy stance.

Despite the CBN's concern, oil prices, which averaged USD114.3 per barrel throughout the review period, allowed the apex bank to intervene strongly in the forex market, and hold the naira relatively steady in the face of the strong headwinds building up in the system. Responding to market pressures, the CBN's rate-setting committee (the Monetary Policy Committee – MPC) adjusted the mid-point of target official exchange rate from ₦150.0/USD1.0 to ₦155.0/USD1.0 while maintaining 'the band of +/-3.0%'. Consequently, the policy shift saw the naira/dollar exchange rate close in December at ₦155.7/USD1, having opened in January at ₦149.2/USD1, representing a depreciation of 4.4%. With the CBN's total supply to the wholesale Dutch Auction System segment amounting to USD29.5 billion from January through to 21 December 2011, the nation's gross external reserves rose marginally by 2.5% to USD33.2 billion as at 15 December 2011 from the USD32.4 billion with which it opened in January.

Five years after the debt relief, the nation's debt profile as at December 2011 stood at $47.9 billion (about ₦7.5 trillion), although the Debt Management Office argues that the current debt position is still sustainable.

With the CBN maintaining a less accommodative monetary stance, inflation continued to trend downwards. The composite consumer price index for December was flat, while the year-on-year average consumer price index for urban and rural dwellers rose by 7.4% and 13.1%, respectively.

Domestic industry

The CBN's non-accommodative monetary policy defined the industry in the review period. At six successive meetings up to its October 2011 meeting, the MPC increased the policy rate (MPR) by 575 basis points from the 6.25% at which it opened the year to close at 12%. Similarly, the Cash Reserve Requirement (CRR) described a tighter trajectory, beginning with a 100 basis points increase in February when it rose from 1% to 2%, through a 200 basis points increase in May, to a 400 basis points increase in October, which saw this ratio close the year at 8%. The Liquidity Ratio (LR) was also increased by 500 basis points from 25% to 30% in the review period. In consequence, rates at the retail end of the market responded to the apex bank's signals. Significantly, the yield on 90-day treasury bill reached as high as 16% per annum, threatening government's cost of servicing domestic debt.

Arguably, the most significant banking industry news in the period under review is the recovery of credit to the private sector. According to the MPC, domestic credit (net) to the economy grew by 24.6% in October 2011 over the end December 2010 level by 29.5% on an annualised basis. Although this growth rate was below the indicative benchmark of 32.6% set by the apex bank for 2011, a resurgence in private sector credit growth was a key driver of domestic credit aggregates. Growth in private sector credit, at 24.2% in October (29.1% on an annualised basis) was higher than the indicative benchmark of 23.3% for 2011. In clear evidence of the success of the CBN's efforts to put a firmer floor beneath the industry after its most recent crisis, prospects of a more measured recovery in domestic lending improved while the apex bank, through the Asset Management Corporation of Nigeria (AMCON), recapitalised five banks in the review period. This reduced the total number of banks in the country from 24 to 20 after which the average capital adequacy ratio (CAR) rose significantly to 17.1% from 13% before recapitalisation. Furthermore, the banking industry witnessed a new era with the release of guidelines for the operations of non-interest banking and subsequent issuance of approval-in-principle for the establishment of the country's first ever Islamic bank.

In continuation of the CBN's efforts at reforming the banking sector, AMCON issued the second tranche of the first series of three-year zero coupon bonds in the period under review. Having already exchanged Series 1 Tranche 1 of ₦1.2 trillion late last year at an annual yield of 10.1% per annum, it issued the second tranche valued at ₦20.6 billion at a coupon of 11.8% per annum in the review period.

Nonetheless, given that the public sector continued to account for a large proportion of domestic credit creation coupled with an added fact that most government spend is of a recurrent nature, inflation expectations were heightened in the review period necessitating the MPC to tighten domestic monetary policy conditions. In addition, the stringent monetary conditions exerted undue pressure on the industry's net interest margin, as operators dealt with the market's resistance to price increases at the asset end of their businesses, while contending with depositors' demand for increased rates on their savings.

Contrary to most observers' expectations, despite the tighter trajectory to monetary policy, the industry's cost of funding its balance sheet softened as depositors maintained their savings in low-yielding current and savings accounts in search of safety. Simultaneously, as this helped keep the industry's cost of funds down, higher treasury bills coupon rates drove a general increase in risk assets yields. As the markets steady over coming periods, positive real interest rates should further drive up banks' costs, creating a strong incentive to re-price assets. Invariably, the industry will seek new ways of generating additional liabilities, but success here is also dependent on both the industry's risk appetite and the recovery of private demand. The latter is especially crucial, for the universe of credible borrowers in the economy needs to expand more rapidly if the industry is to maintain current levels of profitability.

Inelastic demand at the medium (in the face of a dearth of alternative borrowing outlets) and low (small ticket transactions) ends of the market made these segments attractive candidates for a stronger pass through of the effects of a higher interest rate environment. But with final domestic demand still prostrate, the likelier consequence of the higher costs implied by rising borrowing rates may well be to drive the industry's loan numbers up. On the upside, the CBN's policy suite may well drive a drop in the volume of foreign exchange demand in the economy, as customers respond to higher naira borrowing costs.

Outlook

It is against this backdrop that FirstBank has had to compete. While the sea change in developed economies has mostly indirectly impacted our business (with the exception of our UK subsidiary), the domestic economy has begun to show signs of recovery from the after-effects of the extreme volatility in oil prices, equity markets, and foreign and domestic credit markets witnessed over the past few years. Though the year began with a great degree of uncertainty in the banking sector – with several banks requiring deep interventions, private sector credit growth having stalled, and on the heels of large industry provisions and writeoffs – it ended on a much more positive note with all intervened banks having been recapitalised by the private sector or government, with credit growth having been restored, and with asset quality levels trending towards greater health. FirstBank has benefited from the improving domestic industry and macro conditions and has not only played a major role in the recovery but by virtue of this has posted its strongest results to date, remaining the clear leader among Nigerian financial institutions.

In summary, we expect that global economic developments will continue to impact Nigeria to varying degrees. On the international front, 2012 will be a busy political year globally as many important countries will be facing potential leadership changes. There will be presidential elections in the United States of America, France and Russia, while in China a change in leadership is expected towards the end of the year. Consequently, the minds of politicians will be preoccupied with self-preservation for the better part of 2012, causing global policy issues to take a back seat. The attendant weak policy actions may induce global market volatility and uncertainty. Besides, election year is usually characterised by heightened uncertainty with foreign investors and multilateral donor agencies staying on the side-line. The Eurozone debt crisis is another major challenge that will impact the global operating environment. Further delay in resolving the Eurozone debt crisis would negatively impact emerging economies and, invariably, global growth.

In contrast, the US economy may positively impact global economy given the recent trajectory of healthy balance sheets in the corporate sector, falling energy and food prices, improved consumer spending, as well as willingness on the part of US banks to lend to the private sector. Oil prices and China are other key elements that could affect the global operating environment in 2012. While geopolitical events in oil producing countries, particularly unrest in the Middle East, may drive oil prices northwards; China's hard landing may cause a major sell-off in commodity prices.

Domestically, resolving the current security concerns; commitments to ongoing structural and institutional reforms, particularly the power sector reform; and government's ability to manage the intended removal of the remaining fuel subsidy without much disruption to the economy will, to a large extent, influence the operating environment in 2012. The anticipated challenges notwithstanding, the outlook for the business and operating environment remain positive.

Strategy and performance

Strategic overview

As a Group, we have a clear vision of our business in the long term. We aspire to become Sub-Saharan Africa's leading financial services group and this vision is underpinned by our Group aspirations.

Redefining 'First'

Group vision
To become Sub-Saharan Africa's leading financial services group

Group aspirations
1. Be the undisputed leader in every business we choose to participate in.
2. Significantly grow our franchise within and beyond our borders.
3. Significantly increase our appeal to the next generation of Nigerians.
4. Delight our customers by providing unparalleled and innovative service.
5. Develop FirstBank Group into a hub for the best industry talent anywhere.
6. Hold ourselves to the highest standard of integrity and ethical conduct.
7. Deliver superior shareholder returns.

Group strategic priorities
- Restructuring for growth
- Business line expansion
- International expansion
- Synergies and cross-selling
- Sequencing growth systematically

Bank vision
To be the clear leader and Nigeria's bank of first choice

Bank aspirations to 2013

Defend
Defend strong balance sheet leadership position

Extend
Extend leadership to profitability, capital efficiency and effectiveness

Lead
Attain leadership in each SBU and extend franchise into SSA

Balance
Balance short-term performance with investments for long-term growth

Bank financial priorities
- Fees and commissions increase
- Selective LAD creation
- Pricing optimisation
- Low-cost deposit mobilisation
- OPEX containment

Bank non-financial priorities
- Service excellence
- Brand transformation
- Talent management
- Performance management
- Credit quality/process excellence

Bank Strategic Business Unit priorities
- Corporate Banking
  Lending at managed risk and improved penetration of midsized corporates
- Institutional Banking
  Improved value proposition and tailored solutions to serve largest corporations
- Private Banking
  Premium/differentiated sales and service models for HNIs
- Public Sector
  Bank of choice for government at the Federal and State levels
- Retail Banking
  Strong affluent/SME customer acquisition with continued deposit drive and credit expansion

We continue to articulate our Group strategy along the following key themes: restructuring for growth, business line expansion, international expansion and sequencing growth systematically. In addition, in the current three-year strategic planning cycle, which we began in 2011, we have added a fifth strategic theme, namely synergies and cross-selling.

Our goal is to redefine the perception of our business from the oldest and biggest to the best. In achieving this, since 2009, we have focused on implementing the big picture structural initiatives required to unlock growth potential within the Group, including a holistic review of the Group's operating and governance structures, as well as significant changes to our Group legal structure. During 2011, we also began implementing a Board-approved framework to extend our international presence to include up to 12 countries in Sub-Saharan Africa (SSA), excluding Nigeria.

As a bank, we continue to aspire to 'be the clear leader and Nigeria's bank of first choice', and our 2011–2013 strategic plan articulates how we will achieve this by focusing on 10 strategic priorities, balanced between financial and non-financial. Our strategic priorities, for the most part, remain consistent with the focus of previous years, and aligned with these priorities we have developed detailed strategic imperatives for each of our five Strategic Business Units (SBUs).

Looking ahead, we see significant opportunity in the current regulatory and competitive environment for FirstBank to drive revenues across the Group by leveraging on our unique value proposition as one of the only remaining diversified financial services groups in Nigeria. Related to this, during 2012, we will implement a holding company structure, additional details of which are provided on page 36. There are obvious interfaces between the Bank and other Group businesses and we have identified opportunities to increase our relevance and share of wallet with customers, particularly with the insurance and investment banking groups. Some progress has already been made in 2011 in this vein; however, in 2012 and going forward, we will pursue this objective with a renewed impetus and are developing fresh approaches to ensure that we create real value for our shareholders.

Strategy and performance

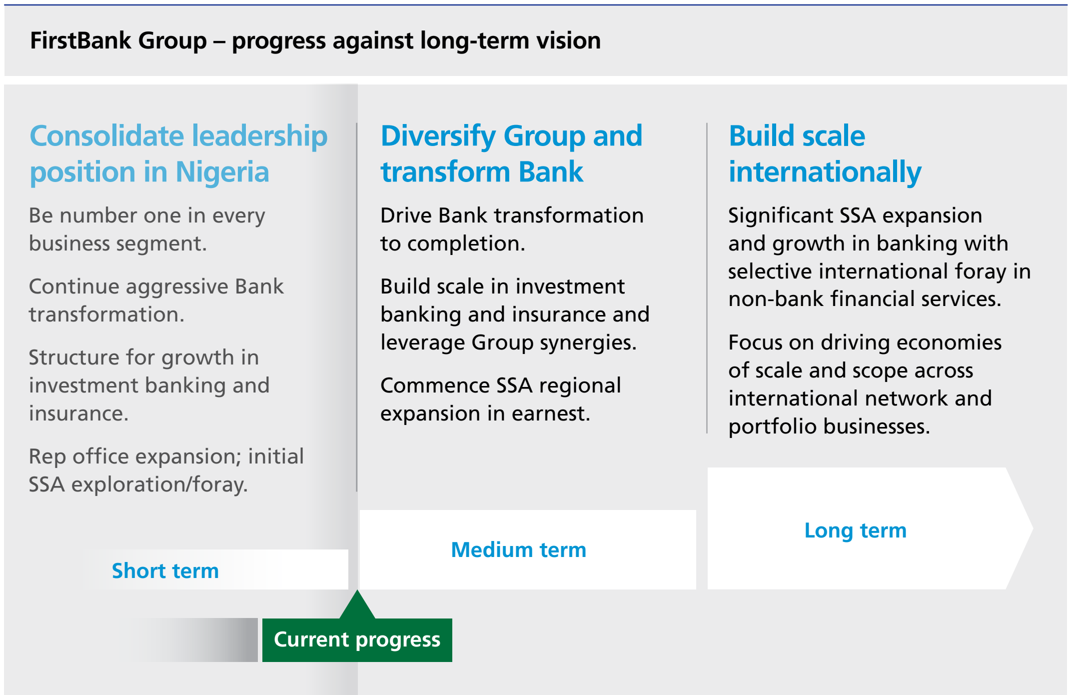
Group strategy

In recognition of progress made across achieving our objectives over the last three years we have added a fifth theme to our Group strategy, namely synergies and cross-selling.

In keeping with our vision to become the leading financial services group in Sub-Saharan Africa (SSA), our strategy is designed to deliver strong, profitable growth by capturing the full value of our services domestically and expanding relatively quickly in priority SSA economies. The schematic to the right summarises our sequential approach to achieving our long-term aspirations.

Our Group strategy in recent years has been centred on the four themes of restructuring for growth, business line expansion, international expansion and sequencing growth systematically. Towards the end of 2010 and in early 2011, we completed a strategic planning exercise for the Bank with respect to the 2011–2013 horizon. While the process saw little change to our Group aspirations, we have added a fifth theme to our Group strategy, namely synergies and cross-selling, in recognition of progress made across achieving our objectives over the last three years and pointing to an area of strong focus over the next three years.

In 2011, we finalised most of the structural changes that we began working on in 2009, including the Bank operating structure re-design, predicated on the belief that these will unlock latent growth potential and put us on a path to achieving disproportionate growth in the medium term. We also began to make inroads into our international expansion strategy. In 2012, we will focus on implementation of our holding company structure, continuing to build scale across the non-banking businesses and increasing the pace of our international expansion.



Summary of our Group strategy

For KPIs turn to page 73

Group strategic priorities		Related initiatives/2011 progress	Performance indicators	
	Restructuring for growth	• Set-up of new Group holding company. • Initiated process of divestitures of non-core businesses.	• Net operating income growth. • Credit performance.	KPI **1**, **4**
	Business line expansion	• Establishing a leading domestic investment bank. • Establishing a leading insurance underwriting business. • Focusing heavily on priority businesses within each business group (e.g. emerging corporates, asset management).	• Revenue expansion and contribution from cross-selling. • Net operating income mix. • Customer satisfaction ratings. • Brand perception.	KPI **1**, **6**, **8**
	International expansion	• Acquisition of Banque Internationale de Crédit (BIC), DRC. • Launch of UAE representative office.	• Contribution of international businesses to Group earnings (earnings mix). • ROI – capital efficiency of international investments.	
	Group synergies and cross-selling	• Coordinating activities of private banking businesses across geographies (i.e. Nigeria, UK). • Significant increase in joint mandates between Investment Banking and Asset Management business (IBAM) and commercial bank (Institutional, Public Sector SBUs).	• Net operating income growth. • Customer satisfaction ratings.	KPI **1**, **8**
	Sequencing growth systematically	• Completed operational integration of IBAM to enhance competitiveness and position for building scale. • Focus on inorganic expansion of core Banking business.	• Shareholder returns. • IT performance and system reliability.	KPI **5**, **7**

Strategy and performance
Group strategy

Restructuring for growth

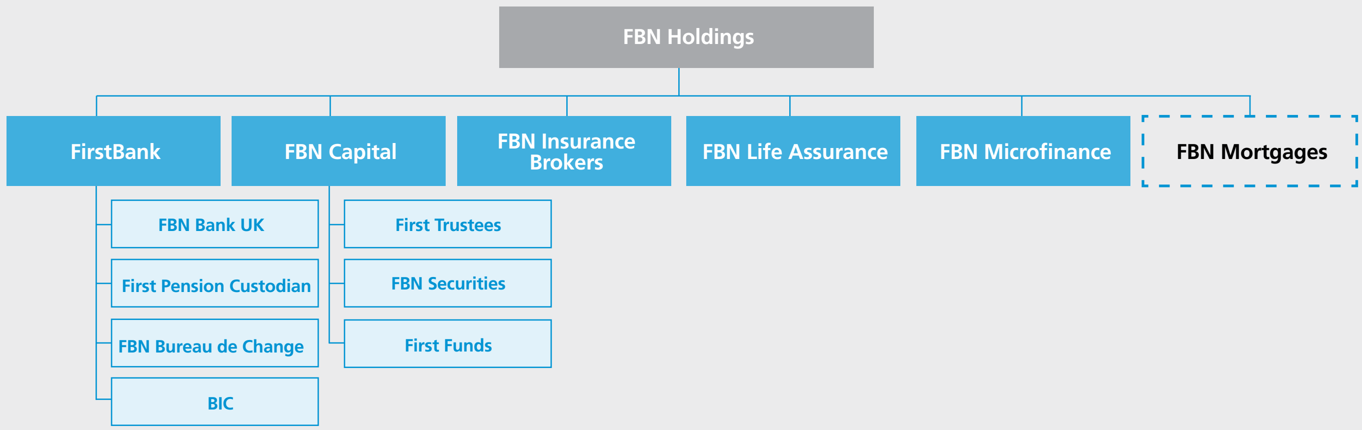
In early 2009, we began an extensive appraisal of our Group governance model to address obvious gaps in optimising our business and identify areas for improvement in line with our strategic objectives. This exercise was proactively done to develop a stronger platform for achieving our business objectives and included detailed reviews of our operating and legal structures across the Group. Overall, we found a strong need at the Group level to cluster similar businesses to improve coordination and specialisation while ensuring an optimal legal framework, strict regulatory compliance and tax efficiency. At the Bank level, we wanted to drive increased segment specialisation across the organisation in line with the demands of an increasingly discerning customer base, an evolving competitive environment and international best practices. Consequently, we developed a framework that would see the re-organisation of the operating and legal structures of our Group, including the implementation of a holding company (HoldCo), a unique idea in the Nigerian banking industry at the time. We identified a number of challenges with HoldCo implementation under the tax and legal code existing in Nigeria, and began to proactively engage regulators and governmental authorities to discuss possible solutions.

It was not long after we began our Group governance project that the Central Bank of Nigeria (CBN) intervened in the banking sector, and, shortly after, issued a policy requiring that banks either divest from their non-banking subsidiaries or incorporate a non-operating bank-holding company. This was an expected response to ongoing industry reforms aimed at promoting good corporate governance practices and proper industry conduct. Based on our conviction that there are strong natural synergies among the different banking and non-banking financial services businesses within the FirstBank Group, as well as the high growth potential of financial services in the Nigerian market, we have opted to move forward with our plans to incorporate HoldCo by leveraging on the current favourable regulatory environment in this regard.

Notable progress has been made to date with regards to HoldCo implementation: we secured CBN approval during 2011 to implement our compliance plan in respect of non-banking businesses and HoldCo, and expect that, subject to shareholder and other required approvals, HoldCo will be established and operational during the second half of 2012. We continue to work with the CBN and other stakeholders to resolve residual issues and to articulate guidelines and legislation pertaining to holding companies of this nature in order to minimise the cost to our shareholders.

The diagram below illustrates the intended legal structure of the Group once the restructuring is complete.

Proposed FirstBank Group holding company structure



There are a number of implications of our decision to set up a holding company:

- The holding company will be a non-operating legal entity domiciled in Nigeria regulated by the CBN, as an 'other financial institution' (OFI).
- The primary objective of the holding company will be to hold equity investments in our commercial banking business as well as our interests in other non-bank financial services subsidiaries.
- The restructuring will be implemented by means of a Scheme of Arrangement, requiring the approval of FirstBank shareholders, scheduled for the second half of 2012.
- FBN Holdings will be the ultimate parent company, and all subsidiaries, including the Bank, will be ultimately owned by FBN Holdings, which will be the subsisting listed entity.
- FirstBank will continue to focus on the banking business, and will retain FBN UK, First Pension Custodian, FBN Bureau de Change and Banque Internationale de Crédit as subsidiaries, while FBN Capital will be the primary vehicle for our Investment Banking and Asset Management (IBAM) business, holding First Trustees, FBN Securities and First Funds as its subsidiaries.
- Other subsidiaries, including the insurance businesses will be directly owned by FBN Holdings, similarly to the Bank.
- First Registrars is in the process of being divested and the activities of FBN Mortgages will be gradually wound down in accordance with a deadline established by the CBN. It is noteworthy that neither of these actions will have a significant impact on the financial position or strategy of the Group.

Business line expansion

Within our core banking franchise, we are seeing tangible benefits of a modified operating model, with the development of segment and functional specialists. Each of our Strategic Business Units (SBUs) recorded an increase in their business during the reporting period, driven by a customer-centric strategy. Going into 2012, we will be focused on the customer – acquiring new customers along priority segments (i.e. emerging corporates[1], affluent retail and the unbanked), growing customer profitability and leveraging our enhanced operations platform to offer better service.

In the non-banking financial services sector, FBN Capital completed the integration of its operations with those of First Trustees and First Funds, resulting in the creation of an integrated business, which offers services including financial advisory and capital markets, research, asset management, principal investing, private equity and stockbroking. In addition, some steps were to taken to review incentive structures between the Bank and IBAM in order to capture cross-selling opportunities across the Group. FBN Life Assurance, our life insurance subsidiary, a joint venture with Sanlam, the leading life insurance company in South Africa, completed its first full year of operations during 2011, primarily focusing on its corporate client solutions. In 2012, FBN Life Assurance will focus on leveraging the Group to take advantage of cross-selling opportunities, including bancassurance. Additional information on our IBAM and insurance businesses can be found on pages 96 and 103 respectively.

International expansion

Over the next three to five years, we intend to significantly extend our banking franchise and raise the Bank's profile beyond its current borders, establishing presence in up to 12 Sub-Saharan African countries that are of interest over the next five years. This expansion is expected to result in a number of benefits, including greater earnings diversification and increased shareholder value. By establishing presence in other African countries, we will also improve our ability to effectively serve an increasingly international profile of corporate and institutional customers.

We have taken a thorough and disciplined approach to selecting our intended new markets, based on criteria that include macroeconomics, banking sector dynamics and growth potential, as well as other strategic considerations. Although our banking business remains the near-term primary target for regional expansion, we intend to leverage the Group structure in our expansion. Representative offices will be a source of referrals for our domestic operations and vice-versa, while international subsidiaries become beachheads for our non-bank businesses (e.g. investment banking).

In addition to Beijing and Johannesburg, we opened a representative office in Abu Dhabi, the United Arab Emirates, taking our number of locations outside Nigeria to six. The Abu Dhabi office will provide avenues for the Bank and other members of the Group to take advantage of opportunities arising from increasing bilateral trade flows between Nigeria and the Gulf region. We also acquired a 75% interest in BIC, a highly profitable bank in the Democratic Republic of Congo (DRC). BIC is a leading bank in the significantly under-penetrated DRC banking market, and we are working with a strong local management team and equity partners that know the country well. In 2012, we are already working on an additional regional aquisition and we expect to continue to implement our international expansion at a moderate pace in the medium term. In parallel, we aim to have visible presence in the major trading and commercial centres of the world and will continually review our portfolio of representative offices in light of this. FirstBank is now present in six locations outside Nigeria.

We have a unique approach to international expansion, which we expect will serve us well as we expand our presence across the continent. Overall, we are guided by the objective of shareholder value creation and economics, and have limited the scope of our expansion to a relatively small number of countries in the region. Our approach is to deploy a 'multi-local' strategy, whereby we will encourage local participation in management and equity in recognition of the degree of cultural diversity that exists in doing business across the continent. Finally, we aim to be leader in every market where we choose to participate, in terms of market positioning and profitability.

Synergies and cross-selling

Strong natural synergies and cross-selling opportunities exist between banking and other financial services sectors, and we have intensified efforts to leverage our unique offering to forge deeper relationships with our customers. Over the years, we have built strong customer relationships across all banking customer segments and earned a reputation of trust and reliability. We have also seeded and developed leading businesses across the scope of non-banking financial services. In a post-universal banking era, FirstBank will be one of a few banking groups with the ability to leverage this position to generate economies of both scale and scope.

For example, our Public Sector SBU is already working closely with IBAM to win advisory and bond issuance mandates at the State and Federal Government levels. In addition, our Private Banking SBU works closely with both IBAM and FBN Bank (UK) to offer tailored investment solutions to high net worth clients in Nigeria and abroad. In the current financial year, we are focusing on implementing the critical enablers and detailing incentive structures needed to boost cross-selling opportunities across the Group.

Sequencing growth systematically

We highlighted in our strategic review in 2010 our sequential approach to executing on our Group strategy with deliberate focus on first reinforcing our leadership position in Nigeria, then guided diversification of the Group and finally building scale internationally.

We remained true to this approach in 2011, growing the Bank significantly across key metrics including scale, profitability and market share. In 2012, our approach also remains unchanged, though we will be building on 2011 successes by harnessing inherent opportunities to enhance our cross-selling capacity across the Group. We will also begin to take a disciplined approach to growing our business beyond existing borders and increasingly focus on executing our international strategy in the medium/long-term horizon.

1 See additional information on the updates on our market facing business strategy on page 59.

Strategy and performance

Bank strategy

In the past three years we have significantly re-organised the way we do our business, the result of a clearly articulated strategy to transform our business, which we have passionately and patiently executed since 2009.

From 2009 to 2011, the strategic focus of the Bank was anchored on the four themes of growth, service excellence, performance management and talent management, and in line with this, we implemented structural changes and undertook projects and initiatives designed to directly address each of these strategic imperatives.

Since 2009, implementation of our strategy and execution of our transformation has seen us put in place a number of initiatives designed ultimately to drive shareholder returns. Towards the end of 2010, we re-aligned our market facing business within the Bank into five SBUs, designated along customer segment lines, with geography representing a second level consideration, and re-designed the nationwide coverage/deployment model to align with the new organisation. Overall, the intent was to re-orient our business towards the customer, to ensure tailored product design and unparalleled service delivery. 2011 marked the end of our first full year of our operating under the new operating structure, having launched a new SBU, Private Banking, during the course of the year. Our new operating structure has already significantly enhanced our business: we are clearly on an accelerated growth path and have already recorded independently acknowledged improvements in our customer satisfaction levels across the Board.

The overriding objective of our transformation is to change internal and external perceptions of our business and to operate on the basis of a renewed impetus. The name 'FirstBank' should provoke not only thoughts of a trustworthy and dependable 118-year old financial institution but also of being 'best in class' across a number of important metrics.

The transformation was necessitated by a changing industry context and the resulting challenges imposed on our business. The banking landscape in Nigeria has changed dramatically in the last decade due to a combination of strong growth, liquidity, solvency and capital markets crises and significant regulatory reform. Consequently, we recognised a need to address a gradual erosion of the Bank's market share and bridge a gap in perceptions regarding our ability to effectively serve our customers.

Our transformation, at its core, has seen us fundamentally address the Bank's service delivery model, ultimately ensuring that we are serving our customers better. We have made changes to our customer segmentation model, improved interfaces between market-facing and non-market-facing aspects of our business, revised our product portfolio and pricing, addressed our macro-channel architecture and features, as well as our marketing and branding approach. Highlights of our achievements to date are provided in the schematic on the next page.

Redefining 'First'

From 'the oldest and biggest'

1894 FirstBank founded as Bank of British West Africa (BBWA)

1957 BBWA rebranded Bank of West Africa (BWA)

1966 BWA becomes Standard Bank of West Africa post-merger, then Standard Bank of Nigeria

1979 Standard Bank of Nigeria becomes First Bank of Nigeria

2009 FirstBank re-emerges as the largest bank in Nigeria and also leads in several non-bank financial services sectors

To 'the best'

Shareholders
#1 in total returns to shareholders, growth, profitability, capital efficiency

Customers
#1 in service levels, value to customers and brand perceptions

Employees
#1 in desirability to work for

Regulators
#1 in compliance and sound corporate governance

Public
#1 in positive impact on society and national development

Transformation highlights – key achievements since 2009

Talent

- Strategic recruitment.
- Compensation realignment.
- Business-aligned support.
- Launched FirstAcademy to implement competency-based training and development.

Performance management

- Consequence management applied.
- Continued scorecard evolution.
- Oracle-based MIS portal.

Products

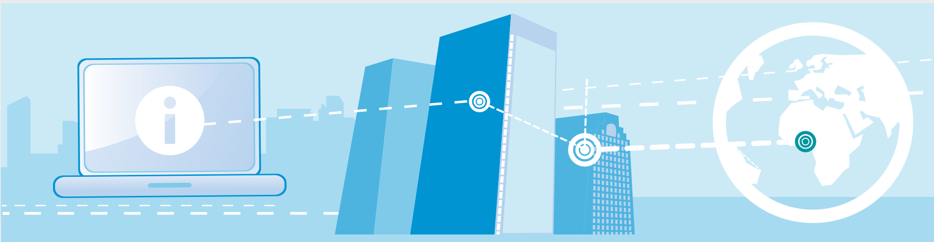
- New private banking proposition.
- Mobile money business.
- Product innovations (e.g. hedging).
- Differentiated card product portfolio.

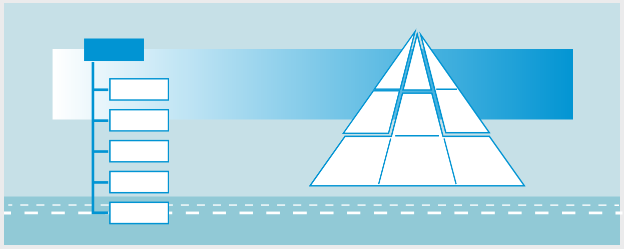
Brand

- Brand transformation programme launched.
- Brand repositioning (e.g., *Did You Know?*, FirstBank Impact Series).
- Enhanced share of voice (TV, print etc.).
- Most Innovative Bank in Africa 2011 award by *African Banker*.
- Nigeria's #1 Banking Brand award by Brand Finance Top 500 Banking Brands.
- Vastly improved customer satisfaction rankings – from third to second quartile.

Channels

- Deployed contact centre solution.
- Significant ATM uptime boost.
- Instant card issuance and custom PIN selection.
- Enhanced internet banking platform.





Technology platform

- WAN optimisation.
- MS Exchange implementation.
- Data centre and disaster recovery management upgrade.
- Deployed e-learning platform.

Operations

- Centralised processing centres.
- Process automation/redesign (e.g. check clearing system).
- Launched process management centre of excellence.

Network

- 80 branches in over 10 cities transformed.
- New branches and quick service points.
- Beijing and UAE representative offices.

Group

- IBAM consolidation, strategic hires.
- Life insurance JV launch.
- New structure implementation.

Organisation

- Customer segment-based SBUs.
- Central operations reporting.
- New functions.

Strategy and performance
Bank strategy

Strategic plan to 2013

In 2011, we ushered in a new strategic planning cycle for the Bank. As part of this, we have re-affirmed our aspirations, refreshed our targets, and re-defined our medium-term strategic priorities into 2013.

Our strategy for the medium term is delineated in a manner that we believe streamlines our focus as an institution. We remain on track with our transformation roadmap and continue to deliver according to expectations. In 2012, however, we have turned a corner that will see us reallocating resources and management time away from major structural change and more towards driving accelerated but profitable growth across all aspects of our business.

Aspirations to 2013

The Bank continues to aspire to be the 'clear leader and Nigeria's bank of first choice' and we remain confident that our strategy will see us deliver on our medium- and long-term aspirations. We have articulated our 2013 aspirations across four dimensions: DEFEND – EXTEND – LEAD – BALANCE, as illustrated in the schematic to the right.

Strategic targets to 2013

Our aspirations to 2013 are anchored on clearly defined targets, which cut across a range of performance and health indicators measuring the strength of our operations, customer satisfaction and competitive positioning, as illustrated in the schematic below.

Each metric is accompanied by a specific internal target and we are already recording progress across a number of fronts. Our targets to 2013, though bold, are entirely achievable with a clear and aligned focus on our strategy.

First Forward – Bank aspirations to 2013

Defend	Defend strong balance sheet leadership position
Extend	Extend leadership to profitability, capital efficiency and effectiveness
Lead	Attain leadership in each SBU and extend franchise into SSA
Balance	Balance short-term performance with investments for long-term growth

First Forward – Bank strategic targets to 2013

Outperform profit before tax **Widen operating margin to deliver solid profit growth**	3% return on assets[1] **Satisfy shareholder expectations**	55% cost–income ratio **Reduce from current levels**
Boost net revenue **Aggressively grow revenue to meet/ exceed market growth rate**	25% return on equity[1] **Exceed cost of capital**	≤6% non-performing loans **Contain within acceptable thresholds**
Grow total deposits and loans **Grow low-cost deposits to fund prudent loan growth ahead of market**	#1 total assets **Maintain industry leadership position in total assets**	Top five service levels **Establish strong top five position in customer satisfaction surveys**

1 Returns on profit before tax.

Strategic priorities to 2013

To drive achievement of our strategic targets, we conducted an in-depth analysis of our business to isolate the primary levers in our financial and operating performance. This was an extensive and all-encompassing exercise, the results of which are five financial and five non-financial medium-term strategic priorities, which we will pursue relentlessly into 2013. These current priorities, while refreshed, do not represent a significant departure from our four key pillars which have formed the basis of our strategy in previous years, namely growth, service excellence, performance management and people. We believe that by focusing on our five financial and five non-financial priorities, we will transform FirstBank into a world-class institution that delights shareholders, customers and employees.

Bank strategy

Bank non-financial priorities

- Service excellence
- Brand transformation
- Talent management
- Performance management
- Credit quality/process excellence

Strategic Business Unit	Role
Corporate Banking	Lending at managed risk; improved penetration of midsized corporates
Institutional Banking	Improved value proposition and tailored solutions to serve largest corporations
Private Banking	Premium/differentiated sales and service model for high net worth individuals
Public Sector	Bank of choice for government bodies at the Federal and State levels
Retail Banking	Strong affluent/SME customer acquisition with continued deposit drive and credit expansion

Bank financial priorities

- Fees and commissions increase
- Selective loans and advances (LAD) creation
- Pricing optimisation
- Low-cost deposit mobilisation
- Operating expenses (OPEX) containment

We will give equal emphasis to financial and non-financial priorities over the next two years and we have defined a number of important drivers for each SBU that will be integral to attaining our aspirations to 2013. As we did in 2011 and with renewed vigour in 2012, we will continue to focus on a small number of discrete initiatives aligned with each priority.

Strategy and performance
Bank strategy

Bank financial priorities

Our five financial priorities were developed following a rigorous analysis of the drivers of our return on equity, as part of which we isolated the five primary drivers of our business and developed discrete objectives across each one, designed to maximise and leverage our competitive advantages.

Summary of the Bank's financial priorities to 2013

		Description	Highlights
Bank financial priorities	**Fees and commissions increase**	Significantly increase revenue from non-interest income sources.	Boost cross-selling with customer analytics, establish the leading mobile money franchise, grow key product volumes (e.g. LCs, FX).
	Selective loans and advances (LAD) creation	Selectively and prudently grow loan portfolio in key sectors and shift mix towards assets with higher-risk adjusted total yield.	CBG[1]: more small ticket transactions priced right, IBG[2]: structured finance capabilities/exposures, SME/consumer program lending and cards.
	Pricing optimisation	Implement strong risk-based pricing regime and manage revenue leakages.	Revise pricing tools and policies, manage concessions/leakages, implement short-term re-pricing to align with market.
	Low-cost deposit mobilisation	Drive strong low-cost current and savings account (CASA) deposit liability generation.	General and targeted savings promotions, product innovations for priority segments, branch expansion via small format branches (i.e., quick service points (QSPs)).
	Operating expenses (OPEX) containment	Contain OPEX growth rate at level sufficiently below revenue growth rate.	Migrate retail mass market clients to ATMs/alternative channels, rationalise less profitable branches, enhance controllable cost discipline.

1 CBG: Corporate Banking group.

2 IBG: Institutional Banking group.

Fees and commissions increase

37% growth in fees and commissions income in 2011

Fees and commissions have the potential to significantly enhance the Bank's profitability. Because we are focused on continually widening the performance gap between FirstBank and competitors, we have selected this as a primary financial priority into 2013. While in the past few years we have consistently increased the contribution of fees and commission to total income, we are not satisfied with our pace and progress and have begun taking steps to significantly boost this line of our income.

In 2011, we expanded our products and service offerings to fully optimise inherent opportunities within our existing customer base to capture some 'low-hanging fruit' in the form of fee-based transactions such as transaction-based lending, facility renewal fees (consumer) and management fees from Private Banking's assets under management. In addition, we put in place a number of initiatives to support this drive, such as aggressive commission management, to guarantee an optimal commission structure and commission on turnover (COT) substitution to ensure that declining COT revenues are substituted by other fee-based revenue generators.

Going forward, we will continue to leverage opportunities across our existing loan portfolio, as well as push cross-selling across the Group to grow key product volumes (e.g. payments, letters of credit, foreign exchange transactions, etc.). We are embracing the mobile money opportunity to generate further fee income opportunities. In addition, we shall also be reviewing value propositions to IBG/CBG customers to ensure we capture the opportunities around the business of these customers and creatively proffer transaction-based solutions that will position us as financial service solution providers. In doing this, we will ensure that our large suite of products and services become tools we can employ in a manner that satisfies each customer's unique service needs, ultimately enhancing fees and commissions across the Bank.

Selective loans and advances creation

40.6% adjusted loan growth in 2011

FirstBank is currently the biggest lender in Nigeria and we intend to maintain this industry leadership position into the future term. In order to do this, we will selectively increase our exposure across a number of key segments of the market, including power, oil and gas, telecommunications and small and medium enterprises (SMEs), where we see attractive yields and can apply our competitive strengths.

In 2011, we re-balanced our portfolio away from money market lines and more in favour of higher yielding customer loans. Over ₦150 billion of money market lines were replaced in this way, contributing to like-for-like growth of over 36% in the underlying portfolio, compared to 2010. In 2012, we will continue to push along similar lines, emphasising focus on assets with higher (risk-adjusted) total yield and maximising opportunities for revenue growth through selective LAD creation in growth sectors. Product areas of focus will include consumer credit and structured finance pipeline deals.

We have adopted risk-based pricing and have strengthened our risk management systems to support our loan growth objective. In addition, product limits, obligor limits and risk acceptance criteria have been aligned with the Bank's risk appetite. Risk appetite thresholds have been defined in the credit portfolio plan of the Bank and are conceived on prevalent business realities, prudential guidelines, strategic thrust and target shareholder value proposition of the Bank and portfolio quality target. These risk thresholds are designed to minimise erosion of earnings and capital and are monitored on a quarterly basis and reported to management for the assessment of performance against stated goals.

Pricing optimisation

120bps increase in interest yield in 2011

In order to maximise our yield on assets, and consequently revenue, we have been working to optimally price our assets and services to ensure that we extract the maximum benefit while remaining competitive. In 2011, the Bank implemented a strong risk-based pricing regime to manage its revenue 'leakages'. This encompassed the revision of our pricing tools and mechanisms with an active framework around concessions and the implementation of a short-term re-pricing model to ensure we are constantly aligned with the market.

As we commence the new financial year, we shall continue to adjust our credit pricing model to effective transaction/counterparty risk levels, with the objective of moving closer to peer standards, earning higher interest on similar risk assets and maximising overall yield on assets. In addition, we shall continue to build other competitive advantages i.e., speed of credit process, superior credit assessment to ensure other advantages accompany pricing.

Strategy and performance

Bank strategy

Low-cost deposit mobilisation

34% increase in deposits in 2011

The overriding objective of this priority is to increase our low-cost deposit base as a catalyst for reducing the Bank's cost of funds and also to provide a strong and sustainable liquidity base to underpin our growth ambitions.

In essence, we see a direct link between increasing the Bank's leverage and returns and our ability to re-capture market share in the retail segment while enhancing our value proposition to the affluent segment. In late 2010, we developed a robust strategy for our Retail business, which will see us, over the next 12 months, drive account acquisition and, in particular, current and savings account (CASA) deposit liability generation. To do this, we have identified general and targeted savings promotions, product innovations for priority segments, branch network expansion and optimisation as key levers. Other strategic initiatives include continued channel optimisation (with emphasis on transaction and migration to electronic channels), application of increasingly sophisticated customer analytics to drive deposit acquisition and retention strategies and differentiated deposit strategies across segments/clients.

In 2011, we achieved a significant reduction in our cost of funds due to the re-pricing initiative (average cost of funds is currently less than 2%) and we expect the above initiatives to keep our cost of funds at a low level.

OPEX containment

55% cost-to-income ratio achieved in 2011

Into 2013, we will focus on containing our operating expense level and ensuring that our costs grow at a substantially lower pace than revenue. We see significant potential to improve our bottom line by keeping costs under control and closely monitoring our cost management framework.

In 2011, we implemented various initiatives to contain OPEX in the short/medium term, including immediate migration of retail mass market clients to ATMs/alternative channels, reorganisation of unprofitable branches and enhancing controllable cost discipline. In the medium term, key initiatives will focus on making improvements to our cost allocation processes to better reflect the underlying cost of doing business across each SBU, optimisation of staff productivity by reviewing mix and manning levels and review of our procurement processes among others.

We are targeting a cost-to-income ratio of 55% by 2013 and as at December 2011, recorded a figure of 55%. We believe that our target is entirely achievable with focused implementation of identified initiatives and close monitoring, as well as an equal if not greater emphasis on the ratio denominator – revenue.

Bank non-financial priorities

Ultimately, the right configuration of business enablers will build a system that will differentiate our value proposition in a manner that will be harder to replicate by our competitors and will ensure that we continue to defend our competitive position even beyond 2013. These enablers also serve to preserve the long-term health of our business. Consequently, we have defined five non-financial priorities as part of our Bank strategy. These priorities are typically accompanied by very specific initiatives and projects, many of which are already underway.

Summary of the Bank's non-financial priorities to 2013

		Description	Highlights
Bank non-financial priorities	**Service excellence**	Make FirstBank renowned for fast and friendly service, without sacrificing processing quality or increasing transaction costs.	Branch/customer experience transformation, channel optimisation/migration, centralised processing centre rollout/expansion.
	Credit quality/ process excellence	Improve speed/quality of credit decisions and effectiveness of end-to-end credit process from origination to recovery.	Deepen Bank-wide credit capabilities, run holistic process redesign, strengthen scoring models/algorithms, enhance monitoring and workout.
	Brand transformation	Significantly enhance FirstBank brand perceptions and drive business results via targeted campaigns.	Targeted customer acquisition and loyalty campaigns, product usage/revenue-driving campaigns, channel shift campaigns, brand health campaigns.
	Talent management	Build a superior workforce at FirstBank by attracting, developing and retaining the best industry talent.	Workforce planning/alignment and role grading, capability building in critical areas, HR systems/process alignment with differing SBU needs.
	Performance management	Align individual incentives with enterprise/ shareholder priorities and ensure accountability for commitments.	Refinement of scorecard metrics/weightings, SRF performance management, cross-selling/cooperation initiatives, rigorous PMO tracking.

Strategy and performance
Bank strategy

Service excellence

We included service excellence as one of our strategic themes for the 2009–2011 planning cycle, and have maintained this as one of our non-financial priorities into 2013. Our efforts and relentless drive to improve the experience of our customers has resulted, over the last three years, in consistent improvements in our rankings in independent customer service surveys. Looking ahead, our focus is to reinforce the Bank's achievements across key customer touch points and continually enhance our processes.

In 2011, we successfully implemented a number of initiatives in this regard, including introduction of standardised processes across our SBUs, branch format improvements, upgrades to our customer contact centre to expand our service channels to include SMS and social media, and extensive rollout of the Centralised Processing Centre (CPC) platform in new branches.

By 2013, our goal is to achieve a top five position in terms of industry customer service rankings across both retail and corporate segments and we will continue to redefine our service standards in line with this goal.

For more detail turn to page 48.

Credit quality/process excellence

Successful loan creation will require close cooperation between our SBUs and credit risk management in order to provide for efficient processes and low loan loss provisions. With our loan creation imperative, we will work to optimise our credit management framework and processes with the objective of improving the speed and quality of the Bank's credit decisions, as well as the effectiveness of our end-to-end credit process, from origination to recovery. We expect the benefits to be two-fold: an improvement in the underlying quality of our assets and a reduction in loan processing time and costs, which should also impact our service delivery imperative.

Our medium-term initiatives centre on ensuring stricter risk governance, increasingly aligning SBU plans with the Bank's risk management appetite, stricter application of risk adjusted pricing and review of our credit audit processes, among others. In 2011, we launched a project that will holistically redesign our entire credit process and already in 2012, we have created a dedicated emerging corporates desk within Corporate Banking SBU, to ensure that the Bank is closely monitoring and effectively serving this potentially high-return business segment. We will also invest heavily in training and development of our relationship managers to ensure that they have the right complement of credit analysis skills to improve their on-the-job performance and ultimately contribute directly to reductions in loan losses. Over the next two years, we have also detailed initiatives to deepen Bank-wide credit capabilities, enhance monitoring and workout, and to strengthen internal scoring models/algorithms.

We have defined a 6% NPL ratio as an acceptable ceiling by 2013, taking into account our intention to add loans in the consumer/retail, corporate and SME segments; and as at December 2011, our NPL ratio was 2.4%. We will continue to adopt strategies to proactively manage our NPL portfolio, including aggressive remedial and recovery action and focused tracking of individual accounts.

For more detail turn to page 53.

Brand transformation

FirstBank enjoys strong brand equity in Nigeria given our nearly 120-year history. The FirstBank name has, over time, become synonymous with trust and dependability, qualities that contribute to our ability to consistently maintain some of our competitive advantages. Notwithstanding, in a rapidly evolving competitive environment, we have recognised an imperative to extend and redefine the notion of what it means to be 'first' in the minds of all our different stakeholders. We have pursued a brand transformation programme in the past few years and noticeable progress has already been made: from an institution associated with 'old generation' conservativeness, the Bank now wears a more youthful engaging look and feel, extending across our locations, services, products and operations. We will continue in this vein in the medium term. Overall, our objective is to significantly enhance FirstBank brand perceptions and drive business results by means of targeted campaigns.

The major strategic thrust of the Bank's brand transformation is to increase market share by directly addressing the current brand perception gap and positively impacting consumer conversion from awareness to adoption, while sustaining the wide array of our customer base. In the light of the identified brand building challenges and the brand transformation outlook, its long-term marketing and communications strategy aligns with its corporate aspirations in the context of the Bank's operating space and the imperatives for global expansion. The Bank's marketing and communications strategy is anchored on six specific priority pillars (brand building, loyalty drive, revenue drive, channel shift, efficiency drive and building talent hubs), with each pillar articulated against customer segments and target audiences aligned to the appropriate channels of delivery, in sync with the Bank's new operational structure.

So far, we have embarked on extensive employee engagement involving staff acculturation for inside out cultural transformation, and have also rolled out a number of key strategic initiatives and products that are aimed at making the experience of the customer more convenient, rewarding and fulfilling at every touch point. In 2011, our external marketing campaign was anchored on the *Did You Know?* campaign, a question and answer series to help increase awareness of the Bank's existing capabilities and communicate the fact that the Bank is changing positively. In 2012, we will continue to selectively employ campaigns to increase customer acquisition and build customer loyalty, drive product usage and revenue generation, accelerate channel shifts and customer migration cross channels, and overall, improve the long-term health of our brand. In 2011, we were recognised by *African Banker* magazine as the 'Most Innovative Bank in Africa' and, in the first quarter of 2012, the Bank was named Nigeria's #1 Banking Brand by Brand Finance.

For more detail turn to page 56.

Talent management

Our objective is to build a superior workforce at FirstBank by attracting, developing and retaining the best industry talent. Consequently, our People First framework has been developed across three key pillars: people, productivity and performance, and we have developed initiatives across each of these in line with our objectives. Our primary focus is on building capacity and increasing capabilities, simultaneously managing and growing our existing talent base, and fostering an ownership spirit and a Bank-wide learning culture across all our employees.

In 2011, we completed an extensive staff compensation review exercise, which saw us improve pay and benefits across the organisation to re-align FirstBank with the rest of the market. We also launched FirstAcademy, a corporate university affiliated with the Global Association of Corporate Universities and Academies and the World Institute of Action Learning. We also launched FirstLearn, an integrated e-learning platform. We have enhanced our internal workforce management portal, People First Management System (PFMS), to support our increased focus on performance management and, working with the business performance monitoring department, conducted a review of score cards and Key Performance Indicators (KPIs) for individual roles across the Bank. We addressed specific communications gaps in the organisation by introducing a performance management newsletter and bi-weekly performance management knowledge series.

In 2012, a central project will entail workforce segmentation and a workload analysis exercise for back-office functions. This will assist in the development of a talent pool management framework that will support other planned talent management initiatives spanning resourcing, learning and development, career and succession planning. Other key initiatives that will be pursued during the year include implementation of a Hyperion system to track the achievement of individual, team, group and enterprise scorecards and KPIs, re-design of our appraisal system and processes, completion of rollout of all back-office score cards and adjustment of the Bank's compensation framework based on the workforce segmentation exercise.

Looking ahead into 2013, a range of initiatives will see us conduct a workforce planning/alignment and role grading exercise, focus on building capacity in key areas to support our business objectives, improve our HR systems and processes in line with differing needs across our SBUs.

For more detail turn to page 50.

Performance management

Similar to talent management, we view performance management as a key enabler for delivery on our strategy. Our objective is to ensure alignment of individual objectives with enterprise/shareholder priorities and ensure accountability for commitments.

We continually focus on refining our enterprise and individual staff score cards in order to adopt the most appropriate integrated and balanced measures with which to track the performance of our business, balancing a desire for business improvements in the short term with long-term shareholder value creation and being mindful that financial measures, while important, tend to be lagging indicators of performance.

We have detailed our strategy in this area around three key themes: performance-driven culture, user empowerment, and hindsight to foresight, and have developed initiatives across each of these which we will implement over the next two years.

A key achievement since 2010 has been in the development of score cards across the organisation and changes to our performance management processes and frameworks, coupled with reviews to our reward strategy, particularly in the front office. For 2012, a key priority will be completing the rollout of score cards across the entire back office and going forward, we will continually refine and improve our enterprise performance management framework, including the related performance management process and compensation, roll out and fully automate balance score cards across the entire organisation, improve profitability and cost management through activity based costing, drive operational improvement through service level agreement (SLA) management and cost-to-serve analysis, as well as apply increasingly sophisticated predictive analytics and forecasting methodologies.

For more detail turn to page 50.

Strategy and performance

Progress on our Bank transformation

Service delivery and operational excellence

Overview

Excellent service is still at the forefront of our drive to enhance our leadership position in the industry. We aim to consolidate our industry leadership by growing our customer base and broadening our appeal to wider customer segments, using world-class processes and technology to not only maximise value propositions in various customer segments but also to deliver optimal profitability from our business while embedding efficiency in our operations.

Our 2011 priorities have been focused on executing the key initiatives within the five focus areas of our service delivery programme – customer experience/issue resolution, centralised processing/branch process re-engineering, brand optimisation, manning/frontline transformation and channel optimisation and migration with particular emphasis on identifying measurable gains from the execution of these initiatives and stabilising already implemented initiatives.

One area in which our collaboration for service improvement is showing results is in the Bank's improved rankings in the 2012 KPMG Customer Satisfaction Survey (assessing performance for the year 2011), where the Bank moved from a ranking of 10th to 8th in the retail customer segment survey and from a ranking of 6th to 3rd in the corporate customer segment survey.

We believe that out modest gains in the customer satisfaction survey can be linked directly to the progress that has been made in the key initiatives/focus areas as summarised below.

Service delivery

Channel migration

We have consolidated on the gains made in revitalising our ATM performance, by maintaining a relatively consistent uptime between 89 and 91%. This has driven an increase in customer migration, with transactions on our ATMs constituting more than 85% of eligible ATM transaction volumes up from around 50% in 2010 and significantly above the industry average. Improved ATM uptime, coupled with a new simplified instant card and pin issuance process, has helped to drive FirstBank's card issuance and activation rate. We now have over 3.5 million active cards, up from about 540,000 at the beginning of the year, and one out of every three active cards in the market is a FirstBank issued card.

The Bank also embarked on a comprehensive upgrade of its contact centre solution – with the objective of increasing the multimedia functionality, broadening the self-service options through its Interactive Voice Response (IVR), and increasing the overall efficiency of the contact centre, in line with our channel migration objectives. The solution is being implemented in phases, with the full deployment to be concluded in 2012.

We're also driving increased use of our mobile and internet banking solutions by raising transactions limits, enhancing ease of use (sign-on process, password reset, etc.) and adding on more self-service options on these channels. We expect to carry this momentum through 2012 and quickly consolidate market share in electronic payments.

Centralised Processing Centre and branch process re-engineering

In 2010, we launched our Centralised Processing Centre (CPC) with a focus on transferring our branch back-office activities to a central location and re-engineering the remaining processes within our branches. We set out to achieve four key objectives with the implementation of the CPC – build a platform for growth, increase customer satisfaction and standardisation, improve efficiency, and ensure compliance with controls and regulatory requirements. Rollout commenced in July 2010 with five pilot branches. Since then, we have added additional processes, while simultaneously plugging in new branches.

We have increased the number of processes migrated to the CPC platform to six, while increasing the number of branches migrated to one CPC process or the other to 450 (**see** Table 1 **on page 49**). Improvements have also been recorded in turn around times on several processes (**see** Table 1 **on page 49**) along with increases in productivity (30% increase in branch customer service productivity for example) and increased product output. Upon completion of steady state, we expect to achieve an annual net impact of ~₦1 billion from successful implementation of the CPC.

Manning/frontline transformation

We are constantly evaluating our human resource requirements to ensure that we have the right number of people in the right job roles and with the right skills. The template derived from a recent review has been completed and its recommendations regarding optimal job role manning numbers and mix are already being implemented. At the same time, we are retraining and re-orienting our frontline (customer service officers, front tellers and reception desk officers) staff to ensure that we are putting our best foot forward when we are managing direct customer interactions.

Branch transformation

In order to maximise the benefit of customers' use of our branch channels, we aim to influence the customer's brand perception and increase their awareness of our product and service offerings when they visit a branch. We therefore embarked on a 'branding' project for strategic branches across the network, using visual cues, brand colours, improved aesthetics and lighting to influence customers' visual perception, prominent directional signage to improve intelligent navigation of internal floor space and bold product/service displays to sell our product and service offerings. This is all complemented by the ongoing process re-engineering and the manning/frontline transformation, to maximise the total impact felt by the customer.

Therefore, between 2010 and early 2011, a successful Proof of Concept was completed covering two Lagos branches. An additional 20 branches were successfully rebranded in the Lagos area by July 2011 and as at the end of 2011, 56 more branches in 12 cities were successfully rebranded, bringing the total number of rebranded branches in 2011 to 78.

Available data from the rebranded branches demonstrate that improved product awareness (coupled with staff training) can translate to increased product sales – particularly e-products – as e-product sign-up grew by over 300% post implementation for branded branches as against non-branded branches (**see** Table 2 **on page 49**). We plan to build on the learnings from these initial branches in redesigning all new branch deployments going forward.

Customer enquiry and issue resolution

This is a key customer priority, as presented in the KPMG customer survey, and is also a major prerequisite for proper customer life cycle management. The Bank's contact centre has been the backbone of the Bank's effort in this direction and is also being complemented by the service management unit's various initiatives on mystery shopping and branch service measurement and rankings.

Data on contact centre activity for 2011 shows increased customer willingness to use this medium as the total number of inbound calls surged to over 80,000 in the fourth quarter of 2011 as against 14,424 in the first quarter. The contact centre is also contributing

Table 1 CPC branch rollout progress

Process	Account opening/ maintenance	Retail loans	Third-party payments (salary and pensions payments)	Corporate loan setup	Concessionary cash handling charges	COT covenant setup
Number of branches migrated to CPC at end of 2010	26	80	209	80	198	44
Number of branches migrated to CPC at end of 2011	150	150	453	Entire branch network	Entire branch network	Entire branch network
Cycle time/turnaround time reductions as at December 2011	60%	70%	70%	Nil	Nil	Nil

Table 2 Analysis of sign-up for products using phase 1 branches at the end of Q2

Firstmobile analysis	No of branches	Total pre-branding (Jan–Feb)	Total post branding (Jun–Jul)	Average pre-rebranding per branch	Average post branding per branch	Difference between pre and post	difference
Branded branches	20	90	371	4.5	18.55	281	312%
Non-branded branches	20	55	153	2.75	7.65	98	178%

First online analysis	No of branches	Total pre-branding (Jan–Feb)	Total post branding (May–Jun)	Average pre-rebranding per branch	Average post branding per branch	Difference between pre and post	difference
Branded branches	20	525	781	26.25	39.05	256	49%
Non-branded branches	20	281	325	14.05	16.25	44	16%

significantly to the channel migration effort as the number of customers who used this medium to sign up for different electronic products grew by over 300% between Q1 and Q4 2011.

Integrating the contact centre into the dormant account reactivation process is also paying dividends ~₦120 million worth of potentially lost business was recovered as at the fourth quarter of 2011 (a 32% dormant account reactivation rate), up from about 40 million in the first quarter of 2011.

Operational excellence

Cost optimisation – quick-wins

The Bank continues to aggressively pursue cost optimisation and cost containment strategies across its entire operations, and these efforts are continuing to yield results to the bottom line. In addition, we continue to focus on quick-wins to take out waste, as well as simplify processes and increase the service experience. Two quick-wins implemented/concluded in 2011 were the consolidation of print assets in the head office and automation of statement request at branches.

The consolidation of print assets in the head office is yielding the expected benefits. Since implementation, it has led to ~38% reduction in the cost of print services in the Bank.

By automating our statement request process and reviewing the Bank's statement of account charges, the Bank was able to reduce the turnaround time on statement of accounts requests in branches from between 10 minutes and up to 24 hours in 2010, to two minutes since implementation in 2011. A cost saving of over ₦60 million (which would have been spent on the purchase and maintenance of tally printers for the branches) was further realised from modifying the output from this process to print on conventional printers. The delivery of electronic statements via email to customers is also expected to further reduce expenditures on consumables.

Establishment of a Process Management Centre of Excellence

Called the Process and Service Quality Assurance (PSQA) unit and strategically situated outside any particular resource function, it is uniquely positioned to perform a holistic process governance role, maintain, manage and implement an ongoing portfolio of process improvement initiatives, and monitor and affect Bank-wide process uniformity and consistency.

Strategy and performance
Progress on our Bank transformation

As a centre of excellence, it is also expected to enhance internal process improvement competence via skill transfer, training and process improvement tools deployment.

The expected immediate benefits from operationalising this structure include: improved end-to-end process visibility; efficiency and productivity enhancements; better streamlined and integrated processes (particularly head office processes); and improved process performance measurement.

A framework for the unit's operations has been completed, unit structure and job roles defined and a policy framework to enable process governance has also been approved. The unit is expected to commence full operations in 2012.

Key risks

Our service delivery and operational excellence initiatives are, by definition and scope, cross-functional, collaborative endeavours integrating diverse competencies within the institution and harnessing the efforts of various resource functions within the Bank as well as external service providers. This imposes the need to anticipate and mitigate certain particular risks that may impair their eventual outcomes, which may include:

Third-party risk – vendor dependencies

One primary risk is the critical role of third-party providers along our service delivery chain. We are dependent on vendors in every area of our service delivery pillars, and their inability to properly execute (whether in terms of time, quality and/or costs) to our requirements could impact our overall plans. We are managing this risk by reselecting appropriate vendors, reviewing current service level agreements, and building structures to enable effective performance management and monitoring; while also building back-up capacity (as appropriate) internally to meet any gaps that might arise.

Execution risk – quantity and speed of execution versus quality

We must continue to balance the pace at which currently running initiatives are undertaken and the number of initiatives we intend to complete, with the need to ensure that each initiative delivers on its expected value. We must constantly guard against the possibility of inadequate quality management in execution, ensure that different project teams identify areas of synergy and exploit them, and be proactive with regards to identifying potential bottlenecks in the execution value chain. We are managing this by prioritising our various initiatives along our five service pillars, ensuring proper sequencing, and developing better real-time oversight on the progress of activities to ensure that we develop a portfolio of executed initiatives that yield the desired results, rather than poorly implemented activities that barely scratch the surface. The recently set up Project Management Office (PMO) will help mitigate this risk to a large extent.

Operational risk – maintaining high standards

We must ensure that gains, which have been achieved, are not reversed by the tendency to return to entropy. New processes and service practices often require operating at a higher standard than previously required. Therefore, we are managing this by ensuring that new service standards are set and clearly communicated and that we are constantly leveraging on the Bank's service management and monitoring structure to measure and assess the level of performance and reward superior service (or sanction substandard service).

Infrastructure risk – technology requirements for execution

We must ensure that technology dependent initiatives – especially those within the operational excellence scope – are supported by reliable and scalable technology infrastructure and that technology solutions deliver the expected requirements. The Bank is currently undergoing a number of large-scale IT-related projects, including the upgrade of our core banking application (Finacle 10). While successful execution of these projects will provide the platform for achieving our service delivery mandate, it is important that they are properly scoped, sequenced and tightly monitored to minimise service disruptions, and ensure they attain the target service/operation levels in the timelines expected.

2012 priorities

Notwithstanding these modest improvements, the Bank aspires to be among the top five banks in the next customer satisfaction survey and to attain leadership not just in size but in profitability and (operational) efficiency. Our mindset for 2012 is ensuring we consolidate on the gains we have made in our service delivery programme and set up structures to ensure sustainability going forward. These aspirations will shape the priority initiatives for year 2012, which include:

- Consolidating progress in current service delivery initiatives – by concluding the CPC rollout and transiting to a day-to-day business operations model (while constantly reviewing the processes to improve for efficiency); and finalising our branch transformation programme by concluding rebranding of the identified priority branches and institutionalising the design into future branch design and ongoing maintenance.
- Sustaining gains in channel migration and rapidly exploit opportunities offered by the ongoing CBN driven payments system transformation – by continuously driving improvements in our features and functionality, while also leveraging our channel offerings to develop innovative solutions to meet the practical needs of our clients in light of the CBN cashless policy.
- Implementing and operationalising the PSQA initiative – prioritise and redesign/improve high-value end-to-end processes, achieve better process governance and process standardisation, improve process visibility and strategic alignment, and ensure long-term sustainability of major improvements.

Talent and performance management

Overview

The new essence of human resource management is strategic. With the rapid changes in the business environment (technology, convergence of dominant businesses, increased government regulations, social trends, workforce demographics, etc.), organisations are now increasingly looking at human resource as the unique asset that can drive superior performance to achieve sustained competitive advantage. In recent times, HR functions have assumed strategic relevance in supporting the business of many organisations to achieve their corporate objectives. As a result, the need to design and implement effective HR strategies that are properly aligned to corporate strategy cannot be over-emphasised. To this end, the central focus of Human Capital Management and Development (HCMD) is 'partnering with the line to deliver timely, cost-efficient people solutions with a view to motivating our staff for higher productivity at optimal cost'. This is on the premise that when properly deployed, the Bank's human resource will offer potential synergy for sustained competitive advantage. Against this background and in line with our priorities for 2011, HCMD continued its drive and initiatives in talent and performance management in order to improve enterprise productivity.

Talent management

To enable the Bank to achieve a competitive advantage in the industry, talent management is an essential element of our human capital strategy, focusing on the management of the diverse workforce and talents in the Bank aimed at getting the best from our people.

The framework will also be used to bring about a degree of alignment and congruence between employees' aspirations and those of the Bank. In line with this, we initiated and developed the following:

- **Competency framework/directory**
  The competency framework is a central tenet of our talent management framework. Realising this, we developed a Competency Directory, in which competency requirements for the enterprise, the various SBUs and SRFs were documented. The competency framework will be used to drive the achievement of our HR initiatives such as resourcing, learning and development, talent and career management, secondment, etc. A major interest for the development of the framework was to attract, develop, engage and retain our talent pool with the aim of impacting on the bottom line and supporting the achievement of the Bank's lofty aspirations.

- **Capability building**
  With a shift in focus from traditional training to learning autonomy and knowledge management, we established an effective learning and capability building framework to align with current and evolving practices on the requirements and management of talent. The focus was to develop and implement a technology-driven competency-based knowledge management that will harness Bank-wide learning and also drive repository of knowledge that is meaningful and sustainable in the long run.

  In specific terms, the Bank achieved a total of 421,284 training hours, as against 442,776 budgeted hours for the year representing about 95% achievement. Also, a total of 7,626 staff were trained out of a staff strength of 7,789 during the period, accounting for 98% of total staff in the system, compared to 438,175 training hours achieved in 2010 against the budgeted 402,107 hours and 7,506 number of staff trained against a staff strength of 7,589, representing about 98%.

- **FirstLearn**
  In building the capacity of staff, we recognised the unique nature and spread of the Bank. As such, FirstLearn (our e-learning initiative) was developed to address the changes in learning mode for the diverse workforce while reducing cost of training delivery. FirstLearn continued to play a vital role in our learning intervention and as a cost-saving initiative. About ₦41 million was saved on training costs as a result of the deployment of e-learning modules.

- **Blended Learning**
  To ensure that the diverse interests and scope of our staff during learning are accommodated, we commenced the blended learning approach in training our staff. Blended learning refers to a mixture of different learning environments. It combines traditional face-to-face classroom methods with more modern computer mediated activities. The strategy has created a more integrated approach for both instructors and learners.

- **Action Learning**
  To make our training interventions more pragmatic and solution driven, we embarked on an Action learning methodology. Action learning is an educational process whereby participants study their own actions and experience in order to improve performance. This is done in small groups called action learning sets. Action Learning helps deepen participant's confidence in their leadership and team participation skills. It also develops competence among individuals and teams in problem solving and decision making process.

- **First Academy**
  First Academy aims to benchmark the learning cultures and structures of the best-in-league of local and international institutions with the objective of acquiring the right learning interventions necessary to achieve results. Drawing on this, we obtained membership into the Global Association of Corporate Universities and Academies (G-ACUA) and we are permitted to use their logos alongside ours.

  The first run of First Academy Foundation School was completed with 117 candidates passing out from the school and they had all been deployed into the system for a mandatory one-year orientation scheme. We also commenced the architectural framework for curricula development for all the schools in the Academy. In addition, we embarked on the modernisation of training activities to reflect the upgrade on our learning intervention. The upgrade is also supported with the establishment of modern branch and computer labs.

  To provide the required direction and policy framework, a Governing council board was inaugurated with the charter to move the Academy to an excellent height. Members of the Board who are professionals in their respective areas have been sworn in.

Knowledge management

To ensure explicit and tacit knowledge is shared across the Bank, a knowledge management framework was developed to foster capability building through the management and repository of critical knowledge assets. The underlying premise is that knowledge is a scarce and valuable resource. The objective is for the Bank to become better at identifying, acquiring, developing and storing meaningful knowledge in the organisation. The knowledge management framework will support innovative learning, knowledge repository and sharing. In addition, the learning and development centre libraries had been revamped while subscription to online facility continued to be active.

Secondment and cross-posting

The secondment and cross-posting exercise is an integral part of our career management framework, which is aimed at developing the depth of staff knowledge and experience across the Group. In order to broaden and deepen competencies within the leadership cadre, some senior officers were seconded to the China and Abu Dhabi representative offices, with resultant orientation and acculturation programmes organised to enable easy integration into the new workplace and environment.

2012 priorities

To provide a business-centric functionality on a unified talent management platform and drive effective talent management, HCMD will embark on workforce segmentation and a workload analysis for back-office functions to dimension properly talent identification and segmentation. This will assist in the development of a talent pool management framework that is particular to the Bank. Regardless of this, fairness and consistency will be applied in all talent management processes alongside diversity considerations. The talent pool management framework will support other HCMD initiatives such as resourcing, learning and development, career and succession planning.

Strategy and performance
Progress on our Bank transformation

Performance management

Creating a work environment in which employees are productive is essential for organisational success. Based on this, our performance management/productivity improvement initiatives were established. Our key focus was on staff motivation, provision of an enabling environment to improve performance, quality of work-life and institution of benefits framework to meet the diverse needs of our employees. Our performance management framework for 2011 was a build up on the 2010 initiatives and a platform to further achieve the priorities set for 2011. The main objective was to continue the promotion of a merit and performance-driven system targeted at systematically evaluating performance, effectively rewarding high performance and developing capabilities of individuals and teams in order to deliver sustained success to the Bank. To achieve the stated objectives, the following milestones were recorded:

- **Enhancement of the People First Management System (PFMS) to drive performance management**
  Several enhancements were deployed on the PFMS, the Bank's human resource information system (HRIS), to foster an appropriate performance system that will reinforce the Bank's stance as a performance and merit-driven organisation. Essentially, this system is programmed to link individual and team competencies, conduct an objective evaluation of performance and also to provide critical and reliable data for supporting strategic business decision making in evaluating and effectively rewarding high performance.
- **Review of scorecards/Key Performance Indicators**
  The main reasons for measuring performance are to learn, improve, control and monitor people. Consequently, the score cards for Strategic Business Units (market-facing job functions) and branch operations were completed and are being fully implemented. The fine-tuning of the scorecards for Strategic Resource Functions (back-office job functions) had commenced to ensure that the Key Performance Indicators (KPIs) are clearly linked to business strategy.
- **Performance management newsletter and knowledge series**
  To bridge communications gaps on performance expectations and delivery, we instituted a quarterly performance management newsletter that focuses extensively on key topics in performance management. The bi-weekly performance management knowledge series are electronic communications to staff on basic themes in performance management and upfront education of accountability and responsibility required in performance management.

Pay for Performance (PFP)

A major goal of our compensation programme is to motivate employees to perform at their best. PFP as an element of our compensation structure is an additional bonus based on staff performance level. The eligibility criterion for PFP was reviewed to accommodate staff that score a minimum of 50% in their performance appraisals. The justification being that it is the joint contribution of all staff, irrespective of their performance levels, that has added up to the total enterprise performance. This approach will still drive the behaviour that the Bank seeks to instil in staff and further encourage staff to improve their performance.

Performance monitoring

With a mandate to ensure that performance targets are consistently being met in an effective and objective manner, we liaised with key stakeholders to ensure that employees signed-off on their scorecards, which were to be uploaded on PFMS. Training on performance management process also commenced while the governance framework designed around the process continued to be upheld. Performance fairs, campaigns and road shows were held to sensitise staff about the performance management system and process.

Employee involvement/commitment

To promote employee commitment and involvement for higher performance levels, Change Champions Network was set up to facilitate change initiatives. The village meetings were also revamped to ensure that staff have additional avenues to express opinions and challenges faced in the performance of their duties. In the same vein, we embarked on campaigns, road shows and visitations to branches with potential performance risks.

Employee engagement survey

A survey to assess employee engagement levels was conducted. Survey elements covered team dynamics, work environment, compensation and benefits, opportunities for personal development/training, etc. Results from the survey revealed that about 80% of survey respondents feel highly engaged and are committed to the organisation. Areas for improvements include empowerment and clarity of performance accountabilities and measurement. Appropriate measures were taken to address the areas identified for improvement.

To further substantiate the effectiveness of our Employer Value Propositions (EVPs), the Bank signed on to participate in the Best Place to Work survey in partnership with the Great Place to Work Institute®.

Medical and employee wellbeing

With our focus still on preventive health, a number of wellbeing and preventive health programmes were implemented to enlighten and raise staff's consciousness on some health issues usually taken for granted. The aim was to promote a healthy lifestyle and eliminate/minimise job-related hazards and illnesses. In addition, cholesterol tests and blood pressure checks were conducted, while articles on hypertension were circulated.

Men and Women Network was established to cover health/wellness, family/work–life balance and career/financial management. This initiative is expected to boost staff motivation and improve productivity. Furthermore, the Sports Governing Council was reconstituted with its scope of activities to cover staff fitness clubs and bonding activities in addition to its traditional sports-related activities. Several campaigns and seminars were held where participants were trained on how to recognise mental health challenges at work and how to manage stress. We also instituted sports, leisure and recreational activities (aerobics, salsa, table tennis and board games) after work hours and staff participation was encouraging.

In line with our 'stay-fit' campaign, plans to establish a weight watchers club and a head-office gym are underway.

2012 priorities

Our priorities for performance management for 2012 will include the deployment of the Hyperion system to track the achievement of individual, team, group and enterprise scorecards and Key Performance Indicators (KPIs). We also intend to redesign the appraisal form and system to incorporate the competency catalogue recently developed for the Bank. The entire back-office scorecard will also be implemented in 2012. The Bank's compensation framework will be adjusted based on the workforce segmentation that will be in place in 2012 while we will continue to intensify the road shows on performance management in order to ensure continuous education.

Alternative delivery channels (e-business)

At the beginning of the year, it was clear to us that we needed to deliver on some key areas of the business to enhance customer confidence and re-position the Bank for excellent customer service in an increasingly competitive market. Our primary focus was, therefore, on improved channel availability, streamlining of our card product portfolio to meet the needs of our discerning customers, and reduction in time to serve.

We created a bespoke card product portfolio that addresses the payment needs of all our customer segments – mass market, mass affluent and high net worth individuals. We now issue differentiated card products and offer a high level of service for the mass affluent. We recently implemented the Visa Infinite Card scheme – the most prestigious Visa card scheme in the world – for our Private Banking customers.

In 2011, as part of streamlining our card issuance process, the Bank completed the implementation of our new instant card issuance system and customer-selected (instant) PIN solution. This was designed to eliminate the operational and cost overheads of PIN mailer printing and distribution, as well as the delays experienced by customers from the time the card is produced to the time the PIN mailer is available to them. Currently, FirstBank is the only bank in Nigeria that issues and activates cards to customers in less than 15 minutes.

Our customer-centric strategy proved effective, as we have grown the number of active cards from about 1.5 million at the beginning of the year to over 4.3 million at the end of the year. In addition, the card activity rate now stands at 76%, up from less than 48% at the beginning of the year. The Bank has the highest number of Naira Debit (Verve) cards in issuance (about 27% of the total), while one out of every three active cards in the market is a FirstBank verve card. We have also grown the percentage of retail accounts with cards from less than 38% at the beginning of the year to over 72% as at the end of the year.

The growth (and high activity) in our card business has impacted positively on all other performance indices. The Bank now processes about 30% of all transactions on the Interswitch network, occupying the first position amongst the 23 banks on the Interswitch network. The volume of monthly transactions processed increased from about 12 million in January 2011 to over 30 million transactions as at December.

Our channel migration rate has also headed north to over 89% as at the end of the year, far above 58% which we had at the beginning of the year. The volume and value of transactions on our ATMs also grew during the year. The number of ATM transactions carried out monthly on our ATMs grew by 184% from 3.2 million in January 2011 to 9.1 million as at December 2011, despite the fact that the number of ATMs in our network increased by less than 5% due to regulatory issues on offsite ATM deployment.

We are performing slightly above industry average on point of sale (POS) business and are taking steps to address the challenges we are experiencing, leveraging the now favourable regulatory environment. As at the end of December, we had 17% of our installed POS base active relative to the industry average of 14%. The Bank is playing a key role in the implementation of cashless policy in the country. We have organised awareness programmes for our internal and external customers (mostly corporates and SMEs) on the cashless policy. FirstBank plans to deploy a minimum of 20,000 terminals in 2012 to drive this policy in the market.

Despite the very significant growth in our card transactions, the number of fraud cases as compiled by our Internal Audit Group has continued to reduce. The average number of reported cases of fraud per month reduced from over 140 to fewer than 32 (mostly cases where customers compromised their PINs). This has also impacted positively on customer confidence in our alternative channels.

During this year, the Bank was issued the licence to operate mobile payment services in the country, which would be rolled out in the second quarter of 2012. Mobile Money has been hailed as the best tool to achieve financial inclusion, especially in developing countries. The market potential for mobile payments in Nigeria is enormous. Recent estimates show that only about 30% of the adult population in Nigeria has a bank account. FirstBank is well positioned to take advantage of this market opportunity. With a strong brand equity, a network of about 1,600 ATMs, over 650 branches and business outlets well located and placed closer to the rural areas than any other bank in the country, a dedicated workforce, an established business operating structure and money transfer franchise of Western Union and MoneyGram, we have all it takes to deploy a robust mobile payment business that will position the Bank to play a pivotal role in this revolutionary redefinition of financial market boundaries and create a leap in value for our stakeholders.

2012 priorities

Having effectively repositioned our e-business structure and products to dominate the card and electronic payment business in Nigeria, we expect this should be an important source of earnings diversification for the Bank. Our focus remains to solve real problems for our customers using our electronic platforms, to ensure they are able to make payments faster, more simply and intuitively than they can now. Our mobile payment initiatives will enable the Bank to play a pivotal role in redefining financial market boundaries and the customer service experience, creating a leap in value for our stakeholders and maintaining its leadership position on all fronts of financial services in the country.

Credit quality and process excellence

Strategic focus

The strategic focus of the credit risk function has continuously improved the overall quality of the Bank's risk assets through effective credit policies and products and enhance the process efficiency towards meeting the Bank's growth imperative. In this regard, policies and product programmes have been standardised to give clear and consistent direction for the creation of risk exposures, and provide comprehensive guidelines in the management, administration and reporting of credit risks. It is, however, recognised that the policies are not a substitute for experience and good judgement. Furthermore, processes for the delivery of credit products/services are constantly revamped to meet benchmark turnaround time and market demands.

2011 key achievements

Asset quality

The Bank closed the year on an asset quality ratio of 2.4%, a significant improvement on prior period position, driven by strong management initiatives, including more rigorous risk selection criteria, proactive management of performing accounts, enhanced controls, aggressive remedial management, proactive account restructure and write-off and sale of eligible bank assets.

Strategy and performance
Progress on our Bank transformation

Review of credit policy and product programmes

In line with international best practice, the credit policy was comprehensively reviewed to align with prevalent risks and market demands. The retail product programmes were revised to address the risks in the Retail business, with product limits, obligor limits and risk acceptance criteria aligned with the Bank's risk appetite. Products were also assigned a risk rating as an indicator of the level of the risk the Bank is assuming under the products.

Credit risk stress test

A credit risk stress test model was adopted to provide a forward-looking assessment of risk and guide in the setting of banks' risk tolerance. The model serves to provide management and the Board information on the impact of adverse portfolio risk on the earnings and capital adequacy of the Bank.

Risk appetite

Risk appetite thresholds were defined in the credit portfolio plan of the Bank and are conceived on prevalent business realities, prudential guidelines, strategic thrust and target shareholder value proposition of the Bank and portfolio quality target. These risk thresholds are designed to minimise erosion of earnings and capital, and are monitored on a quarterly basis and reported to management for the assessment of performance against stated goals.

Obligor ratings

To ensure consistency in differentiation of risk, enhance credit decision-making and in compliance with regulatory provision, risk ratings were assigned to obligors through the use of the Board-approved rating methodologies. The ratings are validated and approved at the point of analysis by the relevant risk management function. This initiative has resulted in the percentage of rated loan portfolio increasing to 95% against 60% recorded in the previous year.

Concentration risk

Deliberate steps were taken to keep exposures within acceptable limits and dilute concentration risks therein. The earlier reported breach on single obligor limit was regularised before the end of the financial year and no new breach has been allowed.

Active debt recovery mechanism

A new recovery structure was put in place to focus on the prompt workout of delinquent accounts and where possible upgrade to performing under a tight relationship management scheme. This structure also involved recovery through external agents and revamped legal services.

2012 priorities

The key priority for the credit risk function will be to purposefully manage the risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised, as well as ensure portfolio flexibility and liquidity and compliance with the Bank's policies and regulatory provisions.

Treasury

The Group's Treasury focuses on optimising the use of the Group's balance sheet, managing the inherent price and liquidity risks and driving sales and trading activity, a function that seeks to maximise opportunities from proprietary trading activities driven by client flows through the Group.

In the last year, we have sought to strengthen these functions to deliver superior returns and drive business and volume growth. There has been significant investment in resources required to drive asset and liability management from a strategic forward-looking standpoint to optimise the return on the Bank's accrual portfolios. This is especially key, given the size of the accrual portfolios that sit within Treasury and their inherent exposure to risk. As such, we have taken a rather more dynamic approach in managing the various securities portfolios across government bonds and treasuries, with a view to more active realisation and strategic reinvestment throughout the year, in anticipation of market trends and yields.

From a liquidity management perspective, we have taken a more active approach in our funding and gapping activities, across currencies as our balance sheet terms out in response to corporate asset growth. We have sought to utilise liquidity more efficiently and have taken a more holistic approach in reviewing various funding concentrations and diversification, and explored views to add duration to our liability pool, especially important on the foreign currency balance sheet, given the growth in term foreign currency assets on our books. We have been more aggressive in our local currency cash management activities on a daily basis, in anticipation and response to market conditions.

A clear area of focus in the last year has been in our efforts to build out and enhance our sales and trading capabilities. Given our footprint and customer base, building out a sales team has been imperative to drive throughput across our Bank. This levers our ability to drive proprietary trading activities across multiple asset classes, taking advantage of liquidity flows arising from customer activities.

All such trading activity falls within the defined Group-wide risk limit appetite, but we have taken a focused approach to beefing up such risk taking and coverage of the various markets and products we trade in. We are continually adding capacity and product capability, to enhance our capabilities across products and geographies. This is an ongoing initiative that we expect to raise contribution to revenues in the coming years.

Product innovation and customised solutions

We deepened our customer patronage during the year through the offering of innovative products to its teeming customer base across all segments of the economy. Through various product optimisation initiatives/strategies, revenue accruable from product sales witnessed impressive growth.

At the retail end, we maintained our leadership in consumer banking and significantly grew this portfolio with a variety of premium liability and asset products availed to all customer categories, covering high net worth individuals, affluent, upwardly mobile, the mass market, small and medium enterprises (SMEs) in all sectors and local governments.

FirstBank disbursed substantial amounts in loans to over 201,020 individuals across the country, and in line with its objective to boost the productive capacity of SMEs, the Bank also financed over 58,607 SME customers in various sectors and lines of business. Product offerings ranged from personal loan against salary, asset/auto finance and mortgages for individuals, office equipment finance, invoice discounting, secured loans and overdrafts, etc, for Retail SMEs.

The Bank formally launched its FirstDiaspora suite of products, designed to encourage inward remittances and homeland savings/investments by Nigerians living in the diaspora. Offered online via a dedicated website (www.FirstDiaspora.com), the range offers attractive earnings on funds saved with the Bank, international and local cards for worldwide access to funds, as well as investment advisory services and mortgage financing to our compatriots overseas.

Our agricultural financing portfolio grew by 57% in 2011, from ₦13.6 billion recorded in 2010 to ₦21.36 billion. In the last seven years, the Bank's agricultural business has grown at a compounding annual growth rate of 42%.

The Bank achieved the largest market share in terms of total number of agricultural projects financed by banks under the Commercial Agriculture Credit Scheme – financing 46 projects out of a total of 178 projects.

The Bank's innovative tractor/farm machinery finance scheme (FirstTRAC) recorded over 30% repayment performance above the expected scheduled payments as at September 2011. The performance has provided an impetus to move tractor/farm machinery services away from public sector control to a sustainable and purely private sector-led operation, in order to drive farm productivity and reduce drudgery. The Bank is poised to expand this scheme in collaboration with relevant stakeholders and partners.

FirstBank is currently exploring the possibility of partnering with prospective investors in bio-fuels towards the establishment of commercial arable crop plantations for the production of feed stock needed in the manufacture of ethanol, flour, starch and bio-diesel. The Bank is also collaborating with the Federal Government to empower seed companies and village-level agro dealers in the distribution of improved crop production inputs. This collaboration will take advantage of the Bank's unrivalled network of rural and semi-urban branches to bring agricultural inputs nearer to at least five million small-scale farmers.

During the year under review, the Bank grew its low-cost liabilities and fee income by offering enhanced bills payment platforms and increased deployment of electronic payment solutions to both the public and private sector customers. The Bank migrated from implementing omnibus credit facilities to segment specific dealer finance schemes, which impacted its bottom line in corporate sales collections. The oil and gas downstream marketing and telecommunications sectors' dealership finance products were developed and implemented during the period.

A leading bank in revenue collections, the Bank secured the revenue collecting mandate of a number of Federal Government parastatals and also pioneered the mobile revenue collections scheme in States' internally generated revenue.

The Central Bank of Nigeria's proposal and sensitisation on the Cashless Nigeria project created a significant motivation for electronic and self-service alternatives in financial transactions. Significant policy apathy and resistance notwithstanding, we foresee a paradigm shift that will become evident and stronger in the coming months when the new policy thrust becomes fully operational. We have, therefore, undertaken a number of electronic channels-based product development endeavours as a conscious strategy to promote seamless customer service delivery in bills payments, revenue collections and sales collections during the new electronic transaction regime.

Our initiatives in this regard include the enhancement of our internet banking platform to enable interbank transfers, the integration of web and point of sale (POS) modules to FirstCollect to facilitate electronic sales collection through alternative channels on behalf of our corporate customers. We also launched FirstPayLink – a multi-switch internet payment gateway that integrates to the corporate's website to facilitate online payment with both international and domestic cards. With these, and many other initiatives, the Bank is poised to offer fast and convenient cashless payment services in 2012.

Total international remittances to developing countries were estimated at $351 billion for 2011. Nigeria topped the chart in the 2011 estimated remittances, which were projected at $10.6 billion, with flows emanating mostly from the huge diaspora communities in the US, Europe and Asia. The global fight against money laundering and counter terrorism has impacted significantly on international remittances such that money transfer organisations have implemented technologically advanced counter terrorism measures to combat financial crimes. Many have reviewed their Consumer Protection Policies, focusing mostly on monitoring of receive corridors. In Nigeria, the restriction of remittance receipt to account holders has also limited the growth of the business as most recipients without bank accounts now patronise other unofficial remittance channels.

Despite these challenges, FirstBank maintained its leadership position in the money transfer business. The Bank has sustained its leadership in Western Union transfers and overtaken seven other banks to place second in MoneyGram MT within its first year of operation. This feat earned the Bank the MoneyGram 2010 Best Receive Agent in Africa award. To further deepen its remittance portfolio, in 2011 the Bank entered into partnership as a receive agent for Ria Money Transfer services, a subsidiary of Euronet Worldwide and third largest money transfer service in the world, and has since commenced RIA money payout through its branches.

2012 priorities

For 2012, we will aggressively grow our e-payment and collection mandates and volumes from both large corporates and individual customers leveraging the CBN Cashlite policy via alternative channels to serve both customers and non-customers alike, and generally drive the adoption of FirstPay, FirstCollect, FirstEduportal and FirstPaylink by corporate customers for increased payment and banking convenience, compliance with CBN and overall reduction in service delivery cost.

To increase earnings from domestic and international funds transfer, we will rapidly deploy our new money transfer product, RIA, across all branches, and work with our other money transfer operators – Western Union and MoneyGram.

In growing our agric lending portfolio effectively, we will participate in the opportunities presented by the Federal Government's agricultural transformation agenda on input supply.

Our risk assets portfolio will be further deepened through ongoing reviews and enhancement of global limits for key distributorship lending in the oil, telecommunications, and general trading industries.

We will introduce a bank-wide loyalty programme that will seek to reward customer patronage and loyalty while enhancing the uptake of products across the FirstBank Group.

Strategy and performance
Progress on our Bank transformation

Brand transformation

The Bank's brand development outlook received unprecedented impetus through the ongoing brand transformation programme. From an institution associated with old generation conservativeness, the Bank has in the past year leapfrogged into a youthful engaging look and feel in its internal and external touch points. Consequently, its perception and market share have deepened significantly. This is the culmination of a series of initiatives that, in the year under review, powered the most aggressive phase of its brand transformation so far. In this period, our brand transformation strategy re-positioned the Bank fundamentally.

The ongoing integrated marketing and communication programme has necessarily rejuvenated and modernised the FirstBank brand to progressively meet the dynamic expectations of its teeming customers and other stakeholders, through the increased optimisation of composite brand levers, in addition to soaring service and operational efficiencies.

The major strategic thrust of the Bank's brand transformation is to increase market share by squarely addressing the brand perception gap and positively impacting consumer conversion from awareness to adoption, while sustaining its wide array of customer base. In the light of the identified brand building challenges and the brand transformation outlook, our long-term marketing and communications strategy aligns with our corporate aspirations in the context of the Bank's operating space and the imperatives for global expansion. The marketing and communications strategy is, therefore, anchored on six specific priority pillars (brand building, loyalty drive, revenue drive, channel shift, efficiency drive and building talent hubs), with each pillar articulated against customer segments and target audiences aligned to the appropriate channels of delivery, in sync with the Bank's blossoming operational structure.

Our brand transformation is geared to significantly enhance the FirstBank brand perception and drive business results via targeted campaigns focused on targeted customer acquisition and loyalty campaigns, product usage and driving revenue, channel shift campaigns, brand health campaigns, unique brand positioning properties and a host of other targeted outcomes.

The Bank has, therefore, in its current brand transformation, embarked on extensive employee engagement involving staff acculturation for inside-out cultural transformation. It has also rolled out a number of key strategic initiatives and products that are aimed at making the experience of the customer more convenient, rewarding and fulfilling at every contact or transaction with the Bank, supported by appropriate campaigns. We launched the *Did You Know?* campaign; the extensive digital media engagements incorporating Facebook, Twitter, Youtube, Slideshare and mobile versions; the thought leadership programme anchored on the FirstBank Impact Series initiative; strategic advertising for increased visibility, with an international television commercial; and targeted sponsorships at high net worth individuals (HNIs), youth and other key customer segments.

On the back of these initiatives and products, the Bank expects to reap large gains in perception shift as dynamic and technology driven, while recording appreciable spikes in the revenue profiles of key products. These brand equity and revenue projections are largely driven by effective communication of the key customer benefits of the initiatives and salient propositions of the products to a market that is happily grasping the essence of the re-positioned FirstBank.

The external marketing communication is anchored on the *Did You Know?* campaign, which has two major objectives: a primary objective to change public/market perception of the Bank positively and to do it now, and a secondary objective to drive revenue on select products and usage of select services. The campaign communicates the fact that the Bank is changing positively. It highlights the various strategic initiatives, service improvement efforts and products that the Bank offers. These strategic message platforms have been instrumental in delivering the desired communications objectives, turning the perception dial, positioning the Bank as an entrenched market leader and galvanising increased international recognition of the FirstBank brand.

The Bank believes that an integrated messaging and multiple platform approach will give us greater efficiency and is most effective when we group the campaign proof points along the lines of convenience, innovation, reward, experience and security. The *Did You Know?* campaign effectively provided us a bridge leading to the main corporate campaign that has commenced with television commercials in the international and national media spheres. The bridge concept provides the necessary transition from the current brand perception to a refreshed corporate position, which is a radical departure from the status quo.

The deliberate strategic brand transformation has ensured that while the Bank is careful not to lose older customers, it is appealing to the younger generation, who are critical to maintaining and growing the sustainability and profitability of the Bank. The continuous brand transformation process has contributed to sustaining the Bank as a market leader in the financial services sector, placing at the fore distinguishing attributes of the Bank – FirstBank pioneered initiatives in international money transfer and electronic banking in the country, and is Nigeria's most diversified financial services group, serving more than five million customers.

In 2011, FirstBank clinched the Most Innovative Bank in Africa award by *African Banker* Awards, and was most recently named Nigeria's #1 Banking Brand by Brand Finance Top 500 Banking Brands 2012, veritable testimonies to the Bank's reverberating brand transformation.

2012 priorities

For 2012 and beyond, we are evolving a holistic, longer-term, three to five-year Marketing and Corporate Communications Strategy focused on shoring up brand equity through innovation and clear cut leadership. Our engagements will include:

- a full brand audit, including all naming conventions and trademarks;
- a full corporate identity refresh to energise the brand and give it the impetus to stride ahead as the quintessential market leader in the banking segment – covering internal and external elements;
- a full corporate campaign; and
- a creation of a clear differentiated 'ownable' proposition.

Our ultimate aim is to be the leading Nigerian financial brand by choice, share of voice and brand equity, transforming perception to a transformed financial services brand with rich heritage, cross-generational customer base and youthful, proactive human capacity. This will effectively sustain the Bank in the long term as the brand of first choice for all segments of society with perpetually increasing penetration, acquisition and retention.

Implementation update

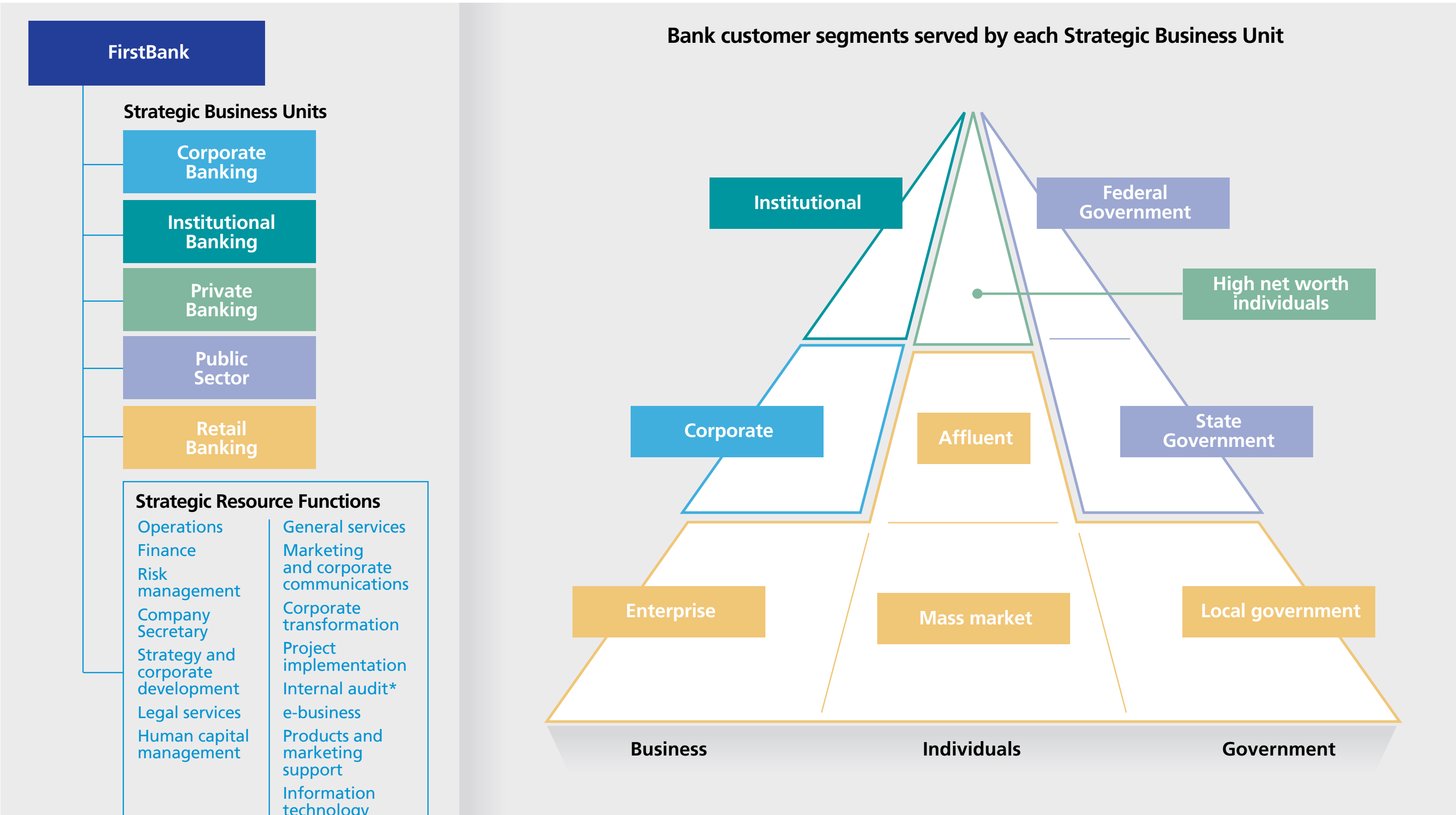
In late 2010, we transitioned the Bank to a new operating model, centred around five Strategic Business Units (SBUs), i.e., Corporate, Institutional, Private Banking, Public Sector and Retail, delineated by customer segments rather than geography. The overriding objective of this exercise was to re-align our business to focus on meeting specific customer needs, by emphasising a classical banking model tailored to intermediate effectively between available deposits in traditionally surplus segments i.e., public sector and retail, and funding gaps in the traditionally deficient segments, i.e., institutions and corporates. We extended this model, however, by tailoring more bespoke value propositions to certain sub-segments in each category, to ensure that we are fully leveraging our capabilities and taking advantage of all available opportunities to grow our business. Consequently, we are placing particular emphasis on the assets side on serving the potentially higher return smaller corporate clients in the corporate banking segment and, on the liability side, the affluent segment in retail banking and high net worth individuals in private banking.

In addition to the five market-facing SBUs, the Bank is supported by the activities of 15 non-market-facing Strategic Resource Functions (SRFs), which provide the backbone of our organisation, including human resources, information technology, legal, risk management, etc.

With the conclusion of our first full year operating under the new structure, we have had the opportunity for the first time to review the performance of the organisation over a complete financial reporting period. Our new model has seen us more effectively meet the demands of an increasingly competitive and sophisticated operating environment, as well as run our business more in line with international best practices. Our performance in the year under review is evidence that our restructuring has generated the results that we expected, and that our value propositions across the five SBUs are in sync with the needs of our customers. Furthermore, the various initiatives in the non-market-facing parts of our business, designed to drive efficiency and responsiveness to the customer, are also resulting in measurable success.

The chart below provides an overview of our organisational structure.

Bank operating structure – Strategic Business Units (SBUs) and Strategic Resource Functions (SRFs)



*Reports to Board of Directors via Board Audit & Risk Assessment Committee

Strategy and performance
Review of operations

SBU strategic priorities

As part of our 2011 strategic planning exercise, we also developed strategic priorities tied to the objectives of the overall enterprise at the level of each SBU. We have provided below overview of each SBU and their medium-term strategic focus.

Corporate Banking

Corporate Banking serves the middle segment of the business banking value chain, and clients comprise predominantly unrated and non-investment grade companies with a generally higher risk profile compared to institutional clients. Corporate Banking is delineated along two broad lines i.e., emerging corporates (with annual turnover of between ₦500 million and ₦2 billion) and large corporates (with annual turnover in excess of ₦2 billion).

The following initiatives guide the strategy of this SBU:

- adoption of value chain strategy to deepen interlock with improved customer stickiness;
- enhancement of delivery mechanism for the sub-segments within the Group i.e., deepening of FBN's penetration in the middle and lower end of the corporate banking market to drive fee-based income and diversify revenue base/risk exposure;
- increase in FBN's share of transactions of the top 10 percentile of corporate customers in every market/hub;
- harness emerging opportunities in infrastructure financing.

A detailed review and performance for Corporate Banking is provided on pages 61 to 62 of the Annual Report.

Institutional Banking

The Institutional Banking segment is the top end of the business banking value chain and consists of the largest organisations across our target industries i.e., oil and gas, conglomerates and services, manufacturing, telecommunications, transport, financial institutions/multilaterals, construction and infrastructure. Target customers are structured multinationals with annual revenues in excess of ₦5 billion, quoted companies, multinational agencies, large international nongovernmental organisations and companies in specialised industries.

Given the strategic role Institutional Banking plays in our overall strategy, we have articulated a number of initiatives to drive our business in the short/medium term within this segment:

- consciously and in a targeted manner, acquire additional large corporates/multinational clients in energy upstream, conglomerates, transportation and infrastructure;
- deepen FirstBank's share of wallet of existing institutional clients in energy (downstream), financial institutions, telecoms, manufacturing and construction;
- exploit existing opportunities across the value chains of institutional clients in telecoms and manufacturing sectors; and
- deepen individual skills and capabilities across the Group, with emphasis on specialised and structured finance and relationship management.

A detailed review and performance for Institutional Banking is provided on pages 63 to 65 of the Annual Report.

Private Banking

FirstBank's Private Banking serves high net worth individuals (HNIs) and families in our network, providing them with wealth management services through privileged service and financial advisory services. The Private Banking value proposition is focused on quality relationship management and seamless interface for services. Working with FBN Bank (UK), this business group provides onshore and offshore banking solutions for premium clients.

The group aims to primarily drive transaction and fee income through investment products/assets under management, and interest income via credit cards/mortgages. Private Banking also provides a platform for customer acquisition and cross-selling both internationally and with our investment banking clients. These will continue to be the overriding strategies for private banking in the short/medium term.

A detailed review and performance for Private Banking is provided on pages 66 to 67 of the Annual Report.

Public Sector

The public sector is the largest provider of liquidity to the banking sector in Nigeria and Public Sector at FirstBank provides the full range of integrated banking products, financing and collection services for Federal and State Governments and agencies. Consequently, we have developed versatile multi-level products and services to serve these customers effectively across regions.

The overarching goal of this SBU is to be a strong partner to the Government in economic development projects, achieve transaction excellence by improving internal processes and create/maintain an enabling environment for enhanced relationship management. Key strategic goals of this SBU are as follows:

- target revenue/expenditure accounts (e.g., Federation Account Allocation Committee) in wealthiest states and business in key MDAs;
- expand cash management offering to educational/tertiary institutions;
- optimise lending within regulatory limits and extend via PPP participation and other Group offerings; and
- facilitate cross-selling synergies with IBAM as already recorded in issuance mandates from three states for bonds in the period under review.

A detailed review and performance for Public Sector is provided on pages 68 to 69 of the Annual Report.

Retail Banking

Retail Banking comprises cuts across private individuals, businesses and public sector clients, at the lower end of the market. Although mass market retail comprises close to 95% of the SBU's customer base, it also covers small and medium enterprises (SMEs), local government agencies, and affluent customers. We offer a differentiated value proposition to each customer sub-segment and have tailored products and services in line with segment characteristics. Leveraging on a customer base of over six million and the Bank's 600+ strong branch network as well as alternative channels, this SBU provides convenient multi-channel access to our services and serves as the bedrock for stable, low-cost deposit mobilisation, accounting for about 50% of total deposits in the Bank.

Retail Banking's primary strategic thrust centres on the following:

- increase market share of customers in the youth, affluent, diaspora and SME segments;
- improve consumer and SME credit capability;
- deploy mobile payment/money offering;
- migrate transactions to alternative channels (ATMs, POS, internet, mobile, etc.); and
- continue to generate low-cost stable funding via current and savings deposit mobilisation.

A detailed review and performance for Retail Banking is provided on pages 70 to 72 of the Annual Report.

Updates on our market facing business strategy

During the year ended 31 December 2011, we modified our business model to accommodate the affluent sub-segment in retail banking and the emerging corporates sub-segment in corporate banking to ensure that we have developed appropriate engagement models to harness opportunities and support clients operating in these areas.

The newly formed emerging corporates unit within the Corporate Banking SBU is focused on servicing an identified gap in the lower end of the corporate banking client base, comprising clients with annual turnover between ₦500 million and ₦2 billion. So far in 2012, we have appointed a head for the sub-segment and also instituted the necessary framework to support the business including establishment of clear guidelines, risk acceptance criteria reflective of the segment dynamics, product suites that are aligned to needs of the customers, and ongoing recruitment of skilled personnel with requisite experience to support clients in this sub-segment.

Likewise, rather than adopting a 'one size fits all' approach to serving our clients in the retail segment, we have addressed an identified gap in our service offering by providing a stand-alone value proposition and go-to-market strategy for the affluent sub-segment within Retail Banking SBU. As part of this effort, we have detailed and adopted a robust relationship management model, delineated specific product offerings and will pursue an array of cross-selling opportunities that exist with clients in this sub-segment with businesses across the Group.

Operational infrastructure and centralisation

A major part of our restructuring initiatives for the non-market side of the business was the centralisation of our branch operations and development of an enhanced infrastructural framework to support it. The transformation process was synchronised with the changes at the SBU level, and elements included reconfiguration of branches to align with new requirements of the sales and service model and fast-tracking the centralisation of branch operations to ensure branches ultimately become sales points, among others.

During 2011, a number of milestones were achieved including:

- introduction of leaner branch formats i.e., quick service points (QSPs) leveraging alternative channels and minimum attendant overheads cost associated with brick and mortar formats;
- new operations structure with regional operations managers, area operations managers, and branch operations managers instituted with direct line of sight to the Group Head, Operations;
- continuous process improvement powered by process review and automation; and
- improvement in transaction turnaround times.

Milestones achieved and planned

Achieved

Focused resourcing

- Staffing core and non-core

Channel migration

- Stable card issuance platform
- Biometric enabled and language support ATM for non-literates
- Cash deposit ATMs
- Cash deposit cards
- Prepaid card strategy/ implementation
- Enhanced deployment Firstmobile

2012 priorities

Rapid QSP and offsite ATM deployment

- New branch development project team

Building capabilities

- Operations school
- Thursday learning series

Segmented service delivery

- Offsite ATM galleries
- QSP
- QSP plus

Strategy and performance
Review of operations

Benefits and challenges of the new operating structure

To date, we have realised a number of very tangible benefits from the changes implemented across our business, and in particular from changes to our operating model. Overall, we have gained fresh insights into our customers – invaluable in the context of an increasingly competitive and sophisticated operating environment – and have identified potential pockets of value that previously were untapped. As we enter into the second full year of running the model, increasing capabilities will be the key challenge to sustaining enhanced performance. In particular, the new model has ensured that we have:

- enhanced clarity of our target market, their peculiarities and how to effectively serve them;
- a value proposition effectively mapped to our customers' needs through targeted product offerings;
- a boutique model of servicing customer needs across different needs, leveraging on our Group businesses;
- relationship management practices centred around 100% customer satisfaction; and
- a centralised processing system and operations management framework, which has significantly enhanced service levels.

We are faced with the challenge of ensuring that we sustain the momentum and surpass the benefits delivered to our customers in the first year. In this regard, we have instituted a practice of continuous process improvement powered by process review and automation.

2012 priorities

As we continue to realise the benefits of our new operating structure, we are focused on addressing a number of critical enablers for sustained success and effective functioning under the current structure. These include:

- **people/capabilities**: i.e., identifying and addressing critical talent gaps, mobilising the right people to the right places, and providing the retraining and re-orientation in new roles;
- **performance management systems**: enhancing our existing system to ensure adequate incentives for cross-selling and cooperation between SBUs, adjusting metrics and targets to align with new SBU needs, and continuing to follow up with strong rewards and consequences based upon performance; and
- **management information systems**: leveraging existing systems to provide relevant data to support effective decision making.

Results from the new operating structure

2011

Customer segments

Action
- Shifted from geography as primary organising axis to customer segments.
- Redesigned nationwide coverage/deployment model to align with new organisation.
- Harnessed opportunities in the lower markets.

Impact
Significantly enhanced customer focus and specialisation across the organisation resulting in:
- better service;
- more tailored product delivery;
- 'small' customer attention;
- greater transparency; and
- accelerated growth.

Strategic business units

Action
- Centralised operations reporting with intermediate management to provide oversight closer to branches.
- New structure with ROMs, AOMs and BOMs instituted with direct line of sight to the Group Head, Operations.
- Centralised Processing Centres (CPCs) deployed to more efficiently provide processing (now 450 branch coverage).

Impact
Greater focus and specialisation within operations resulting in:
- enhanced service levels;
- greater accountability; and
- empowerment and authority in field to make decisions while maintaining coordination.

2012

Action
- Launch emerging corporates sub unit within Corporate Banking SBU.
- Enhance retail SME/affluent service models.
- Transition to unified global private bank model.
- Adapt Public Sector SBU to new treasury single account move by the Federal Government.
- Deploy cross-selling incentives.

Note: ROM – Regional Operations Manager. AOM – Area Operations Manager. BOM – Branch Operations Manager.

Corporate Banking

Kehinde Lawanson
Executive Director

Corporate Banking is focused on midsize and large corporate clients with high key man risk. It includes private universities and other large private educational institutions.

It comprises 13 groups focused on identified core customer clusters across Nigeria, with relationship managers operating from 49 locations nationwide.

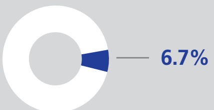
Target customers

Our key market segments are private organisations with annual revenue greater than ₦500 million and midsize and large corporates that may have annual revenue in excess of ₦5 billion but who have a key man risk.

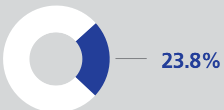
Percentage of net revenue
12.8%

Accounts at end of 2011
Over 7,441

Percentage of deposit



Percentage of loans and advances



Overview

Following the commencement of a new structure for the Bank, Corporate Banking Strategic Business Unit (SBU) was rolled out in October 2010 focused on the identified market segment. The SBU has been able to deepen existing relationships, resuscitate dormant ones and aggressively acquire new ones.

Products and services

Our diversified product offerings, involving the Bank's full range of product and services including oil and gas services; petroleum products importation, distribution and crude exports; trade, agriculture and project finance. Our clients are actively being migrated to alternative channels in readiness for the implementation of the cashlite policy. In addition, our new Business Intelligence Desk has assisted greatly in sharpening our focus on unnoticed prospects and being more innovative in developing tailor-made product offerings.

In the future, we shall consolidate our achievements and make a guided entry into the financing of the critical power sector, which we see as a major growth area.

Business update

Opportunities

We have identified tremendous opportunities in the sectors of small and medium enterprises (SMEs), non-oil exports, and public–private partnerships in power and infrastructure.

For example, in the power sector, following the unbundling of the Power Holding Company of Nigeria and the intent on full privatisation of the power generation sector, we expect in the new financial year 2012, financial intermediation opportunities will abound with the entrance of investors to play in the power generation field.

These will be explored by adopting the following strategies:

- the establishment of three additional groups within the SBU to focus exclusively on SMEs;
- working with our products engine to establish a non-oil export desk that will develop the non-oil export business;
- deliberate drive to grow and intermediate in trade finance opportunities; and
- capacity building through exchange programmes with selected correspondent banks, for hands-on skills development. We have further leveraged on our improved service outlook to overcome the narrow consideration of attracting businesses based on pricing only.

Strategy and performance
Review of operations

Risks
- Notable characteristic risks of our target market include weak corporate governance, low financial reporting integrity, succession challenges, overtrading and/or high leverage levels, etc.
- Recognising the above risks, we approached the business by focusing on close-knit transactions, collaborations and partnerships. We sought a thorough understanding of the business, even from the industry players and from specialised local and foreign institutions. In some cases, we learnt from other banks in other countries where the business environment is similar to ours. Altogether, our human capital portfolio has benefited from these exposures and sharpened its competencies and skills.

Strategies and objectives
Our Corporate Banking business aligns with the overall objective of consolidating the Bank's leadership position and extending this especially to profitability and efficiency. Accordingly, we are committed to:
- dominating existing business and controlling a greater wallet share;
- reducing concentration risk through the deliberate focus on the lower-middle customer segment and increasing the number of customers significantly;
- adopting the value chain approach to deepen, interlock and wrap around customers' businesses. This would involve exploiting the forward and backward integration of our key customers both at the purchasing and supplying ends of their business; and
- migrating cash management services of our customers to alternative channels improving the relationship management, credit and international trade skills of our people with emphasis on power and infrastructure financing.

Our performance
Corporate Banking has increased its risk assets portfolio by 63% during the period under review, with corporate banking loans now representing 23.8% of the Bank's total loan book. This has resulted in broadening our revenue base with aggregate revenue increasing by 27.05% in the same period (the net revenue for 2010 was annualised because the new structure commenced in October 2010). However, as characteristic of our market focus, deposit growth, at 26.13%, was much lower though slightly better on average volume terms.

The 2012 KPMG Customer Satisfaction Survey further attested to the improved quality of our service delivery, moving Corporate Banking up to 3rd place from 6th. This was in tandem with the improved market perception of our brand as a customer-focused one. Our target remains to be the clear leader in corporate banking.

Further efforts at improving on our performance included trainings by top industry experts in oil and gas finance, power and infrastructure and export/finance trade, among others. These have tremendously improved the technical abilities of the relationship teams and the confidence to approach the market with the required energy.

Our deliberate profiling of businesses yielded tangible results in our sign-on of leaders in the oil and gas and its support service sector, commodity/fast-moving consumer goods sector, and automobile service sector.

NestOil Plc
The project: The finance of marine equipment required to execute a $207 million SPDC contract to lay 24-inch high-pressure pipes across the Nembe-Cawthorne Channel Trunk Line (NCTL), a distance covering about 44km consisting entirely of swampy terrain. The pipeline traverses six major rivers and about 44 minor rivers and creeks. The image shows a lateral view of the equipment.

Institutional Banking

Bashirat Odunewu
Executive Vice President

Institutional Banking is focused on multinationals and large corporate clients. It is divided into six business groups with 10 locations across Nigeria, focused on specific industries:

- oil and gas;
- conglomerates and services;
- manufacturing;
- telecommunications and transport;
- financial institutions and multilaterals; and
- construction and infrastructure.

Target customers

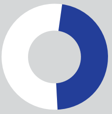
Customers include companies with well-structured management with annual revenue greater than ₦5 billion, companies quoted on any Stock Exchange (domestic or international), multinational companies, multilateral agencies, large international non-governmental organisations and companies in specialised industries.

Percentage of net revenue
16.1%

Accounts at end of 2011
Over 3,757

Percentage of deposit

Percentage of loans and advances



Overview

Institutional Banking represents the top end of the banking value chain, covering the largest corporates and organisations across six specialised industry groups – energy, telecommunication and transport, conglomerates and services, manufacturing, financial services/multilateral agencies, and construction and infrastructure.

As a Strategic Business Unit (SBU) of the Bank, the target market and clients include financial institutions, multinationals, large corporates and corporate players, alongside specialised businesses like international oil traders.

We offer a wide spectrum of banking and financial services ranging from reserve-based lending, project finance, trade and corporate finance, term loans, foreign exchange, treasury services, cash management, guarantees, collections and payments, to remittance services.

Business update

We have increasingly used our technical expertise, scale, reputation and resources to deepen business relationships with clients and build strategic partnerships in key business segments of the institutional market.

Consequently, our Energy group increased the FirstBank share of customer business in both downstream and upstream segments of the oil industry. At financial close, we committed USD1.30 billion (₦202 billion) and USD380 million in recently approved reserve-based lending. Significant new deals were consummated with a major facility, which included USD330 million for Ontario Oil and Gas, while we deepened relationships with all our partners. In addition, over $1.5 billion was committed in trade lines for international oil traders and major oil marketing companies. We also participated in financing oil and gas project contracts for exploration and production and service companies committing $100 million. As at year end, we had advanced ₦188.6 billion to the energy sector. The group is poised to exploit the immense opportunities within the oil industry by developing integrated product offerings that will ensure we bank the entire value chain of clients.

In our Conglomerates and Services group, foreign exchange (FX) purchases by our customers were in excess of USD670 million, while we established Letters of Credit worth over USD850 million. We issued a USD58 million bank guarantee for the Phase two of reclamation works at Eko Atlantic City Project, jointly funded by three local banks including FirstBank. These initiatives resulted in massive foreign exchange inflows in excess of USD771 million and ₦75 billion sales collections respectively. Non-interest income and interest income also increased considerably.

Our Construction and Infrastructure group financed various projects: the ₦4.8 billion Lekki Concession company syndicated facility was renewed. The group extended bank guarantees exceeding ₦83 billion, advanced payment guarantees of USD2.2 million and performance/bid bonds of over ₦7 billion. These deals generated inflows of ₦11.8 billion, leading to increased revenues. There are pipeline deals that will significantly increase our market share as we are also actively prospecting project finance deals and monitoring developments in the sector with a view to taking advantage of opportunities therein.

Review of operations

The Telecommunications group has consistently maintained leadership in Telecommunications project finance. FirstBank's experience in telecommunications project finance has earned the Bank its role as choice lead arranger to most of the syndicated facilities in recent times. The Bank is now focused to consolidate on its achievement and grow its share of market through the deployment of customised dealer finance initiative to capture key distributors in the industry. We also look to enhance participation in the emerging mobile banking initiative and network expansion projects of service providers. Some key transactions executed during the year include the USD650 million syndicated facility for Etisalat, where the Bank was the co-lead arranger.

We achieved considerable increase in business volumes within the manufacturing sector. This was in tandem with the Group's strategy of driving for more transaction flows and increasing sales collections, resulting in healthy gains over the course of the year. We participated in the ₦60 billion expansion and acquisition strategy of Nigerian Breweries with a ₦10 billion commitment, and committed USD10 million and ₦2 billion respectively in the USD144 million Golden Sugar Company Limited's sugar refinery project. The Bank also partly financed Lafarge Cement Wapco's 2.2mt/pa cement plant, the 'Lakatabu project'. This factory has been successfully completed and commenced commercial production in September 2011. The group also grew government revenue collections, dividend remittances and payments for major customers like Guinness Plc., Friesland WAMCO, Flour Mills Group, PZ Industries Plc, Lafarge Cement Wapco and NB Plc.

Our Financial Institutions and Multilateral group continues to service local banks, foreign banks and non-bank financial institutions across the world, providing various solutions to meet the requirements of this specialised sector. Our support for pension fund administrators and pension fund custodians cannot be over emphasised given its substantial contribution of deposit liabilities to the Group. We have also continued to grow our correspondent banking relationships with top international banks and have commenced the opening of Nostro accounts for some of them. In the course of the year, our focus has turned on China and that has led to Relationship Management Application (RMA) exchange with several Chinese correspondent banks to facilitate trade between both countries. Our relationship with Development Finance Institutions (DFI) and Export Credit Agencies (ECA) has been deepened over the period with a growing list of pipeline transactions. Some of the relationships include European Investment Bank, Export Development Canada, Export-Import Bank of the United States, African Export-Import Bank (Afrexim) and IFC to mention a few.

Benefits continue to accrue to the Bank through our representative offices in South Africa and China via increased referrals, transactions and pipeline deals. Consequently, the Bank recently opened a new representative office in Abu Dhabi, United Arab Emirates to harness the immense business opportunities in the region, in demonstration of FirstBank's footprint expansion strategy.

Larfarge Cement Wapco Nigeria plc

The project: The construction of a second cement plant to increase its production capacity from 2MMTpa to 4.5MMTpa. The image displays a cross-section of the conveyor belt, the roll mill machine, kiln system, control flow silos and dust collector at Larfarge, which all function to enhance cement production. The picture insert shows the magnificent 16,000 tonne control flow silos used for the controlled flow of raw meal kiln feed material to the kiln system where the materials are subjected to intense heat of about 1,500°C to facilitate the production of high-quality cement.

The cement factory commenced production in December 2011 and now produces about 10,000 tonnes of cement in a day. At this rate, the factory is certain to hit its target of 4.5MMTpa.

Risks and mitigants

The institutional market in Nigeria represents the top end of the business banking value chain and consists of customers that are highly sophisticated and demand superior service delivery. The market in 2011 presented several opportunities that we exploited and also had attendant risks that continue to present challenges, which require close monitoring and attention.

The major risks confronting us are uncertain government regulation, particularly in the energy market, price sensitive clients, intense competition from other banks and thinning margins as a result of pricing pressure. Other factors that have affected business in the institutional market are fluctuating commodity prices in international markets, reduced players in the Code division multiple access (CDMA) market, dwindling Capex spend and stiff competition in the telecoms business.

We recognise these risk factors as constraints and have incorporated credit risk management practices, such as risk transfer (hedging, insurance) and concentration risk management (based on historical experience as well as continued risk expectations) in portfolio planning decisions. In addition, we have adopted advanced risk data analysis solutions to build our risk analytics capability.

Strategies and objectives

Our priority initiatives include enhanced product capability for institutional clients, integrated approach to increase 'wallet share' of customers' business, develop multiple new platforms for growth, synergy and scaling funding benefits. We will continue to introduce relevant products in key growth segments, increase presence in select target markets, strive to be the preferred banker to institutional clients and major player in the institutional market.

Our performance

In line with the strategic intent and direction of FirstBank, to be 'the dominant bank' in the financial services in Nigeria, Institutional Banking, via better customer classification and improved asset quality and revenue mix, achieved significant growth across key metrics in 2011. Net revenue increased by 18% to ₦39 billion, deposit base grew by 34% to ₦233 billion. Loans and advances increase was constrained due to growing competition, pricing pressure from more sophisticated customers, reduced appetite for borrowing as well as the sale of Seawolf Oil Field Services loan to the Asset Management Company of Nigeria.

Nevertheless, asset growth exceeded 20% and fee-based transaction volumes, like foreign exchange deals, reached a staggering 1,107% in seven months. In recognition of the Bank's efforts, FirstBank was awarded the downstream Energy Finance award at the Oil Trading & Logistics Africa downstream awards.

These positive trends demonstrate a steady and increasing growth, in line with our desire to become the leading banker to large corporates and multinationals and reflect our resolve to bank more of their value chain. We have set ambitious targets for 2012, to further consolidate on gains achieved in 2011, by being more efficient in service delivery to clients, understanding their unique business needs better, and offering more value adding products that drive performance.

Strategy and performance
Review of operations

Private Banking

Bernadine Okeke
Executive Vice President

Private Banking is focused on the high net worth individuals' customer segment. This group commenced operations on 3 January 2011. The group has three hubs in Lagos, Abuja and Port Harcourt with teams located in a total of nine clusters where the majority of their customers can be found.

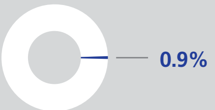
Target customers

Customers include individuals with investible income of ₦37.5 million.

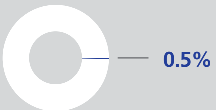
Percentage of net revenue
0.7%

Accounts at end of 2011
Over 701

Percentage of deposit



Percentage of loans and advances



Overview

In 2011, FirstBank Private Banking Strategic Business Unit (SBU) was successfully introduced to the Nigeria financial industry, engaging existing high net worth customers (HNIs) of FirstBank and establishing relationships with new clients. This SBU continues to provide an ever-growing range of products and services specifically suited to meet the sophisticated financial service and lifestyle management needs of wealthy customers. In the coming year, Private Banking will continue to gear its activities towards creating a niche in the provision of wealth management services.

Implementation

The introduction of Private Banking was implemented to ensure that we made a significant impact in a space that was previously dominated by foreign banks in Nigeria. The execution of the plan has not been without challenges; however, we continue to stride towards achieving our objective. Over the course of 2011, we engaged our staff in various training programmes aimed at enhancing their understanding of the concept of private banking and wealth management practice. We also organised training sessions to align our staff culturally with the various types of customers we would manage over the course of business to give them the required attitude and skill set to achieve maximum customer satisfaction. We have built on the relationships existing within the Group as well as other external relationships and are optimistic that the milestones we achieved in 2011 will produce opportunities for us to surpass expectations in 2012.

Products and services

Our product and service offerings have been broadly divided into two major areas in order to ensure delivery of the highest quality to customers:

Personal banking and lifestyle management: This area provides our customers with products and services aimed at meeting their transactional and day-to-day living needs. We also provide our customers with access to various world-class privileges through a concierge service supported by Visa International. Such services include: cash delivery and pick-up, currency transfers, custodian services for assets, cash-backed loans, limousine services at destination points, private jet hire and bespoke services (such as attendance of social events and pick up of wards from various destinations).

We expect growing patronage in this area as our clientele base continues to grow. The projected growth in our active customer base is approximately 20% in 2012. We envisage this growth occurring mainly due to more aggressive business development and referrals from existing clients. Of our estimated customer base for the coming year (700 clients), we expect at least 30% of them to patronise our personal banking products and services.

Wealth management: In 2011 we made great strides towards setting up a world-class wealth management mechanism to manage the assets of our customers in accordance with agreed mandates. Having inherited an assets under management (AUM) portfolio of approximately USD100 million, we achieved 45% growth in the year to approximately USD145 million. We were able to achieve this by providing customers with investment outlets in high-yielding assets through subsidiaries of FirstBank and other investment partners. We expect a significant increase in the volume of our AUM over coming periods as we further develop our capabilities in this area and strengthen our portfolio management infrastructure. We also commenced the management of strategically acquired assets by our clients in 2011 and expect to grow this area into various spheres of the economy such as real estate and other non-listed securities.

Business update

Private Banking clients are an elite group who are very discerning and very sensitive about service. They are willing to pay a premium for service well delivered. These clients are considered to be within a premium bracket; they represent less than 1% of the Nigerian population and control a significant percentage of the country's wealth.

Currently, private banking in Nigeria is dominated by foreign banks and a few Nigerian banks.

Opportunities: The private banking business in Nigeria has seen an increase in the number of indigenous banks; however, the advantage will belong to those who provide customers with the option of executing investments in various structured products/services locally and globally. In order to exploit this opportunity, we have initiated discussions with international investment institutions with a view to establishing a relationship whereby clients' funds can be pooled for investment in instruments provided by them that we normally would not have access to. These discussions are in an advanced stage and we expect them to begin to bear fruit in the second quarter of 2012.

Market risks: A key differentiating factor with respect to guiding a customer's decision to either maintain their relationship with the foreign banks or establish a relationship locally will be the ability to deliver premium service. This is key, especially in an environment with significant infrastructural challenges such as Nigeria.

The long-term viability of the country, as charted by various government policies, will also play a key role in helping customers decide whether or not to relocate their assets.

Strategies and objectives

While the launch of FirstBank's Private Banking group was reasonably successful, the SBU is still some way from achieving the vision for Private Banking to be the private bank of first choice; setting the bar in wealth management. Therefore, in addition to our previously stated strategic imperatives, we intend to do the following in 2012:

Offshore and foreign currency-denominated investment: Deliberations are ongoing with foreign partners and subsidiaries of FirstBank with a view to providing customers with outlets to invest in offshore assets as well as foreign currency-denominated instruments.

Trustee business: The average HNI in Nigeria does not see the need for a trust to be established, for his/her dependants. We intend to leverage on the reputation gained by our trustee subsidiary to push for a claim in this area of the market.

Continuous talent management: In order to provide the highest quality of products and services to our clients, we will continue to motivate and train our staff by exposing them to the best in terms of courses and other experiences to enhance their confidence, skills and capabilities. We also intend to improve our portfolio management infrastructure through the acquisition of software and recruitment of specialists in various areas of our business.

Our performance

Notwithstanding the developing nature of the SBU, Private Banking still achieved an admirable financial performance; achieving an approximate 45% growth in AUM in 2011 to ₦22 billion, retaining 100% of the accounts inherited and opening over 50 new accounts. In 2012, we expect significant improvement on our approximately 1% contribution to FirstBank's profitability.

Key activities in 2011

Interactive website: Private Banking launched a fully interactive website, which has been designed specifically to grant customers 24-hour access to various products and services. In addition, new prospects are able to contact us much more easily. The feedback on this initiative has been positive and we will continue to enhance its features and properties to deliver maximum satisfaction to customers.

Visa Infinite Card: The exclusive and prestigious Visa Infinite Credit Card was launched to a good reception by our higher-end customers. To qualify for ownership of one of these cards customers had to have a minimum of USD300,000 in near-cash assets or investable funds. The issuance of the card has proven a good tool for business development for Private Banking. As at the end of December 2011, we had more than 57 cards in issue to customers with cumulative credit limit of USD1,800,000. We continue to see strong demand for these cards.

Ikoyi Club Golf Challenge: With the successful sponsorship of the 50th edition of the Ikoyi Club 38 Golf Challenge in October 2011, FirstBank enjoyed enhanced brand publicity and specifically created awareness among a potential client base for FirstBank Private Banking.

Conclusion

Private Banking is still in its introductory phase but managed to achieve laudable results in its first year of operations. We believe opportunities exist in this industry and are thrilled at the prospect the coming years hold for this business. Our goal is to become a beacon for customer care and also a significant contributor to the financial performance of FirstBank.

Public Sector

Dauda Lawal
Executive Vice President,
Public Sector North

Urum Eke
Executive Director,
Public Sector South

The Public Sector group is focused on the two main levels of government in Nigeria, Federal and State establishments. The Public Sector North group has 10 groups covering 14 team locations spread across Northern Nigeria, while the Public Sector South group has 10 groups covering 22 team locations across Southern Nigeria.

Target customers

Customers include the Federal Government of Nigeria and its ministries, departments and agencies (MDAs); State Governments and their ministries, departments and agencies; State and Federal Tertiary Institutions; Armed Forces, Police, Civil Defence organisations and Foreign Embassies.

Percentage of net revenue

Public Sector North
6.7%

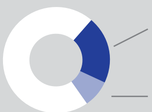
Public Sector South
5.7%

Accounts at end of 2011

Public Sector North
Over 3,876

Public Sector South
Over 4,077

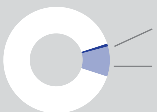
Percentage of deposit



Public Sector North
20.8%

Public Sector South
8.3%

Percentage of loans and advances



Public Sector North
1.0%

Public Sector South
8.0%

Overview

The Public Sector SBU's core objective is to be the dominant banker to Federal and State Governments in Nigeria. The group intends to achieve this by providing financial services and products to the customer segment including their ministries, departments and agencies (MDAs), as well as foreign missions in the country.

Public Sector contributes a significant percentage of deposits and credits to the banking industry and is the single biggest spender in the domestic economy. Consequently, the Government is the largest provider of liquidity to the banking sector and the economy. The recently reviewed operating structure has allowed the Group to focus on this particular sector; thereby creating, deepening and sustaining healthy relationships at all levels. Though the public sector is characterised with bureaucratic challenges, there has been an appreciable level of improved cooperation in the new democratic process among all levels of government.

The Public Sector Strategic Business Unit (SBU) is divided into two groups (North and South) and these comprise 20 groups spread across the country.

Products and services

In order to provide full-spectrum of the public sector's diverse needs for financial services, we are constantly developing products designed to increase ease of access to, and convenience of use of, our services. Currently, our product suite comprises:

- current (expenditure) account management;
- revenue collection and management;
- project and infrastructure financing;
- letters of credit;
- government contract financing;
- tax collection and management: tax, levies and duty collections such as value added tax (VAT), stamp duties and other internally generated revenue particularly at the state level, as well as utility bills for Federal and State Governments;
- payment and management of salaries and pension;
- disbursement of allocations for parastatals;
- collections of duties for agencies;
- foreign exchange trade/bidding;
- financial advisory services;
- short-term bridging facilities to MDAs;
- specialised products and services such as leasing, concessions, service management, asset management; and
- e-banking services to achieve cashless economy.

Business update

The Government's revenue performance is expected to remain strong in 2012. The three tiers of government in the country depend on crude oil export earnings for 80% of their revenue and crude oil production figures are expected to be strong too. The reduction in fuel subsidy and government's commitment to providing palliatives for the people is expected to bring about many infrastructural development projects in all tiers of government.

Risks

Entrenched interests and loyalties – this is a major risk that we are dealing with by strategically building lasting contacts and deepening existing relationships.

Change in government policy and political affiliations – frequent change in government policy is a characteristic of our political landscape. Government policy on aspects of the Nigerian economy is sometimes subject to reversal, which could be disruptive. It is cumbersome to successfully and confidently project the policy thrust of the Government. In as much as policy reversal on the part of the Government is sometimes very necessary, it makes planning for business on our side all the more difficult.

Corruption – the Government is confronting corruption through the activities of its anti-corruption agencies. Recent results from these activities have been encouraging and we expect to see further progress made on this front.

Agitations and civil unrest – consistent civil and religious unrests in several parts of the country has made running government business very difficult and with huge losses.

Opportunities

There are considerable financing opportunities within infrastructural development/project finance with government determination to improve the infrastructure, particularly power, with other segments such as road and rail transportation also garnering increasing attention. With the recent partial removal of the petroleum subsidy and the commitment for the provision of palliative to cushion the effect, several infrastructural projects will be embarked upon by the Government either directly or with the use of PPP approach.

The recent introduction and proposed enforcement of end-to-end electronic payment by the CBN on the public sector has made the conversion of former manual processes a must. All payments by agencies will be done electronically and with the Bank's wide branch network; the Group is poised to convert a huge part of that market.

Several states are focused on diversifying revenue streams from the centre by increasing internally generated revenue. We expect that more states will automate revenue and tax collection systems (complying with the new CBN policy) – thus opening up additional opportunities to extend our banking relationships with the various State Governments.

Some states effectively adopted the use of the bond market in accessing finance through bond issuance to fund critical infrastructure-related initiatives in the previous year. We expect this trend to continue and we have reached various stages with some states in achieving the same this year.

Strategies and objectives

In 2011, we developed several new relationships in key States and Federal parastatals in addition to the very good existing relationships. We have also established relationships with some foreign missions. We intend to fine tune our customer engagement model to convert more of these foreign missions, Federal and State parastatals, and ministries to expand our market share. We will continue to build strategic partnerships and alliances with all tiers of government while enhancing the synergy within the Group to improve sales and retention of key government accounts. We also intend to be at the forefront of enabling the sector in complying with the cashless initiative by providing value-added services for cash management.

Our performance

Initiatives defined at the beginning of 2011 have resulted in appreciable success for the Group. There has been an improved level of business from all the government segments in terms of revenue and profit. The Public Sector SBU grew its loans and advances by 43.1% from ₦71 billion in 2010 to ₦102 billion in 2011. Total deposits grew from ₦308 billion to ₦520 billion during the same period, resulting in a 69% growth. Other highlights of successes recorded include:

- conversion of several State Government accounts as well as retaining existing ones, which have increased the share of wallet;
- many Federal Government MDAs relationships initiated and consummated while consolidating on existing ones;
- provided funding for developmental projects such as road construction, rail line construction, real estate and power across the states;
- provided electronic payment platforms for MDAs as well as tertiary institutions across the nation;
- lead bank in revenue collection of many states across the nation;
- Memorandum of Understanding (MoU) with Oyo State Government to fund some key developmental and economically viable projects in the state;
- bond issue was successfully raised for infrastructural development in Benue State;
- commercial agricultural credit loans of ₦1 billion each to Ekiti, Bayelsa and Osun states; and
- provided electronic solutions for State and Federal tertiary and health institutions.

Strategy and performance

Review of operations

Retail Banking

Bello Maccido
Executive Director, North

Gbenga Shobo
Executive Vice President, South

Retail Banking North has five business groups, covering 15 Business Development Offices (BDOs), which manage business activities in 208 branches. Retail Banking South has four business groups, covering 32 Business Development Offices, which manage business activities in 442 branches.

Target customers

Customers include businesses with annual turnover below ₦500 million, individuals with annual income of ₦50 million and below and all local governments in Nigeria.

Percentage of net revenue

Retail Banking North
10.0%

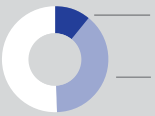
Retail Banking South
34.5%

Accounts at end of 2011

Retail Banking North
Over **2,045,499**

Retail Banking South
Over **5,651,841**

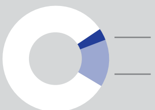
Percentage of deposit



Retail Banking North
11.1%

Retail Banking South
38.5%

Percentage of loans and advances



Retail Banking North
3.9%

Retail Banking South
14.6%

Overview

Retail Banking is structured to specifically serve customers in the retail and consumer banking landscape through the provision of tailor-made products and services to individual customers, SMEs with annual turnover less than ₦500 million and local government authorities.

Products and services

Customers in the retail customer segment are offered a wide range of products under the following categories/channels: liability, assets, cards, mobile/SMS banking, online banking, revenue collection, ATM, POS.

Operating locations and structures

FirstBank's Retail Banking business covers all the geopolitical zones of Nigeria and is run out of two SBUs with Retail Banking South supervising 17 states and Retail Banking North supervising 19 states, in addition to the Federal Capital Territory of Nigeria. They are separately managed by the Executive Director, Retail North and Executive Vice President, Retail South. Customers are made up of the following customer segments: small and medium enterprises, affluent individuals, other individuals; youth; local government authorities and diaspora. The Retail Banking teams are present in 650 business outlets, comprising branches, cash centres and quick service points. For effective marketing and efficient administrative purposes, the Retail North and Retail South are further segmented into nine groups and 47 BDOs throughout Nigeria.

Business update

Markets, risks and opportunities

With a population over 160 million and a mere estimated 22 million bank accounts, there is significant room for expansion in the retail banking business in Nigeria. Retail Banking is focused on increasing market share. Recent mergers in the industry have dramatically changed the landscape with the creation of larger and more aggressive competitors in the top tier of banks, while even smaller banks are also chasing deposits more aggressively, and customers have become more sophisticated in deciding on which bank's products to use.

As part of its strategy and a response to the changes in its business environment, Retail Banking has segmented its customer base to provide its target customers with specialist relationship managers and thereby increase the share of its customers' wallet that it has in each segment. Another change in the market is the deepening of the Nigerian middle class. Retail Banking is now actively targeting the middle class, which in a recent survey was estimated at 23% of Nigerian population (earners of average monthly income between ₦75,000 and ₦100,000), a projected 36 million Nigerians. Retail Banking is actively working on improving its market share among this segment of customers. This will be done by creating an 'affluent team' to give personalised services to this segment.

Presently, about 63% of the Nigerian population is aged 24 and below. This is a segment that traditionally is not as strongly represented in the Bank's customer base as other segments. Retail Banking is presently implementing a strategy aimed at significantly increasing its share of the above market.

In the 2012 financial year, new types of location called e-branches will be added. These locations will be made up of only electronic channels such as ATMs and desktop computers for online banking, among others. We expect to grow our locations by a minimum of 100 outlets and further strengthen our position as one of the key leading banks with widest network coverage.

FirstBank has over three million active individual customers and to increase convenience and services, the Bank is actively moving its customers to electronic channels. In addition, to increase our network across Nigeria, we have introduced quick service points (QSPs). These service points, while making payments and receiving deposits, do not perform the full range of services carried out in a regular branch. The deployment of these e-branches, QSPs and additional ATM galleries will significantly reduce transaction times for customers. Further information about FirstBank e-business is provided on page 53 of the Annual Report.

In addition, the advent of mobile payments creates an avenue for bringing the over 50% of Nigerians without bank accounts into the formal banking sector. The CBN in 2011 granted FirstBank a Mobile Payment Licence. There are presently only about 22 million people in Nigeria with bank accounts contrasted with the over 80 million people that have mobile phones. By allowing people to make financial transactions without a linked bank account, mobile payments will enable banks to significantly increase their customer base while keeping the new customers out of the banking hall. FirstBank is strategically positioned to use its branch network to seize a sizeable stake in this market. Relationship managers within the Retail Banking unit will be in the forefront of generating market share for the Bank in this emerging industry. The Bank is also constantly striving to improve its service delivery in order to ensure that its customers enjoy the best services.

Fidelity Fortune and Management Company Limited

The project: Mixed crop farm comprising maize, cassava, yams, plantain and pineapple in Illah, Akwukwuigbo and Iselukwu, Delta State. The image shows sections of cassava farm, yam farm, cornfield and pineapple farm. The farm covers an area of about 872 hectares of land (489 in Illah, 233 in Akwukwu Igbo and 150 in Iselukwu) on a 20-year lease from the communities.

The Bank's finance has yielded extensive increase in farmland, cultivation and commercial crop production in Fidelity Fortune Farms.

Strategy and performance
Review of operations

Strategies and objectives

The CBN Policy on cash withdrawal/lodgment limits and mobile payment is changing the way banking is carried out. There is creation of new revenue streams for banks, reduction in cost of banking and emergence of a new segment of customers for the Bank.

In line with these objectives, Retail Banking will remain dynamic to the changes and will adopt the following strategic intents towards achieving its goal of 'attaining unassailable leadership' in the retail and consumer banking landscape:

- Aggressively migrate a sizeable number of the mass-market customers to alternative channels and grow the segment in a cost-effective manner.
- Intensive deployment of appropriate resources for mobile payments.
- Deployment of QSPs, electronic branches (e-branches), ATM galleries and POS terminals to strategic locations in order to broaden our presence and provide more convenience for our customers.
- Intensify focus in understanding behaviour and preferences of customers in the affluent, youth, mass SME and diaspora segments and develop or improve on the range of services/products that best suit their needs.
- Concentrate on winning additional local government accounts/local council development area accounts and leverage on same to win the accounts of their staff unions.
- Provision of conducive working environment for the workforce and equipping them with the adequate tools required for winning in the dynamic business landscape.
- Consolidating on the above initiatives to generate more business and increase the revenue contribution of Retail Banking to the Bank will be achieved through aggressive growth of its asset and liability products.

Covenant Farms Limited, Owode, Ogun State

The project: The conversion of the farm from the deep litter system of rearing to the modern method of rearing in cages. The image shows a cross-section of poultry birds at Covenant Farms, Owode. The picture insert shows crates of eggs produced by the farm birds.

The modern rearing method has expanded the rearing capacity of the poultry birds to 35,000 from 16,293 and laying capacities to 109,600 from 56,120.

Our performance

The year 2011 was a good year for Retail Banking. It consolidated its position as the clear leader in the 'retail space' in the country. The focus created by the new operating model led to impressive growth in our retail business during the year. Proper understanding of segment needs, product innovation, improved services, better integrated distribution channels and effective relationship management led to our offering distinctive value proposition to our retail customers.

This resulted in an increase of 27% in total deposits from ₦697 billion to ₦885 billion. Demand deposits and accounts (DDAs) grew by 38% from ₦583.57 billion to ₦807.19 billion, year on year.

The impressive growth was due to aggressive customer acquisition and more attention given to the SME and affluent segments of the market. These segments had relationship managers allocated to them and the Bank was able to leverage off its new model to gain from 'flight-to-safety' caused by the turmoil in the banking industry. Robust growth in the retail revenue collections, money transfer business and diaspora accounts also positively impacted the growth of DDAs.

The Bank became the clear leader in the MoneyGram money transfer business, which it only started in the last two years to add to its traditional leadership in Western Union Money Transfer. During the year, the Bank set up a diaspora desk to cater for the banking needs of non-resident Nigerians and introduced a new suite of diaspora products. The total balance sheet for this segment grew by a minimum of 160%.

In the period under review, the retail loan portfolio grew to ₦212.95 billion, confirming the Bank as having the largest portfolio of retail loans in the country. A major portion of the growth came from lending to staff of government institutions, SMEs and local governments. Retail loans were further extended to some rural areas for the first time, and some individuals in such locations were able to access bank loans for the first time. We also had growth in our lending to the SMEs, especially the oil and gas contractors. New products were developed and launched for schools, traders, key distributors, etc. which further strengthened our lending capabilities.

The total net revenue for the year was ₦109.02 billion. This impressive growth was caused by increased net interest margins as the rates in the money market moved northwards. In addition, the SBU recorded 149% growth in fee income (from ₦4.73 billion in the fourth quarter 2010 to ₦11.80 billion in the fourth quarter 2011).

Key Performance Indicators

The overall strategy of the FirstBank Group is to become Sub-Saharan Africa's leading financial services group while at the Bank level the strategy is to be the 'clear leader and Nigeria's bank of first choice'. The articulated strategic priorities between financial and non-financial provide a direction in ensuring the Bank strategy is achieved while attaining the Group strategy. To measure our performance and the progress towards these goals, five financial and three non-financial indicators are being used. These indicators cover strategically important areas in our business and are catalysts to achieving desired long- and short-term targets both at the Bank and Group level.

The Board of Directors and the Group Management Committee measure the Group's progress against its strategic objectives. Progress is assessed by comparison with the Group's strategy, its operating plan targets and its historical performance. Additional performance indicators are being developed as we remain true to our strategy approach of first reinforcing our leadership position in Nigeria by growing the Bank significantly across key metrics, i.e. scale, profitability and market share, followed by guided diversification of the Group and finally building scale internationally, while harnessing inherent opportunities to enhance cross-selling capacity across the Group.

Being part of a larger society, the FirstBank Group and affiliates are subject to the vagaries of the business environment including extensive and increasing regulation, accounting standards and interpretations thereof, and legislation in the various countries in which the Group operates. From time to time, new laws are introduced, including tax, consumer protection, privacy and other legislation, which affect the operating environment in which the Group operates. These activities could increase the Bank's compliance cost stalling its ability to pursue business opportunities.

We remain focused on tracking our progress towards our goals, however, sustained improvement will take account of all relevant factors; particularly comparisons against peer group with regard to the financial and non-financial Key Performance Indicators (KPIs) described below.

To support the Group's strategy and ensure that the Bank's performance can be monitored, management utilises a number of financial KPIs. The table below presents these KPIs for the period up until December 2011. At a business level, the KPIs are complemented by a range of benchmarks that are relevant to the planning process and to reviewing business performance. FirstBank has a number of key targets against which future performance can be measured.

	December 2011		December 2010		9 months to December 2009		March 2009		March 2008	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank	Group	Bank
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	**259,234**	**244,717**	178,062	163,142	128,026	119,167	160,730	143,346	124,156	108,317
Net income growth (%)	**45.6**	**50.0**	39.1	36.9	(20.3)	(16.9)	29.5	32.3	70.5	64.0
Net income mix										
Net interest income (absolute)	**183,447**	**178,071**	121,667	114,589	96,157	88,933	116,874	103,252	87,541	73,974
Net interest income (%)	**70.8**	**72.8**	68.3	70.2	75.1	74.6	72.7	72.0	70.5	68.3
Net fee income (absolute)	**61,721**	**49,785**	44,989	35,475	28,064	24,547	33,924	29,115	28,382	23,418
Net fee income (%)	**23.8**	**20.3**	25.3	21.7	21.9	20.6	21.1	20.3	22.9	21.6
Other income (absolute)	**14,066**	**16,861**	11,406	13,078	3,805	5,687	9,932	10,979	8,233	10,925
Other income (%)	**5.4**	**6.9**	6.4	8.0	3.0	4.8	6.2	7.7	6.6	10.1
Cost to income (%)	**56.8**	**55.1**	67.0	65.8	60.8	58.8	67.4	66.8	64.5	63.7
Non-performing loan ratio (%)	**2.6**	**2.4**	7.8	8.3	6.0	7.2	10.6	12.0	13.8	15.5
Return on average shareholders' equity (%)	**13.0**	**13.2**	9.6	9.7	1.4	0.4	3.7	9.9	10.4	9.0
Dividends per share (₦)	**0.0**	**0.80***	0.0	0.60	0.0	0.10	0.0	1.35	0.0	1.20
Dividends per share growth (%)	**0.0**	**33.3**	0.0	500.0	0.0	(92.6)	0.0	12.5	0.0	20.0
Basic earnings per ordinary share – reported (₦)	**1.40**	**1.45**	0.95	0.98	0.17	0.04	0.51	1.41	2.67	2.23

*Subject to shareholders' approval at the AGM.

Strategy and performance
Key Performance Indicators

Group Bank

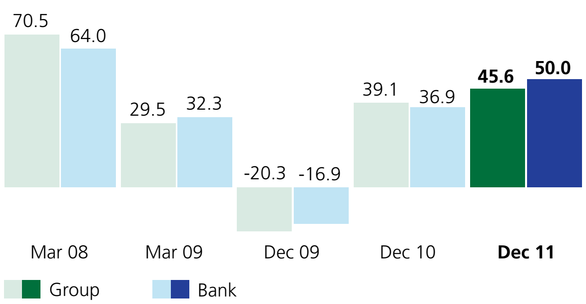
KPI 1 Net operating income growth

Description

Net operating income growth provides an important guide to the Group's success in generating business. In December 2011, the Bank's total net operating income grew by 50.0% to ₦244.7 billion (Group 45.6% to ₦259.2 billion), reflecting improved efficiency in asset and service pricing.

Performance

Net operating income growth (%)



Relationship to strategy

See page 32 for further strategy information

Group: Delivering on our growth ambitions will require a structure that supports development of segment and functional specialists. We have restructured internally for growth, organising around business groups and customer segments.

Bank: The Bank will continue to grow and effectively deploy risk assets to drive increased revenue and profit growth. We will extend its franchise into new customer segments where we can apply our competitive strengths, see attractive yields and support growth objectives.

Relationship to key risks

See page 78 for further information about key risks

Attaining the full benefits of scale to achieve the Group's incremental growth profile could be stifled by unfavourable regulatory pronouncement. Achieving high-quality risk-based assets and channelling resources to appropriately priced transactions with multiple income streams from deep market knowledge could be impacted by inadequate evaluation of risk conditions.

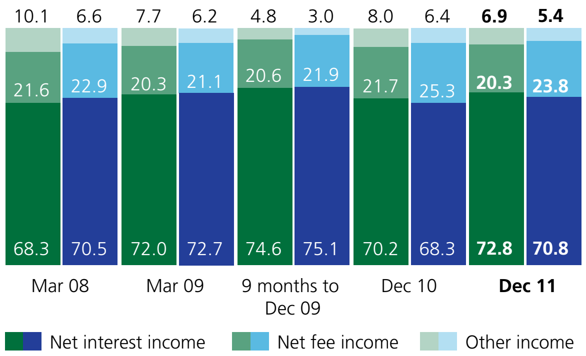
KPI 2 Net operating income mix

Description

Net operating income mix represents the relative distribution of revenue streams between net interest income, net fee and commission income, and other income. It is used to understand how changing economic factors affect the Group, to highlight dependence on balance sheet utilisation for income generation and to indicate success in cross-selling fee-based services to customers with loan facilities. This understanding assists the Bank's management in making business decisions.

Performance

Group and Bank net operating income mix (%)



Relationship to strategy

Group: There is renewed emphasis on strong growth businesses such as investment banking/asset management and insurance. In addition, we will leverage the synergies and cross-selling opportunities between banking and other financial services sectors to improve fee and commission income.

Relationship to key risks

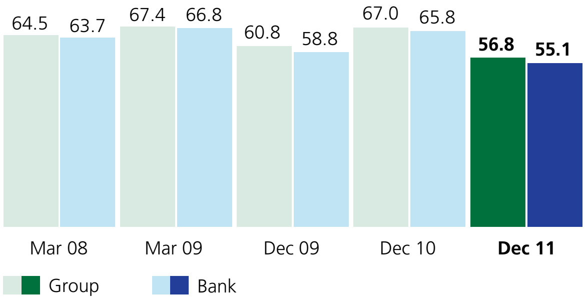
The ability to diversify the Group across strong growth businesses and the continuous bank transformation initiative to earn a greater share of the client's wallet may be slowed by insufficient knowledge of the environment and the client's business.

KPI 3 Cost to income

Cost to income is a relative measure that indicates the consumption of resources in generating revenue. Management uses this to assess the success of technology utilisation and, more generally, the productivity of the Group's distribution platforms and sales forces. There has been a consistent effort to reduce this ratio.

The Group's cost-to-income ratio to December 2011 declined to 56.8% (December 2010: 67.0%). This was as a result of stronger growth in operating income relative to expenses.

Cost to income (%)



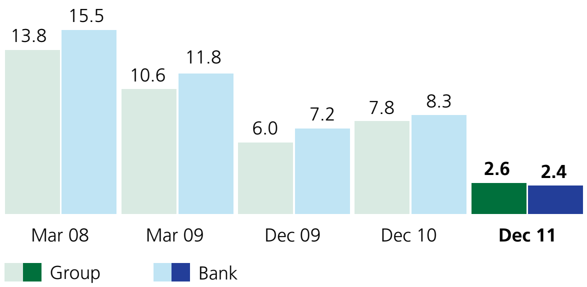
Bank: We will continue with our ongoing transformation programme, particularly in the area of cost optimisation and containment. Key initiatives in the short term include migration of retail mass market clients to ATMs/alternative channels, reorganisation of unprofitable branches and enhancing controllable cost discipline. In the medium term, key initiatives we will pursue in terms of cost containment will focus on making improvements to our cost allocation processes to better reflect the underlying cost of doing business across each SBU, optimisation of staff productivity by reviewing mix and manning levels, and review of our procurement processes among others. Our efforts in improving fee and commission income will also impact the cost-to-income ratio significantly.

The anticipated improvement in cost-to-income ratio arising from competitive repositioning and sundry cost optimisation initiatives may be threatened by sub-optimisation of significant liquid assets, reluctance of the retail mass market to migrate not realising the anticipated benefits from reorganising unprofitable branches and inadequate cost monitoring.

KPI 4 Credit performance

Credit performance, as measured by risk-adjusted margin, is an important gauge for assessing whether credit is correctly priced so that the returns available after recognising impairment charges meet the Group's required return parameters. The non-performing loan ratio is a reflection of this measure. The ratio for December 2011 was 2.6% for the Group (2010: 7.8%).

Non-performing loan ratio



Group: Throughout the Group, we will ensure that portfolio oversight of key functions, including risk and shared services are established.

Bank: Ensure stricter risk governance, increasingly aligning SBU plans with the Bank's risk management appetite, stricter application of risk adjusted pricing and review of our credit audit processes.

Extending credit to unsuitable segments of the economy needs to be carefully monitored through strategic portfolio planning, supported by sound risk identification, measurement, control and reporting.

Thorough and constant review of the Bank's risk appetite definitions and acceptance criteria is imperative to minimise the chance of the Bank's asset quality being affected.

Strategy and performance
Key Performance Indicators

Group Bank

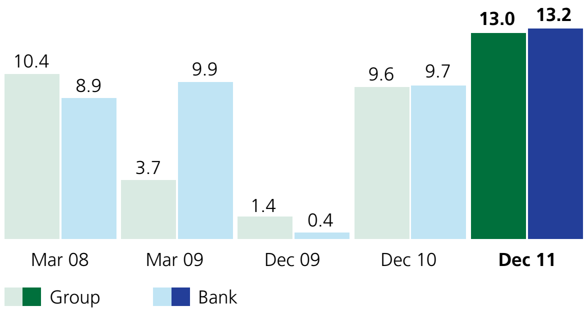
KPI 5 Shareholder returns

Description

The Bank aims to deliver sustained dividend per share growth for its shareholders. The proposed dividend per share for December 2011, based on the year to which the dividends relate (rather than when they were paid), amounts to ₦0.80, an increase of 33.33% over the preceding year (December 2010: ₦0.60). Return on shareholders' equity measures the return on shareholders' investment in the business. This enables management to benchmark Group performance against competitors and its own targets. In December 2011, the ratio was 35.42% higher than the December 2010 ratio.

Performance

Return on shareholders' equity (%)



Relationship to strategy

See page 32 for further strategy information

Group: We aim to be a leader in our chosen market, enhance market positioning, earnings diversification and profitability.

Bank: The Bank will improve return on equity by focusing on inorganic expansion of core banking business, continuing to optimise deposit mix to lower the cost of funds and containing operating expenses. In addition, we continue to seek growth in assets that flows through to increased revenue and profit growth, and ultimately shareholder value.

Relationship to key risks

See page 78 for further information about key risks

Inefficient capital allocation across the Group could threaten selective growth and transformation initiatives.

If the risk associated with inorganic expansion of core banking business, stable macroeconomic and regulatory environment, operating income growth and mix are threatened, improved shareholders' value might not be enhanced.

KPI 6 Brand perception

Description

In order to manage the FirstBank brand most effectively, the Bank has started tracking its brand health among personal financial services and commercial banking customers in the Bank's key market – Nigeria. For the 2011 Report, Interbrand Sampson, a world leading brand consultancy, was engaged. Interbrand conducts an annual Bank's and Brand Strength Report for Africa. It measures certain metrics including brand authenticity, advantage, understanding, protection, responsiveness, clarity, relevance, consistency, commitment, presence and differentiation.

Performance

The Bank attained the number one position among its Nigerian competitors, according to the Interbrand report. This is in line with our strategic initiatives. The metrics considered include protection, commitment, authenticity, consistency, presence and differentiation. These metrics were individually assessed and aggregated to give a composite score on a 100 point scale. This was then benchmarked against competitors.

Relationship to strategy

Bank: The aim is to increase market share by directly addressing the current brand perception gap and positively impacting consumer conversion from awareness to adoption, while sustaining the wide array of our customer base. This is anchored on six specific priority pillars (brand building, loyalty drive, revenue drive, channel shift, efficiency drive and building talent hubs) to significantly enhance FirstBank brand perceptions and drive business results by means of targeted campaigns.

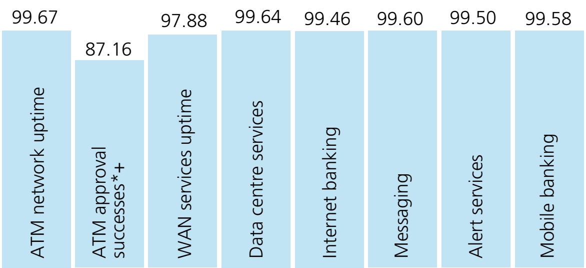
Relationship to key risks

The Bank intends to enhance its perception, keep attracting/converting a crop of young and dynamic customers as well as high net worth individuals and small and medium enterprises to expand its customer base, increase market share and sustain future patronage. The risk of not achieving this objective could constrain future business opportunities and in turn revenue growth.

KPI 7 IT performance and systems reliability

Two key measures are tracked as indicators of IT performance and measured in terms of service availability targets. The number of customer transactions processed reflects the dependency on IT in the delivery channels that customers use to interact with the Bank. Monitoring the volumes by channel enables the Group to allocate resources appropriately. To improve efficiency, the Bank aims to manage the rate of increase in IT transaction processing costs to below the volume increase. IT performance, resilience and systems reliability could be suboptimal if required information to complete transactions is inaccessible. Service delivery capability could be hindered thereby demeaning the Bank's technology excellence, strategic objectives and enhanced reputation.

Average availability of IT services for 2011



*60% of unapproved transactions are due to non-sufficient funds
+source: Interswitch

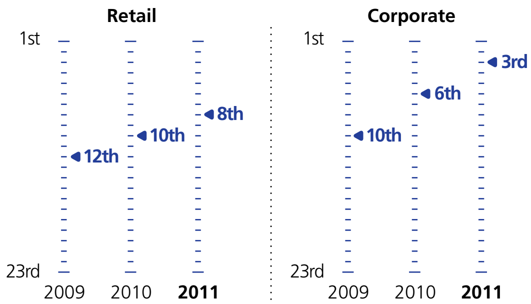
Bank: FirstBank will continue to lead in the use of technology to drive service excellence and product innovation. We have sustained the stability of our service platforms and significantly increased average infrastructure availability to further improve customer experience across all service delivery channels. We are currently introducing new solutions that will facilitate greater innovation in the delivery of services across all customer segments (retail, high net worth, enterprises and corporate/institutional clients). In addition, we continue to improve internal business integration platforms to meet the needs of our diverse workforce both in and out of office to guarantee improved productivity while increasing employee work–life balance. IT performance and system reliability are integral to realising our growth ambitions.

Availability of required information to complete transactions is key in ensuring optimal IT performance and systems reliability. Service delivery capability is improved, thereby accentuating the Bank's technology excellence, strategic objectives and enhancing our reputation.

KPI 8 Customer satisfaction

Excellent service is still at the forefront of our drive to enhance our leadership position in the industry. We aim to consolidate our industry leadership by growing our customer base and broadening our appeal to wider market segments, using world-class processes and technology to not only maximise value propositions in various market segments but also to deliver optimal profitability from our business while embedding efficiency in our operations.

KPMG survey ranking



◄ FirstBank ranking

Bank: The Bank's 2011 priorities have been focused on executing the key initiatives within the five focus areas of our service delivery programme – customer experience/issue resolution, centralised processing/branch process re-engineering, brand optimisation, manning/frontline transformation and channel optimisation and migration with particular emphasis on identifying measurable gains from the execution of these initiatives and stabilising already implemented initiatives.

The key risks that could impede our ability to achieve our customer satisfaction aspiration within the desired timeline are primarily, third-party risk/vendor dependencies; execution risk – quality and speed of execution versus quantity; operational risk – maintaining high standards and infrastructure risk – technology requirement for execution.

Key risk summary

Compliance

Type of risk

Regulatory risk

This is the risk whereby the procedures implemented by the Bank to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Impact on business

Could result in significant financial loss, impairment of shareholders' funds and/or outright closure of business occasioned by sanction/fine on the Bank, or loss/suspension of banking licence.

Mitigation measures

Proactive implementation of the Bank's robust compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of the Bank's rule books as well as training of all stakeholders to understand regulatory obligations and the consequence of non-compliance.

Type of risk

Reputational risk

This is the risk whereby the Bank might be exposed to negative publicity due to the contravention of applicable statutory, regulatory and supervisory requirements and/or providing a service that does not comply with fit and proper industry standards.

Impact on business

Could result in loss of correspondent banking relationship, loss of investor community confidence and significant financial loss; occasioned by damage to the Bank's image as a result of negative publicity and eventual loss of business.

Mitigation measures

The Bank has put in place adequate measures to know our customers and implement processes for combating money laundering and terrorist financing. In this regard, FirstBank continuously reviews its Anti Money Laundering (AML)/Countering the Financing of Terrorism (CFT) Manual, incorporating any new regulatory guidelines for Know Your Customer (KYC)/ Know Your Customer's Business (KYB).

Responsibility

The primary responsibility for complying with regulatory requirements lies with all members of staff conducting particular transactions, or activity to which regulation applies. However, the Board of Directors is ultimately accountable for compliance through the Chief Compliance Officer.

Credit risk

Type of risk

Credit

Default/counterparty risk, performance risk, payment risk, diversion risk, managerial risk.

Impact on business

- Poor asset quality arising from high level of non-performing loans and ultimately low yield on risk assets.
- Financial loss due to increased loan loss provisions and charges on impaired assets.
- Could lead to impairment of shareholders' funds.

Mitigation measures

- Strong credit analysis to identify the risk and proffer mitigants.
- Clear loan covenants and transaction dynamics.
- Effective credit control and monitoring processes.
- Prompt identification of early sign of deterioration.
- Adequacy and realisability of collateral.
- Adoption of risk-based pricing for risk assets.
- Risk management systems and processes have been strengthened to optimise portfolio quality and to ensure appropriate pricing of risk assets.

Type of risk

Portfolio

Concentration risk

Impact on business

Breaches of portfolio limits and regulatory provisions could lead to sanctions and increased financial loss.

Mitigation measures

Adherence to portfolio limits and regulatory requirements.

Responsibility

Strategic Business Units, Risk Management and Chief Risk Officer

Market and liquidity risk

Type of risk

Interest rate risk

Impact on business

Could result in significant financial loss, impairment of interest rate related instruments including fixed-rate and floating-rate debt securities and instruments that behave like them, including non-convertible preference shares.

Mitigation measures

- Experienced Market Risk Policy Committee that meets regularly.
- Daily reporting of valuation results to executive management.
- Strict adherence to the Bank's internal policies such as the use of limits and management action triggers.
- The use of hedge contracts to mitigate interest rate risk exposures.

Type of risk

Foreign exchange risk

Impact on business

Could lead to diminution in the value of foreign currency position.

Mitigation measures

- Daily monitoring of FX trading position against risk limits.
- Daily reporting of all FX exposures to executive management.
- Hedging policy in place.
- Regular review of the Bank's currency exposures by the Market Risk Policy Committee.
- Limiting transactions to approved counterparties.

Type of risk

Investment risk

Impact on business

Could lead to diminution in the value of investments.

Mitigation measures

- Significant investments are approved by the Board and all others by Management Committee.
- Counterparties for investments are approved by executive management and Board.
- Highly experienced professionals in the strategy unit who advise on strategic investments.
- Strong supervision by the parent company board on subsidiaries.
- Portfolio selection and diversification strategies.

Type of risk

Counterparty credit risk

Pre-settlement and settlement risk

Impact on business

Could lead to financial losses due to the default of a trading counterparty.

Mitigation measures

- Approved counterparties with pre-settlement risk lines.
- Measurement and reporting of pre-settlement risk exposures to executive management.

Type of risk

Liquidity risk

Impact on business

Could lead to insolvency and eventual reputational risk.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management.
- Diversified sources of funding.
- Contingent funding plan.
- Effective cash flow planning.

Responsibility

Please note that the primary responsibility for mitigating the above risks lies with the risk-taking units of the Bank, which include, e.g., Treasury unit, Product group or Trading Desk. However, the risk identification, measurement, monitoring, control and reporting lies with the Head, Market and Liquidity Risk department who reports to the ED/Chief Risk Officer.

Key risk summary

Operational risk

Type of risk

People risk

The risk of loss – financial, reputational or otherwise – arising from a failure to properly manage the Bank's human capital. This could manifest in the form of staff fraud, high staff attrition, knowledge gaps and a demotivated and disgruntled workforce.

Impact on business

This would impact the Bank by way of negative service experiences for our customers and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- The Bank has put in place robust Human Capital Management and Development (HCMD) practices to achieve a strong workplace.
- Effective background checks and thorough confirmation process on new hires.
- Competitive remuneration package and other hygiene factors to attract and retain the best talent.
- Enforcement of strong supervisory control.
- Zero tolerance to staff integrity issues and fraud.
- A fully fledged learning and development unit and infrastructures to cater for the training and development needs of staff.
- Strict enforcement of the requirements of the staff handbook.
- A disciplinary committee that meets regularly to deal with and resolve employee issues.
- A comprehensive Fidelity insurance policy.
- Encouragement of a work–life balance culture.

Type of risk

Operations risk

The risk for the Bank to incur financial loss as a result of inadequacies or failures in operations processes, systems or staff. Operations risk additionally incorporates the risk arising from disruption of operations activities caused by external events. Examples are: transaction capture, execution and maintenance errors or failures; failures in the customer intake and documentation process; failed mandatory reporting obligations; limit breach due to inadequate internal processes; inadequate reconciliation processes: and manual intensive processes.

Impact on business

Impact on business ranges from negative customer impact and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- A comprehensive Control Administrative and Accounting Procedure (CAAP) Manual has been put in place to guide operational activities and processes of the Bank.
- Establishment of a central processing centre specialising in various operation areas, and the migration of some activities, which were hitherto handled at the branches.
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of the Bank.
- Introduction of a self-assessment programme to allow process owners to identify control weaknesses with a view to taking proactive remedial actions.
- Automation and re-engineering of our processes.
- Putting in place robust business continuity planning and disaster recovery programmes.
- Stepping up operational risk awareness training and programmes.
- Monitor and manage key risk indicators (KRIs) in processes/products/activities.

Type of risk

System or technology risk

The risk of failing to develop, implement or operate the Bank's technology platforms and solutions to meet stakeholder requirements.

Impact on business

This could manifest in the form of: system downtime resulting in irate customers and tarnished reputation; software failures; systems change process management failures; seizure of technical support; hardware failures; obsolete hardware; and no support from the manufacturers.

Mitigation measures

- The Bank has a Disaster Recovery Centre (DRC).
- A comprehensive Service Level Agreement (SLA) with IT service providers.
- Regular IT audit and control.
- Hardware policies covering hardware purchase, use, replacement and disposal.
- Software policies covering purchase or design, use, enhancement, patching, replacement and disposal.
- Building resilience into the Bank's network platform through the installation of a back-up link to over 90% of our branches.
- An articulated medium-term transformation plan to optimise the Bank's investment in technology.

Type of risk

External events and third-party risk

Impact on business

External events could lead to disruption in business and financial loss to the Bank. Third-party failure could lead to poor service, reputational damage and financial loss to the Bank. Technology failure due to activities of hackers and inadequate financial capacity to fulfil obligations could impact negatively on the Bank's service delivery.

Mitigation measures

- Hedging against external events with adequate insurance cover.
- A robust business continuity management system that has passed the BS 25999 certification is in place to improve the Bank's resilience.
- Regular monitoring and review of all outsourcing arrangements in the Bank.
- Strict adherence to the Bank's outsourcing policy.
- Enforcement of SLA, sanctions for breach of contracts.
- Real-time reporting of high-risk incidents or exposure.
- The Bank has also put in place a Physical Security and Personal and Business Protection Policy to mitigate internal and external threats.

Type of risk

Regulatory and compliance risk

This could lead to financial and reputational losses to the Bank as a result of failure to comply with the laws, regulations or codes applicable to the financial services industry.

Impact on business

The impact of this risk category on the Bank ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or ban from certain market activities; possible loss in share price and negative investors perception occasioned by disclosure of regulatory infractions in our Annual Report and withdrawal of licence.

Mitigation measures

- The Bank has put in place a fully fledged Compliance team to drive and implement the Bank's compliance framework.
- Effective monitoring of the Bank's compliance with laws and regulations, its code of conduct, and corporate governance practices.
- The Bank has a process for ensuring new and changed legal and regulatory requirements are identified, monitored and reflected in the Bank's process and rule book.
- Ensuring that regulatory requirements are incorporated in the operational procedures manual where appropriate.
- Prompt submission of regulatory reports.
- Sound corporate governance practices and the setting of the right tone from the top with respect to regulatory issues.

Responsibility

The primary responsibility for mitigating the above operational risks lies with the risk-taking units of the Bank, which include all the Strategic Business Units and support functions, e.g., branches, operations group, e-business and HCMD. However, the operational risk management function serves as a thought partner in risk management and mitigation, develops operational risk toolsets, and coordinates and aggregates the operational risk management activities of the Strategic Business Units and support functions.

Key risk summary

Information security risk

Type of risk

Confidentiality, integrity and availability of FirstBank operations and information assets.

Impact on business

Information assets are critical to FirstBank's operation and the confidentiality, integrity and availability of these assets are crucial to the effective and efficient delivery of service by FirstBank to its customers.

Disruption or interruptions to these assets would have dire consequences on FirstBank operations.

Mitigation measures

- Development of a risk assessment methodology that enables the Bank to carry out risk assessment of its information assets. This methodology is both reproducible and measurable and has been used to implement appropriate controls.
- Documenting and standardising the processes within the Bank while building appropriate controls into these processes.
- Classifying all information assets with appropriate priorities and assigning ownership for those assets.
- Engaging the services of an independent company to carry out Bank-wide security risk assessment, to determine the security posture of the Bank and recommend appropriate safeguards to the asset.
- Developing a Bank-wide awareness programme and making information security the responsibility of all FirstBank staff.
- Align the Bank's processes to international standards and best practices such as the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS).

Responsibility

The primary responsibility for security of FirstBank information assets and applicable legislations lies with members of staff, while the Board and Management have the overall responsibility to ensure that all information assets within FirstBank are protected and thus adequately secure.

Legal risk

Type of risk

Litigation and adverse claims

Impact on business

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

Mitigation measures

Consistent application of professional standards, transparency and fairness while transacting, bespoke documentation and clarity to reduce areas of possible conflicts, availability of a dependable record retention system, protection of intellectual property through licensing, engagement of external counsel with proven competence in the prosecution of the Bank's claims against third parties and in the conduct of the Bank's defence, and exploring alternative dispute resolution mechanisms, among others.

Type of risk

Asset security cover risk

Impact on business

Loss of revenues, weak legal position in recovery efforts, increase in litigations and the attendant negative impact.

Mitigation measures

Thorough and experienced credit proposal reviews, use of independent experts for asset valuations, conduct of due diligence on assets subject matter of the security arrangements, water-tight and legally defensible documentation protective of the Bank's security interest, use of result-oriented solicitors for end-to-end perfection exercises, and effective and proactive monitoring of credits.

Type of risk

Contractual performance risk

Impact on business

Increase in litigations, increased expenses/financial loss, strained relationships with service providers and customers, and negative reputational exposures.

Mitigation measures

Engagement of reputable service providers with proven pedigree, taking out appropriate insurance policies against identified contractual risks, availability of dependable systems and processes that ensure the Bank's contractual obligations are met on a consistent basis, insistence on best-practice service-level agreements, and nimble preparation as well as deft review of contracts/agreements.

Responsibility

Litigation and adverse claims – Head, Legal Services. **Asset security cover risk** – Heads, Legal Services, Specialised Lending, Credit Analysis and Processing, Credit Risk Management and all Relationship Managers. **Contractual performance risk** – Heads, Legal Services, Information Technology, Operations and General Services.

Financial review

Adebayo Adelabu Chief Financial Officer

Macro and industry overview

Global economic growth has been static, with actual growth in most developed economies falling significantly below projections at the beginning of the year. The year was marred by economic crisis in various developed economies, with the Eurozone debt crisis and United States credit downgrade, as major flashpoints in the year, leading to increased uncertainty and volatility of global financial markets.

Similar to 2010, global economic growth, estimated at 4.0% by the IMF, has been predominantly driven by developing economies; the IMF in September 2011 estimated growth in the developed and developing economies at 1.6% and 6.4% respectively for 2011. **See** Fig 1

Domestically, according to the Nigerian Bureau of Statistics (NBS), GDP grew by 7.36% in 2011, as against 7.98% in 2010, driven largely by the non-oil sector. The decline was attributed mainly to a decrease in oil sector activities arising from a fall in crude oil production. The IMF estimates 2011 growth at 6.88%.

Inflation figures declined 180 basis points during the year from 12.1% year-on-year in January 2011 to 10.3% year-on-year as at December 2011; bringing the average inflation rate for 2011 to 10.9% (2010: 13.8%). Inflation figures during the year fell to single digits, albeit high single digits, for two consecutive months – July and August.

There has been a consistent increase in the Monetary Policy Rate (MPR) by the CBN from 6.5% in January 2011 to 12% as at October 2011 as a pre-emptive measure to reduce inflation. Expectedly, money lenders increased their investments in the money market, interbank and treasury bills due to favourable rates in virtually risk-free assets.

There was significant pressure on the Nigerian naira over the year, with the currency declining slightly over 5% in the year to December period; the mid-point of the naira was adjusted upwards by the CBN in November 2011 to curb pressure on foreign reserves.

The banking sector was further cleaned-up by AMCON's purchase of non-performing loans over the year in exchange for AMCON bonds[1], reducing overall industry NPL ratio. To further stabilise the industry AMCON purchased systemically important performing loans.

The eight rescued banks, following the 2009 CBN special audit, have either been acquired (Intercontinental Bank, Oceanic Bank, Equitorial Trust Bank and Finbank), raised private capital (Union Bank) or nationalised (Afribank, Bank PHB and Spring Bank).

Inspite of significant headwinds from a macro and industry perspective, the FirstBank Group was able to grow gross earnings by 28% to ₦296 billion and profit before tax by 48% to ₦50 billion for the year, driven by rising interest and non-interest revenues on a fairly stable funding cost base.

Economic factors impacting results

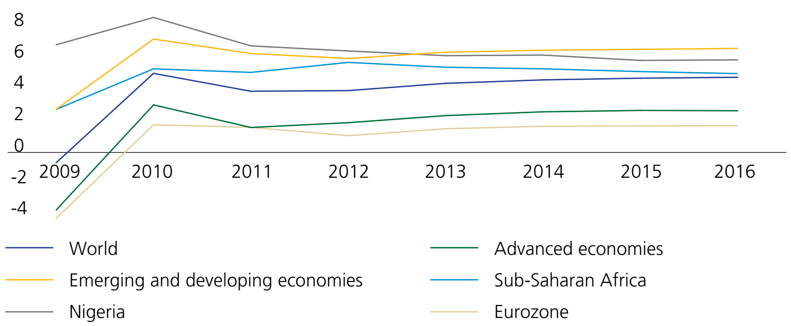
During the year, there were significant outflows of foreign funds from most developing or emerging economies due to a combination of the Eurozone debt crisis and general high-risk aversion by most investors, resulting in a decline of over 17% on the NSE All Share index.

Locally as a pre-emptive measure against inflation, the monetary policy committee, the rate setting arm of the CBN, increased the monetary policy rate by 550 basis points to 12% during the year, leading to a hike in rates of various money market instruments and a tightening of liquidity in the economy. In addition the cash reserve ratio was increased by 400 basis points to 8% during the year, mopping up investible funds across the industry.

The mid-point of target official exchange rate was adjusted from ₦150.00/USD1.00 to ₦155.00/USD1.00 and the band of +/-3.0% was maintained amid pressure on the currency and by extension the external foreign reserves.

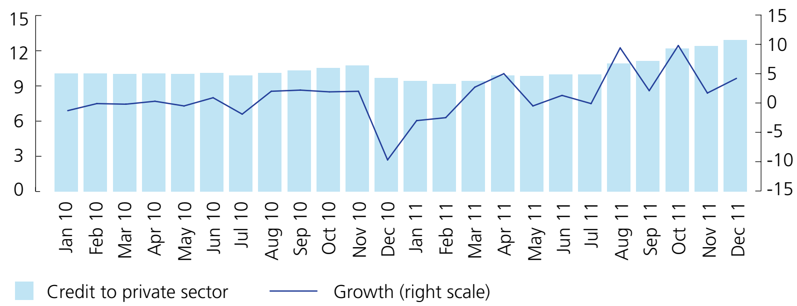
AMCON, since its inception, has purchased ₦3.14 trillion worth of NPLs from the banking industry, reducing industry NPLs to an estimated 9.1% from around 50% in 2009, thereby freeing up balance sheets to drive credit to the private sector, which rose by 33% in 2011 to ₦12.9 trillion. **See** Fig 2

Fig 1 **GDP growth (%)**



Source: IMF

Fig 2 **Credit to private sector growth (%)**



Source: CBN

1 Government backed three-year zero coupon bonds.

Financial review

Analysis of Group performance

In this section, we analyse the performance of the FirstBank Group; where our analysis relates solely to the Bank, we state as such.

Balance sheet analysis

Selected balance sheet data As at 31 Dec	**2011 ₦ million**	**2010 ₦ million**	**% change**
Assets			
Treasury bills	187,457	23,769	689
Due from other banks	404,959	550,414	-26
Loans and advances to customers	1,235,615	1,127,900	10
Investment securities	572,853	337,181	70
Other assets	438,489	265,422	65
Total assets	**2,839,373**	**2,304,686**	23
Liabilities			
Customer deposits	1,947,803	1,450,095	34
Due to other banks	181,892	148,286	23
Long-term borrowings	93,284	124,872	-25
Other liabilities	250,909	242,228	4
Total liabilities	**2,473,888**	**1,965,481**	26
Equity	**365,485**	**339,205**	8
Total equity and liabilities	**2,839,373**	**2,304,686**	23

Our balance sheet grew by ₦535 billion to ₦2.8 trillion (2010: ₦2.3 trillion), representing a 23% year-on-year increase, driven largely by strong growth in our deposit liabilities, which forms 69% of our entire funding base (2010: 63%). Equity and long-term borrowings represents 16% of our entire funding base, interbank funds represent 6% while the remaining 9% represents non-interest bearing customer liabilities, tax liabilities and other payables. The Group maintains a very stable and relatively inexpensive funding base, providing an appropriate platform for strong earning assets growth as well as flexibility in operations. **See** Fig 3

Fig 3 **Liability breakdown as at Dec 2011 (%)**

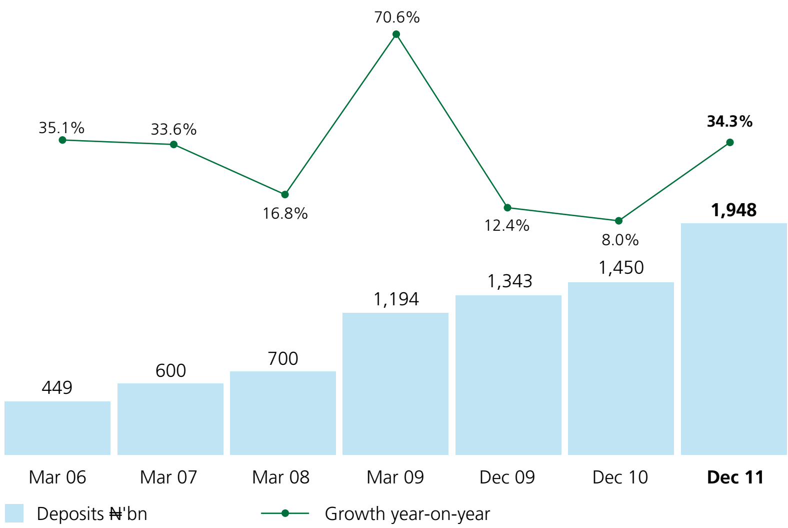
- **68.6** Customer deposits (2010: 62.9)
- **12.9** Equity (2010: 14.7)
- **6.6** Other liabilities (2010: 5.5)
- **6.4** Due to other banks (2010: 6.4)
- **3.3** Long-term borrowings (2010: 5.4)
- **1.4** Liability on investment contracts (2010: 4.1)
- **0.8** Tax liabilities (2010: 0.9)

Deposits

We grew deposit liabilities by ₦498 billion to ₦1.9 trillion (2010: ₦1.5 trillion), up 34.3% year-on-year. 98% of the growth was driven by current and savings accounts (CASA) which grew 41% year-on-year, further reducing our average cost of deposits to 1.6% (2010: 3.2%). Operationally, we have sustained benefits from our transformation agenda as seen by encouraging new and younger customer acquisition; increased migration to alternative payment channels making transaction banking simple and easy as well as enhanced revenue collections from Nigerian public parastatals and the private sector. Our new operating structure has increased customer focus across different business offerings, enhanced knowledge of key customer values as well as improved brand perception. All of which has improved our value proposition to clients. **See** Fig 4 Fig 5

The growth in CASA was driven predominantly by a 135% growth in domiciliary deposits, which benefited from various new products introduced during the year, key among which was the FirstDiaspora account targeted at non-resident Nigerians. Domiciliary deposits also benefited from structural flows relating to trade finance transactions. Current accounts, which represents the largest share of deposits (38%), grew 23% to ₦744 billion benefitting from improved service levels as well as new products and hybrid account offerings. Savings accounts, representing 26% of deposits, grew by 28% buoyed by the introduction of new products such as the HiFi Young Savers Account as well as general and targeted savings promotions such as the Golden Promo and Big Splash. We grew our tenored funds at a more cautious rate, in a deliberate attempt to keep funding costs as low as possible.

Fig 4 **Seven-year historical trend – deposits (₦'bn)**



Across the various strategic business units, growth in deposits was largely driven by our traditional deposit liability generators – retail and public sector. We have recorded significant success in the performance of the various strategic business units, bearing testament to the effectiveness of our new operating structure as a platform to address increasing competitiveness within the industry and position the Bank for sustained and broad-based leadership.

Deposits by Strategic Business Units – Bank only	2011 ₦ million	2010 ₦ million	% change
Corporate Banking	119,396	94,654	26.1%
Institutional Banking	232,547	173,746	33.8%
Private Banking	15,457	23,300	-33.7%
Public Sector	519,597	307,878	68.8%
Retail Banking	884,930	697,082	26.9%
Treasury	11,850	34,111	-65.3%
	1,783,777	1,330,771	34.0%

The Public Sector SBU, responsible for 29% of total deposits, grew by 69% driven by acquisition of new, and deepening of existing, relationships at the Federal and State Government levels spanning Federal and State revenue allocation accounts as well as collection accounts.

Retail Banking, responsible for 50% of total deposits, grew by 27% driven by proper understanding of segment needs, product innovation, improved services, better integrated distribution channels and effective relationship management all resulting from improved focus created from our new operating model. **See** Fig 6 Foreign currency deposits, representing 21% of total deposits, grew by 135% to ₦417 billion owing to increased foreign currency product offerings as well as ancillary flows from trade finance transactions.

We will continue to aggressively grow our deposit base in a cost-effective manner, sustain an efficient deposit mix so as to provide high-quality funding to further optimise our performance.

Fig 5 Seven-year historical trend – deposits mix by type of account (%)

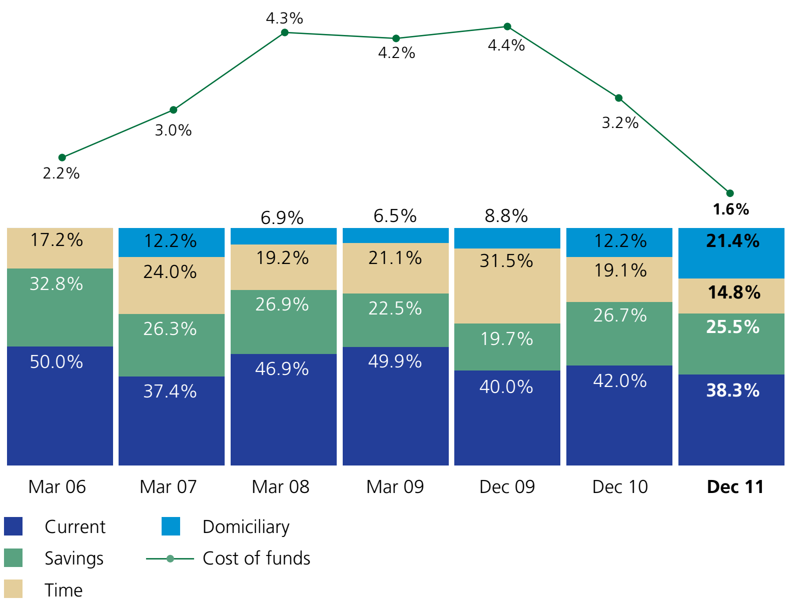
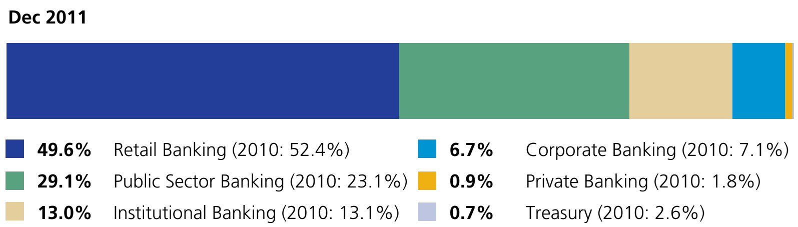


Fig 6 Deposits by Strategic Business Units – Bank only (%)



Financial review

Analysis of Group performance

Capital and liquidity management

Our capital ratios remained flat over the period. Total capital adequacy ratio came to 20.5% in 2011 (2010: 20.4%) and tier 1 capital ratio grew by 32bps to 18.1% in 2011 (2010: 17.7%). Our capital ratios are well in excess of the regulatory requirement of 10%, internal benchmark of 15% and are able to support substantial risk asset creation. **See** Fig 7 Fig 8

Capital adequacy	2011 ₦ million	2010 ₦ million	% change
Tier 1 capital	357,925	334,650	7.0%
Tier 2 capital	46,297	50,682	-8.7%
Total regulatory capital	**404,222**	**385,332**	4.9%
Risk weighted assets	1,979,660	1,893,289	4.3%
Capital adequacy ratio	20.5%	20.4%	
Tier 1 capital ratio	18.1%	17.7%	

The Group's liquidity ratio stood at 63.8% in 2011 (2010: 50.9%). Our liquidity was, positively impacted by the sale of non-performing loans to AMCON in exchange for AMCON bonds that form part of our liquid assets, negatively impacted by the deliberate reduction in our money market lines exposures ahead of the 31 December 2011 expiration of the CBN guarantee on all interbank transactions[2], and the resulting amounts being transferred into higher yielding commercial loans, and to a lesser extent the increase in the cash reserve ratio from 4% to 8%. We achieved a loan to deposit ratio of 65.2% (2010: 83.3%); the reduction was due to faster growth in our deposit base (34%) relative to gross loan growth (5%). Indicative of our low debt levels and our ability to meet all financial obligations is a gearing ratio of 0.07 (2010: 0.08). Reflecting the nature of our business as a financial institution largely funded by low-cost deposits (69%) to grow earning assets is a leverage ratio of 7.8 times (2010: 6.8 times); the higher leverage was driven by growth in earning assets on the back of strong low-cost funding growth.

Assets

88% of our total assets are made up of earning assets (2010: 91%), mainly loans and advances, interbank placements and bond investments. During the year, in the wake of significant growth in our deposit liabilities, coupled with rising rates and yields in treasury bills and bonds, our treasury bill and bond portfolio grew 689% and 85% respectively. Our cash and balances with the CBN also increased by 164% as a result of the increase in the cash reserve ratio by the CBN. We are focused on shifting our asset base to higher yielding assets to drive interest and non interest income growth. **See** Fig 9

Fig 7 Seven-year historic trend – tier 1 capital ratio and total capital adequacy ratio (%)

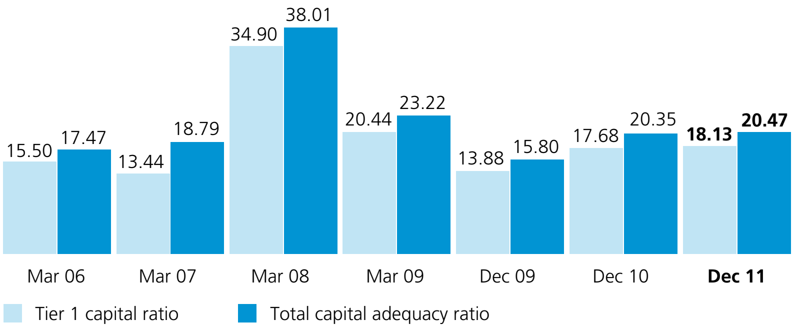


Fig 8 Seven-year historic trend – risk-weighted assets (₦'bn)

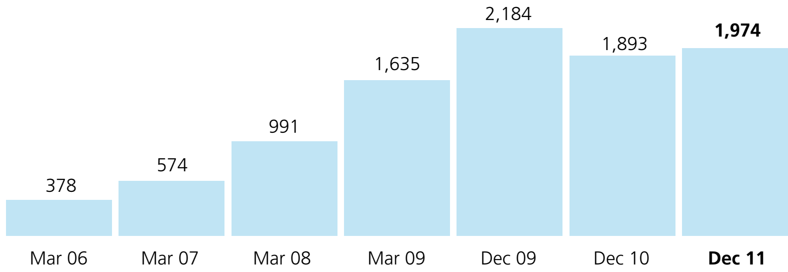
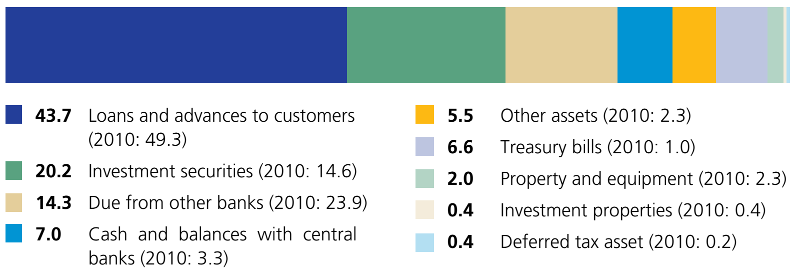


Fig 9 Asset breakdown (%)



2 Following the joint special audit carried out by the CBN and the Nigeria Deposit Insurance Corporation in 2009, this guaranteed all interbank transactions and foreign credit lines so as to avoid a liquidity crisis.

Loans and advances

We maintained a measured approach to loan creation, at a pace we believe is consistent with the current realities in the economy. We grew our net loan book by ₦105 billion to ₦1.2 trillion in 2011 (2010: ₦1.1 trillion); thus recording year-on-year growth of 9% while our gross loan book grew by 5% to ₦1.3 trillion. Adjusting for sale of eligible bank assets worth ₦176.3 billion to AMCON during the year, net and gross loan growth were 22% and 20% respectively for 2011. This headline growth does not however capture the impact from reducing our money market lines in favour of higher yielding customer loans, which resulted in an effective 26% growth in net loans to customers. Total loan growth considering these two factors came up to 41%.

	2011 ₦ million	2010 ₦ million	% change
Customer loans ex MML	1,234,287	979,670	26.0%
MML	1,328	148,231	-99.1%
Total	1,235,615	1,127,900	9.6%

Specific factors affecting loan growth were:

- sale of performing loans to AMCON: during the year we sold our $586.1 million (₦91 billion) loan to Seawolf Oilfield Services (Seawolf) to AMCON. As part of building a platform for sustainable growth within the banking sector, the CBN in conjunction with AMCON, deemed a number of loans of systemic importance to the industry. The loan to Seawolf was deemed systemic due to:
  - the size of the exposure and the fact that it was significantly in excess of our single obligor limit of ₦64 billion[3]; and
  - the long-term nature of the loan (20 years), with dependence on the performance of oil prices which, given exacerbation of various geopolitical risks globally, has proven quite volatile over the past three years.

Loan growth was driven by term loans, commercial papers and overdraft facilities, largely within our Corporate, Public Sector and Retail Banking customer segments, while the decline in loans to our Institutional Banking clients reflect the aforementioned sale of the Seawolf loan to AMCON. **See** Fig 10 Fig 11 Fig 12 Fig 13

Fig 10 Seven-year historic trend – gross loans and advances (₦'bn)

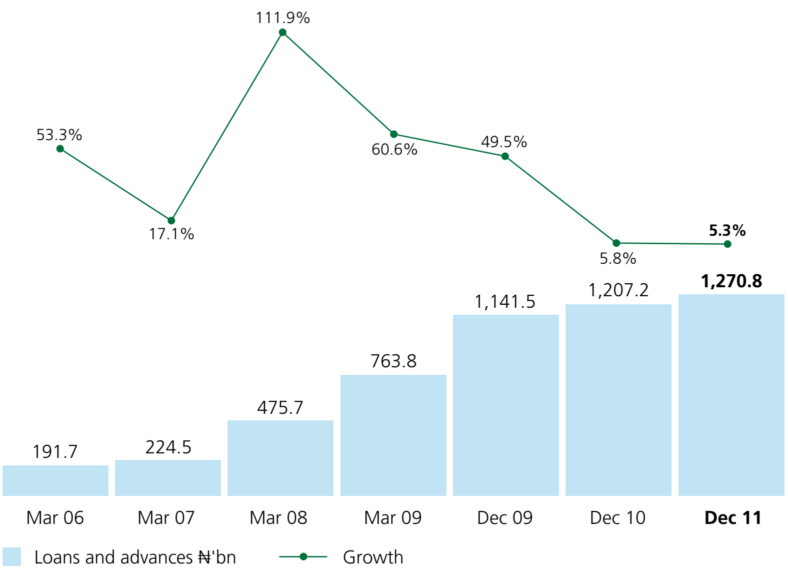
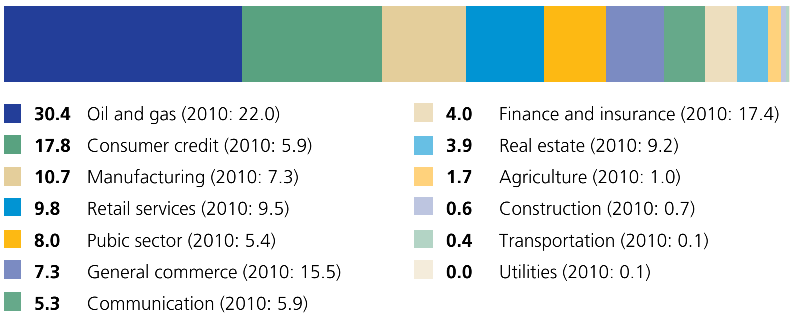


Fig 11 Gross loans and advances by sector (%)



3 20% of shareholders funds.

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Loans by Strategic Business Units – Bank only	2011 ₦ million	2010 ₦ million	% change
Corporate Banking	276,604	169,901	62.8%
Institutional Banking	565,417	652,443	-13.3%
Private Banking	5,258	-	-
Public Sector	102,202	71,407	43.1%
Retail Banking	212,957	205,308	3.7%
	1,162,438	1,099,059	5.8%

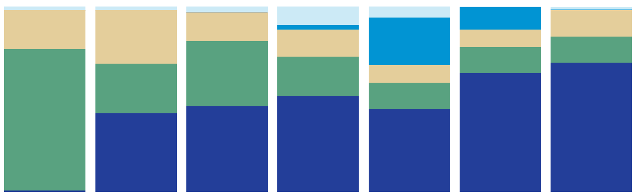
Our loan book remains well diversified across sectors, with growth driven by the Consumer, oil and gas, manufacturing and public sectors. We recorded lower exposures to the finance and insurance, general commerce and real estate sectors as a result of sales to AMCON, write-offs and a deliberate approach to reduce our exposure to certain sectors. Foreign currency loans declined by 20% to ₦406 billion (2010: ₦523 billion) and represents 24% of our loan book.

In coming periods, we will focus on diversifying our loan book by increasing exposure in the retail, small-scale and consumer market and also focusing more intently on our mid-tier corporate customers as we see these customer segments as the growth engine of the economy. Underscoring a need to diversify our loan book further away from our already large Institutional Banking portfolio is the increasing intensity of competition within that space, with resultant razor-thin margins.

We are creating an emerging corporates sub-unit within the Corporate Banking group to cater specifically to the lower end of the corporate client base[4] due to the largely unstructured and extremely varied characteristics and needs of this sub-segment, coupled with the demanding requirements from most of the larger corporate customers. They will be served in major economic hubs[5] across the country through the development and provision of unique products and services tailor-made for the differing clients under this customer segment.

AMCON sales	Loan size ₦ billion	Face value of bonds received ₦ billion
1H11 (Tranche 2)	31.9	27.2
Oct 11 (Tranche 3)	45.2	35.8
Seawolf sale	99.2	126.5
Total sales of 2011	176.3	189.5

Fig 12 **Seven-year historic trend – breakdown of loans and advances by type**



	Mar 06	Mar 07	Mar 08	Mar 09	Dec 09	Dec 10	**Dec 11**
Other	1.9%	1.9%	3.2%	9.9%	5.9%	0.1%	1.6%
Money market lines	0.0%	0.0%	0.0%	2.5%	25.8%	12.3%	0.1%
Commercial paper	21.1%	28.9%	15.6%	14.7%	9.5%	9.5%	14.6%
Overdrafts	76.4%	26.9%	35.1%	21.2%	13.9%	14.0%	14.0%
Term loans	0.7%	42.3%	46.2%	51.7%	44.9%	64.1%	69.7%

Fig 13 **Gross loans and advances by SBU – Bank only (%)**

Dec 2011

49% Institutional Banking (2010: 59%)
24% Corporate Banking (2010: 15%)
18% Retail Banking (2010: 19%)
9% Public Sector Banking (2010: 6%)

4 Customers with annual turnover between ₦500 million and ₦2 billion.
5 Lagos, Ibadan, Port Harcourt, Abuja, Kano, Aba and Onitsha.

Asset quality

Overall asset quality has improved; with our non-performing loan (NPL) ratio at 2.6% in 2011 (2010: 7.8%) and actual NPLs also declining by over ₦61 billion (-64%) to ₦33.6 billion (2010: ₦94.3 billion). The decline in the size of our NPL portfolio was driven by a combination of NPL sales of ₦60.7 billion to AMCON and write-offs of ₦43.4 billion[6]. We continue to work on loans written off our balance sheet with the respective obligors in order to recover as much as possible. Across customer segments, our Retail Banking business has the highest NPLs (₦18.9 billion – 67%), followed by our Corporate Banking business (₦8.7 billion – 31%). Historically, high NPLs in the Retail Banking group were due to operational challenges in the small-scale sector, while the tough economic climate in the country was to blame for the Corporate Banking group NPLs. Currently, the relatively high proportion of NPLs in the Retail Banking group is due to the non-purchase of NPLs with outstanding balances below ₦50 million by AMCON, most of which sit in our Retail business. **See** Fig 14 Fig 15 Fig 16

Fig 14 Seven-year historic trend – non-performing loans (₦'bn)

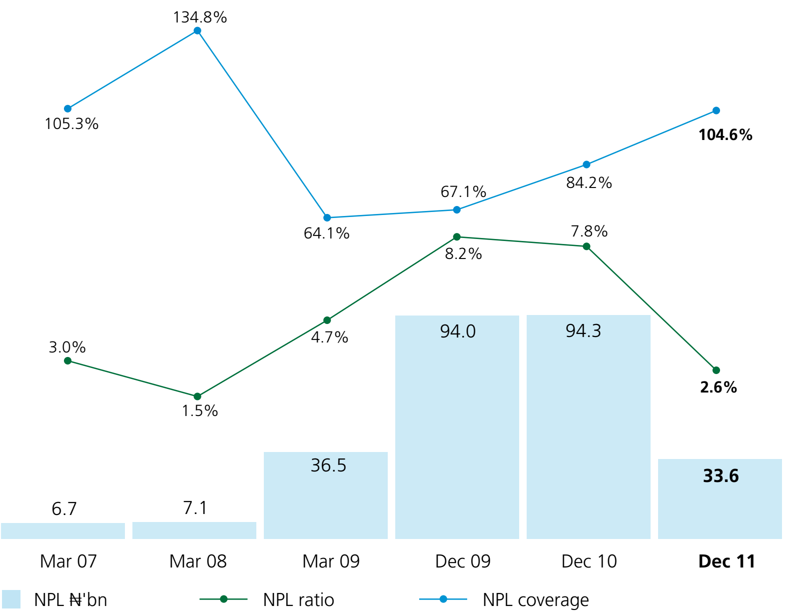


Fig 15 Non-performing loan classification as at Dec 2011 (%)

Dec 2011

47% Lost (2010: 32%)

27% Sub-standard (2010: 33%)

26% Doubtful (2010: 34%)

6 In line with CBN directive to write-off all loans fully provided for as at 31 December 2010.

NPL by Strategic Business Units – Bank only	2011 ₦ million	2011 % of total	2010 ₦ million	2010 % of total	% change
Corporate Banking	8,690	30.9%	10,527	11.7%	-57.0%
Institutional Banking	427	1.5%	43,481	48.5%	-64.8%
Public Sector	30	0.1%	103	0.1%	128.6%
Retail Banking	18,969	67.5%	35,592	39.7%	-62.1%
	28,116		89,703		-61.4%

Across sectors, our NPL exposure is largest in the oil & gas services sector (₦6.3 billion – 19%) due to specific large non-performing accounts, which are currently being restructured followed by retail others (₦5.7 billion – 17%) which are due to factors mentioned above and then the real estate – owner occupier sector (₦4.6 billion – 14%).

Fig 16 Non-performing loans by sector (%)

- **27.9** Others (2010: 11.9)
- **18.7** Oil and gas services (2010: 10.8)
- **17.0** Retail – others (2010: 17.4)
- **13.7** Owner occupier (2010: 1.8)
- **10.9** Personal and professional (2010: 9.8)
- **6.9** Oil and gas – marketing (2010: 4.6)
- **2.3** Distributive trade (general commerce) (2010: 4.9)
- **1.6** Asset management (2010: 0.8)
- **0.5** Construction (2010: 1.3)
- **0.3** Education (2010: 0.3)
- **0.1** Other financial institutions (2010: 5.5)
- **0.0** Commercial – non-residential (2010: 5.6)
- **0.0** Commercial – residential (2010: 23.8)
- **0.0** Manufacturing – basic metal (2010: 0.0)
- **0.0** Manufacturing – paper and paper products (2010: 0.8)
- **0.0** Utility – private (2010: 0.1)

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Profit and loss account analysis

For the 2011 financial year, we grew gross earnings by 28% to ₦296 billion (2010: ₦232 billion). Operating income increased by 46% to ₦259 billion while profit after tax rose by 53% to ₦45 billion (2010: ₦31 billion). **See** Fig 17

Selected profit and loss account data As at 31 December	**2011 ₦ million**	**2010 ₦ million**	**% change**
Gross earnings	296,329	232,079	28%
Net interest income	183,447	121,667	51%
Non-interest income	75,787	56,395	34%
Net operating income	259,234	178,062	46%
Operating expenses	(147,358)	(119,274)	24%
Group's share of associate's results	(1,507)	(3,657)	-59%
Diminution in asset values	(44,814)	(21,590)	108%
Profit before taxation	65,555	33,541	95%
Exceptional item	(15,489)	226	-6,954%
Taxation	(5,281)	(4,590)	15%
Profit after taxation	44,786	29,178	53%

Net interest income

Net interest income grew by 51% to ₦183 billion (2010: ₦122 billion); positively impacted by rising interest income (+25% year-on-year) and declining interest expense (-31% year-on-year).

Interest income growth was impacted by a significantly higher interest rate environment relative to the previous year. The monetary policy rate rose by 550 basis points during the year to 12%, as a result of monetary tightening measures by the CBN, which was focused on mitigating heightened inflationary pressures as well as maintaining a relatively stable naira exchange rate. Thus reflecting the rise in benchmark rates, the interbank rate, yields on Government securities and to a lesser extent loans to customers (see figure 20). Interest income was also positively impacted by write-backs from interest suspended on selected accounts sold to AMCON. Interest on loans and advances, representing 71% of total interest income, rose by 43% during the year, reflecting adjusted loan growth of 41% when factoring AMCON sales and transfer of money market lines to higher yielding customer loans. **See** Fig 18 Fig 19 Fig 20 Fig 21 Fig 22 Fig 23 Fig 24

Generally, interest income benefited from an improving asset mix in favour of higher yielding assets as well as more efficient treasury operations and management.

Fig 17 **Seven-year historical trend – gross earnings and components (₦'bn)**

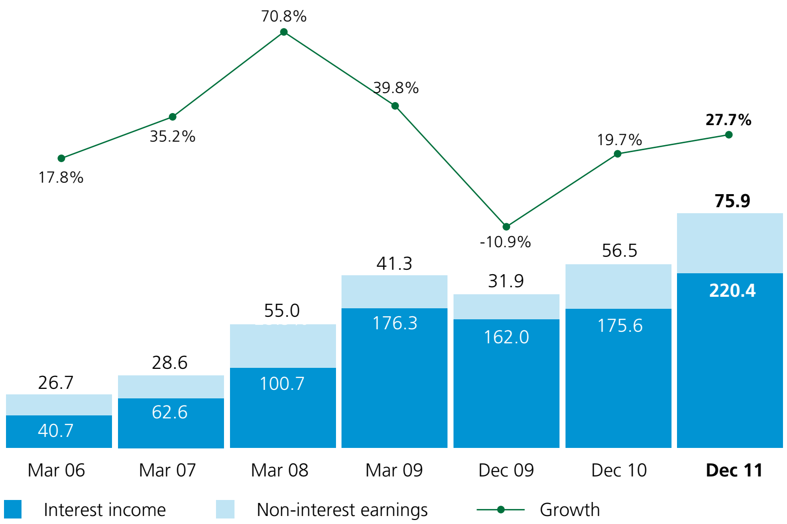


Fig 18 **Seven-year historical trend – net interest income (₦'bn) and margin (%)**

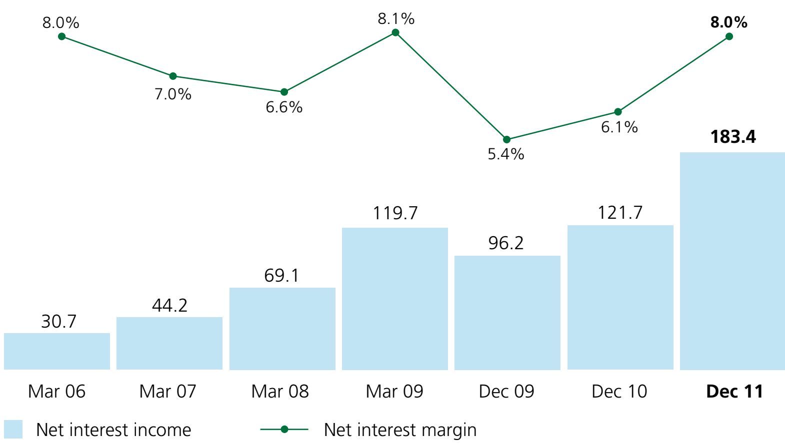


Fig 19 **Breakdown of interest earning assets as at Dec 2011 (%)**

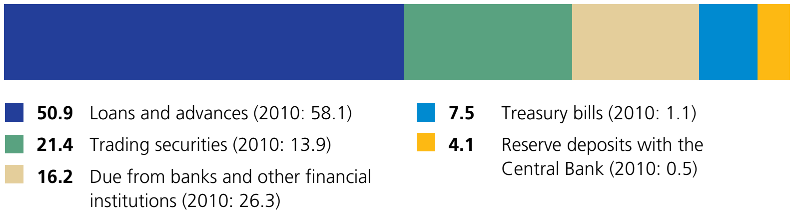


Fig 21 **Interest-earning assets**

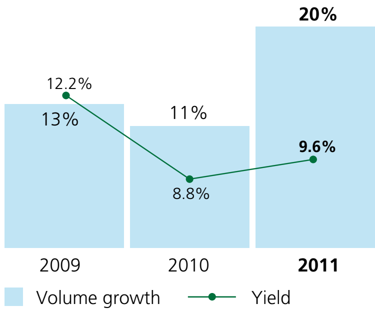


Fig 22 **LAD**

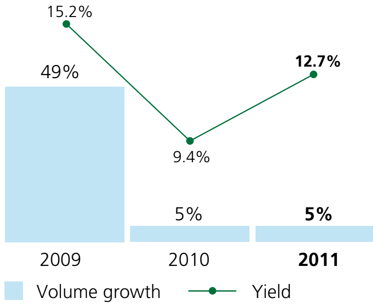


Fig 20 **Interest rates (%)**

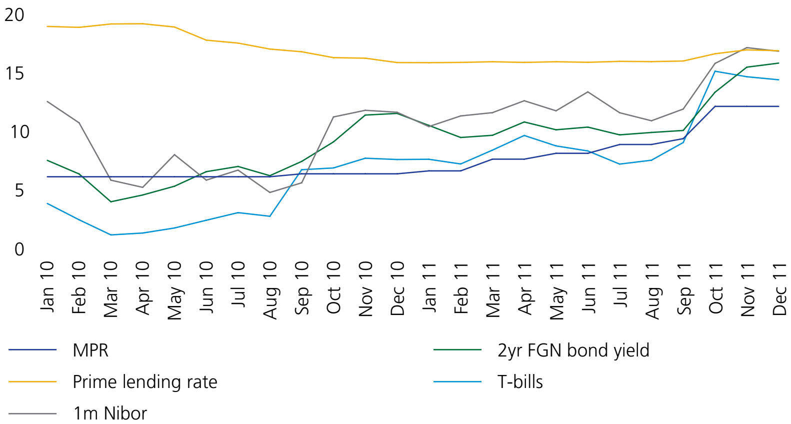


Fig 23 **Interbank placements**

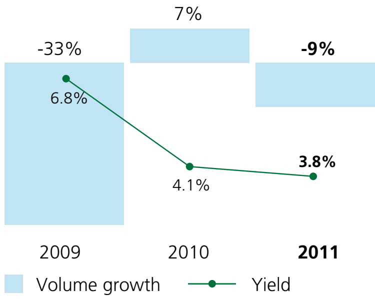
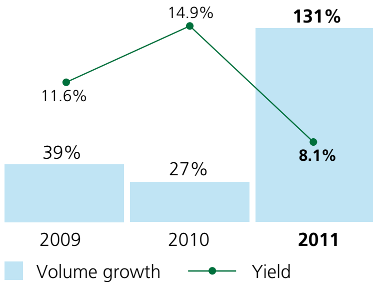


Fig 24 **Trading securities**



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Due to the high quality of our funding base, largely made up of low-cost deposits, interest expense declined by 31% to ₦37 billion (2010: ₦54 billion) and overall cost of funds[7] stood at 1.9% (2010: 3.3%) see table below. This was achieved in spite of a 34% increase in deposit liabilities in a rising interest rate environment. Interest expense across most buckets declined, reflecting more efficient pricing, achievable as a result of the safety premium associated with the Bank. Growth in interest expense was witnessed in domiciliary deposits, interbank takings and long term borrowing. Domiciliary deposits expense growth was as a result of a 135% growth in deposit volume, thus driving up absolute interest expense but relative cost decline. Average cost of CASA during the year was 1.1% (2010: 2.2%) and term deposits 4.1% (2010: 6.2%). The relatively low component of term deposits within our overall mix has reduced the impact of interest rate fluctuations on our funding cost. **See** Fig 25 Fig 26 Fig 27 Fig 28

Funding costs	2011	2010
Average cost of funds	1.9%	3.3%
Average cost of deposits	1.6%	3.2%
Average cost of interbank takings	1.2%	1.5%
Average cost of borrowed funds	4.2%	5.6%

Fig 25 **Total customer deposits**

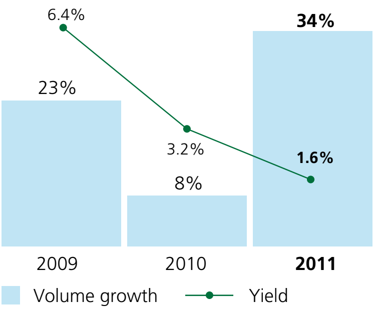


Fig 26 **Current and savings accounts**

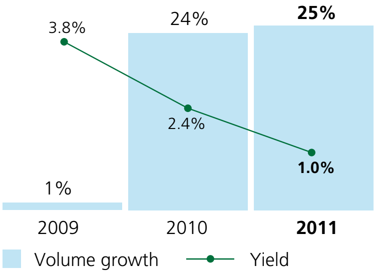


Fig 27 **Domiciliary deposits**

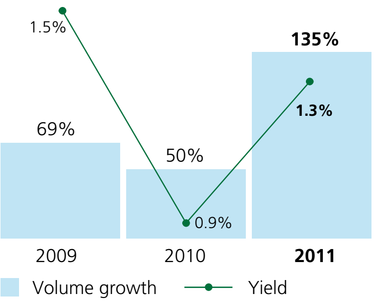
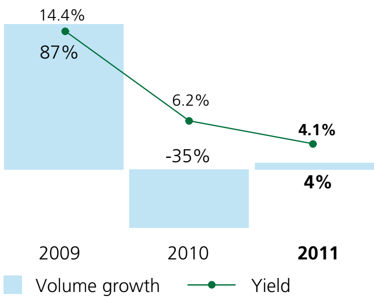


Fig 28 **Tenored deposits**



Overall, net interest margin improvement was driven by improving asset mix, higher interest rate environment and declines in our deposit costs.

Non-interest income

Non-interest income, predominantly made up of fees and commissions[8] rose by 34% to ₦76 billion (2010: ₦57 billion). Fees and commissions increased by 37% to ₦62 billion (2010: ₦45 billion) while other income increased by 23%. There has been a focus in the Group to drive up non-interest income in order to improve overall gross earnings growth. Driving this growth in non-interest income were:

- increased commission on turnover (COT) driven by higher volume of deposits, stricter monitoring of COT concessions relative to volume covenants, increasing turnover on customer accounts boosted by enhanced transactional banking facilities;
- increase in credit-related fees as a result of sustained progress in changing loan structures to shorter-tenored higher-yielding facilities;
- rising fees from letters of credit on increased trade finance activities;
- sustained leadership position in the money transfer market;
- increased focus on cross-selling across the Bank leveraging customer analytics; and
- introduction and encouraging uptake of new products to the market.

Going forward, the introduction of the CBN's cashless banking policy will have a positive impact on non-interest income and, in the medium term, reduce operational costs.

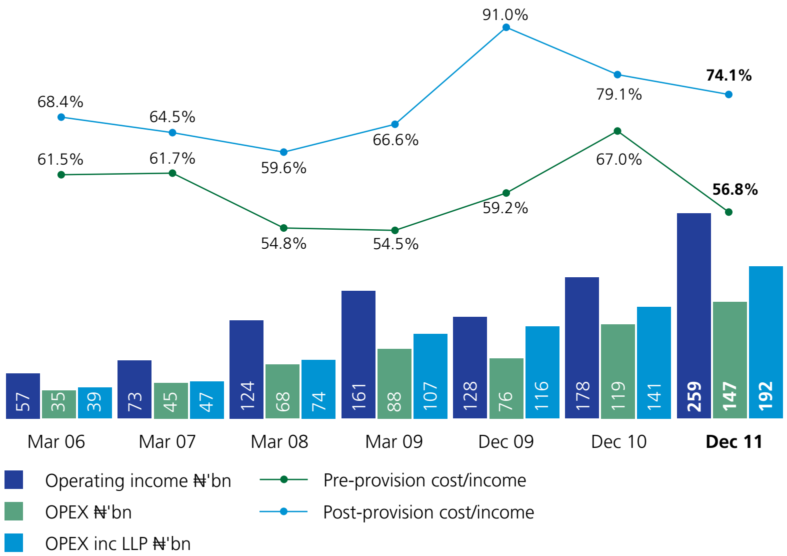
7 Includes cost of deposits, interbank placement, tier 2 capital and managed funds.
8 Includes commission on turnover, credit-related fees, remittance/management fees, foreign exchange income, letter of credit commission fees, financial advisory fees and commission on western union transfers.

Non-interest income breakdown	2011 ₦ million	2011 % of total	2010 ₦ million	2010 % of total	% change
Commission on turnover	18,477	24.3%	15,374	27.2%	20.2%
Other fees and commissions	18,142	23.9%	13,965	24.7%	29.9%
Credit related fees	12,422	16.4%	6,134	10.9%	102.5%
Foreign exchange income	7,549	9.9%	10,160	18.0%	-25.7%
Letters of Credit commissions and fees	5,719	7.5%	2,901	5.1%	97.1%
Income from investments	2,705	3.6%	513	0.9%	427.3%
Other income[9]	3,812	5.0%	733	1.3%	420.1%
Remittance fees/ Management fees	2,879	3.8%	1,880	3.3%	53.1%
Commission on insurance and western union transfers	2,173	2.9%	1,627	2.9%	33.6%
Financial advisory fees	2,054	2.7%	3,213	5.7%	-36.1%
	75,932	100.0%	56,500	100.0%	

Cost efficiency

Operating expenses rose by 24% to ₦147 billion (2010: ₦119 billion). This was attributable mainly to, on average, a 40% rise in staff costs, largely one-off, to bring remuneration in line with industry average as part of a holistic talent management strategy. The realignment was carried out to provide a platform on which we could hold on to our best talent and continue to create an enabling environment for best-in-class talent. We believe high-quality staff will be a key differentiator of performance in an increasingly competitive environment. Costs were also impacted by rising maintenance costs owing to poor infrastructure, advertising and corporate promotions – impacted by expenses related to the ongoing brand transformation agenda[10], rent rates and property taxes and depreciation owing to branch and quick service point expansion as well as the AMCON resolution cost charge of 0.3% of total assets, translating into a ₦6 billion impact that did not exist previously. **See** Fig 29

Fig 29 **Seven-year historical trend – cost efficiency**



9 Includes recoveries.
10 Branch transformation and expansion, 24-hour ATM operation and expansion, enhanced security.

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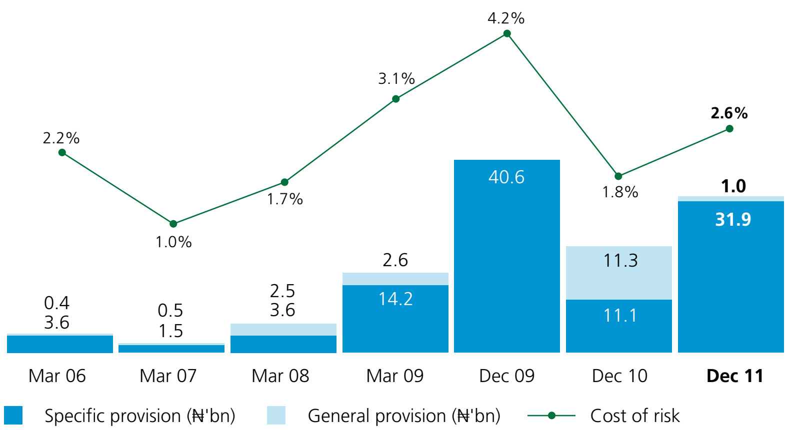
Operating expense – Bank only	2011		2010		%
	₦ million	% of total	₦ million	% of total	% change
Staff cost	54,264	40.3%	47,313	44.1%	14.7%
Deposit insurance premium	6,504	4.8%	7,497	7.0%	-13.2%
Depreciation	8,517	6.3%	7,972	7.4%	6.8%
Insurance	565	0.4%	552	0.5%	2.4%
Rent, rates and property taxes	2,350	1.7%	1,877	1.7%	25.2%
AMCON resolution fund	5,872	4.4%	–	0.0%	
Advertising and corporate promotions	5,329	4.0%	3,837	3.6%	38.9%
Communication	1,130	0.8%	1,415	1.3%	-20.1%
Light and power	789	0.6%	2,571	2.4%	-69.3%
Maintenance	14,759	10.9%	12,017	11.2%	22.8%
Professional fees	332	0.2%	190	0.2%	74.7%
Other costs[11]	34,375	25.5%	22,151	20.6%	55.2%
	134,786	100.0%	107,392	100.0%	

Fig 30 **Seven-year historical trend in loan loss expense (₦'bn) and cost of risk (%)**



11 Other costs include debt recovery expense, donations and subscriptions, fraud and losses, loss on disposals, passage, travels and hotels, stationery and printing.

As a result of a stronger growth in operating income relative to expenses, coupled with benefits from our cost containment programme, our cost-to-income ratio improved to 56.8% from 67.0% in 2010. We have seen a moderation in our controllable expenses, while at the same time improving traction in our operating income. The following cost optimisation initiatives are helping us reduce operating expense run rate and also improving the quality of expenditure:

- centralised processing of our back-office branch processes, reducing turnaround time and driving up volumes;
- channel optimisation and migration, spanning establishment of alternative low-cost transactions channels to transfer existing and new low-value clients;
- expanding our automated solutions across a larger proportion of the branch network;
- changing the mix of our branch architecture in favour of smaller quick service points, as part of our hub and spoke branch strategy, thus considerably reducing potential spend on branch acquisition and maintenance costs;
- centralised fleet management at head office;
- consolidating of head office print assets;
- review of current staff mix; and
- review of procurement procedures and improvement in cost allocations.

Going forward, we envisage further improvement in our cost-to-income ratio as we sustain higher revenue run rates relative to operating expense growth.

Provisions for losses

Loan loss expense rose by 47% to ₦33 billion for the financial year (2010: ₦22 billion), largely related to delinquencies that occurred in the course of the financial year, classification of which was the prudent course of action to take as we align our risk management techniques to international standards. We continue to review our credit policy to ensure quality new loans while also ensuring early warning signs of deterioration are promptly picked up and remedial action is set in motion. Provision levels led to an increase in our cost of risk by 70 basis points to 2.6%. Diminution in value of investments relates to losses on our equity portfolio and mark to mark losses on available for sale and trading bond portfolio. **See** Fig 30

Provision for losses	2011		2010		%
	₦ million	% of total	₦ million	% of total	% change
Loan loss provision	32,871	73.3%	22,357	103.6%	47.0%
Diminution in value of investment	8,251	18.4%	(1,949)	-9.0%	
Provisions for other assets	3,692	8.2%	1,182	5.5%	212.4%
	44,814	100.0%	21,590	100.0%	

Exceptional items

We took an exceptional charge of ₦15.5 billion during the year. This was driven by haircut in respect of sales of eligible bank assets to AMCON worth ₦176.3 billion, with a net value[12] of ₦148.8 billion, in exchange for bonds worth ₦189.4 billion with a discounted value of ₦133.3 billion. Included in the sale to AMCON was our $586.1 million (₦99 billion) exposure to Seawolf Oilfield Services, which though performing, was deemed a systemically important loan by the regulatory authorities. This sale resulted in a ₦11 billion charge to our profit, representing an 11% haircut on the exposure. The balance of ₦4.5 billion represents the haircut on non-performing loans (NPLs) sold to AMCON.

	2011 ₦ million	2010 ₦ million
Face value of AMCON Bonds (zero coupon)	189,469	7,046
Unearned income	(56,145)	(1,056)
Discounted value	133,324	5,990
Net value of loans sold	(148,825)	(5,607)
Total gain/(loss) on loan sold	(15,501)	383

Profits

Profit before tax grew by 48% to ₦50 billion (2010: ₦34 billion) on the back of strong growth in gross earning, lower funding costs and improving efficiency levels. On the downside results were negatively impacted by increased provision levels and an exceptional charge. Nonetheless, profit after tax recorded a year-on-year growth of 47% to ₦46 billion (2010: ₦31 billion). Various strategies such as migration to higher earnings asset mix, non-interest income growth focus and cost optimisation strategies will guarantee strong future earnings. In addition, we will continue to explore avenues to optimise our asset base and ensure efficient pricing of all assets. **See** Fig 31

Key Performance Indicators

Our return on assets improved to 1.6% (2010: 1.3%), while after tax return on equity improved to 12.5% (2010: 9.2%). The Group recorded earnings per share of ₦1.40 (2010: ₦0.95), up 47% from the previous year period. **See** Fig 32 Fig 33

Fig 31 **Seven-year historical trend – profit (₦'bn)**

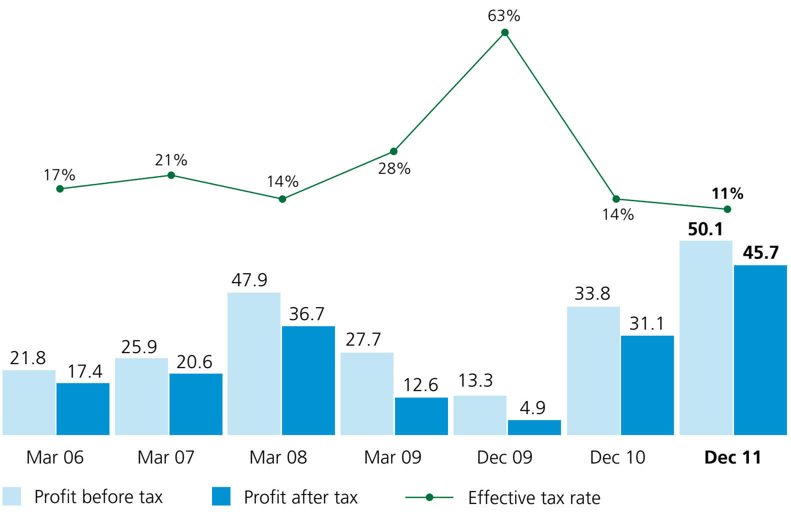


Fig 32 **Seven-year historical trend – return on assets and equity (%)**

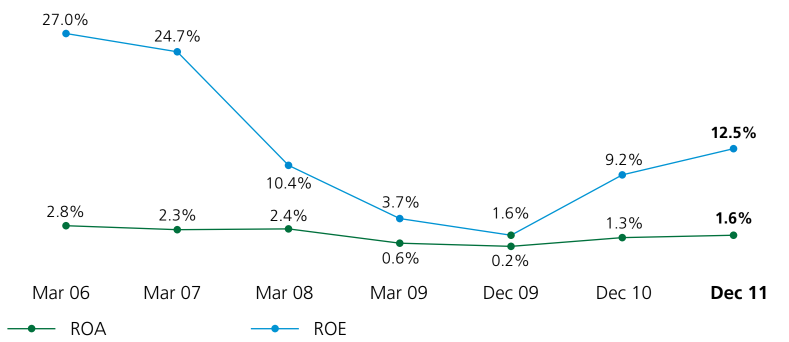
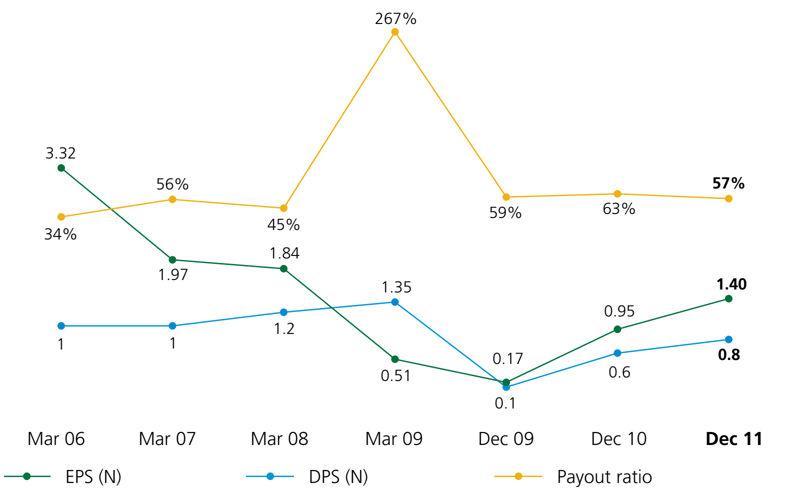


Fig 33 **Seven-year historical trend – earnings and dividend per share**



12 Eligible bank assets sold had provisions of ₦27.51 billion (2010: ₦4.87 billion) in the Bank's books.

Financial review

Analysis of subsidiary performance

FBN Bank (UK) Ltd

FBN Bank (UK) Ltd recorded further business expansion during the year just concluded. While no new business lines were introduced during the year, the Bank continues to deepen existing business relationships resulting in significant business growth. Most business areas made considerable contributions towards increased business volume and revenue growth generated. Specifically, commendable progress was recorded by Trade Finance business, Structured and Commodity Trade Finance business and Mortgage business. The recently launched International Private Banking business, offering investment advice to private banking customers, recorded appreciable progress as it was able to sign up a number of new clients.

Despite interest margin squeeze resulting from asset pricing pressures, net interest income remains the dominant income line and is significantly affected by the Bank's ability to hold the correct level of liquidity and charge true market pricing. Loan fees continue to grow in line with expectation as the Bank maintains a loan book with more structured assets. Our Operations Division continues to deliver high-quality transaction and service support to customers. This commendable strong performance has enabled us to retain and also win good-quality transaction business both in the payments and trade finance business areas, producing a good level of income.

The financial crisis that engulfed the global economy in the middle of 2007 continues. Over the past 12 months, concerns have heightened in relation to conditions of sovereign states and their banking systems, particularly in Europe and America. The threat presented by this situation has made regulators compel banks to support their business model with stronger capital base and improved liquidity profile in order to fortify their resilience. In light of this, regulatory environment remains challenging and continues to have negative impact on business, particularly in terms of additional cost assumed to remain compliant and the restriction on business growth. The overall effect of increased regulatory demand is that financial returns are significantly reduced. The adoption of Basel III is imminent with the aim of strengthening banks and maintaining global financial stability. As expected, this will result in additional regulatory cost to banks and ultimately will impact return on capital.

As Europe struggles to contain its government debt crisis, the greatest concern is that some major European banks may fail due to potential large exposure to non-performing debts, setting off financial market panic. This has resulted in some cases with banks pulling back from doing business with each other, but instead depositing funds with their central banks. Most of the banks have also significantly cut back on trade lines to counterparties in order to maintain the right level of liquidity. We believe the unfolding adverse economic situation presents both threats and opportunities to our Bank. While we will seek to exploit associated opportunities to maximise profitability, steps will be taken to manage potential threats through robust risk management measures. With competition from larger international banks in some areas of our chosen market expected to ease, going forward we anticipate increased levels of competition from peer group banks, particularly those with appetite for the emerging African market.

We continue to derive benefit from both Representative Offices in China and South Africa through referral of trade finance business. It is expected that the relationship between FBN Bank (UK) Ltd and the Representative Offices, including the newly established one in Dubai will strengthen in the coming year to maximise Group synergy for the expansion of our business influence in the regions served by them.

FBN Capital

FBN Capital is the lead entity for our Investment Banking and Asset Management (IBAM) businesses, comprising FBN Capital, FBN Securities, First Trustees and First Funds.

These legal entities are integrated operationally into four divisions namely investment banking, markets, asset management and private equity/principal investments, in order to effectively capture the synergistic benefits and be more efficient in terms of service delivery and relationship management.

Strategy and performance

Our vision is to be the leading investment bank and asset management company in Sub-Saharan Africa. This is consistent with the Group's vision of being recognised as the leading Sub-Saharan Africa (SSA) financial services group.

To achieve this vision, we have sequenced our growth into three phases namely the short, medium and long term.

In the short term, as communicated in the last annual report, we stated our intention to develop and implement in 2011 a platform for the growth of our businesses. During the year, we were able to achieve this as well as implement various customer-focused projects that will serve as a solid foundation upon which to build an IBAM business for the Group.

In order to deepen our relationship with customers, we have set up an origination and client coverage team to serve as the primary interface with clients and across the Group. We have also set up an institutional sales team to provide dedicated coverage of institutional investors. In 2011, we also concluded a transfer of relationship management for high net worth individual (HNI) clients to the Private Banking team at FirstBank to drive cross-selling across the Group, while there is a plan to do the same with our current retail clients by working with the Retail group of the Bank. We also set up a channels management team to manage the interface between the Bank and the requisite divisions that will be providing investment products and services, including the management of e-channels and call centres. These initiatives have led to greater collaboration across the investment banking businesses and an increase in assets under management. We continue to work on institutionalising these interactions.

We launched our research business, making it central to our value proposition to ensure that clients have access to independent quality research. We provide products such as the Nigerian macro-economic research report, daily notes on the economy and regular coverage of key listed companies on the major sectors of the economy. This has enhanced our market credibility and profile across institutional investors. In addition, FBN Capital held its first annual Investors Conference in November 2011 and it was well attended by the top policy makers in the country, key players in the private sector, and foreign and local investors.

We also started implementing the Group's medium-term strategy of building scale in investment banking business by leveraging on Group synergies. In working more closely with the Group in order to be a total financial solutions provider for both retail and institutional clients, a sustainable framework has been developed and is being implemented to ensure that the benefits of adopting the holding structure model are realised.

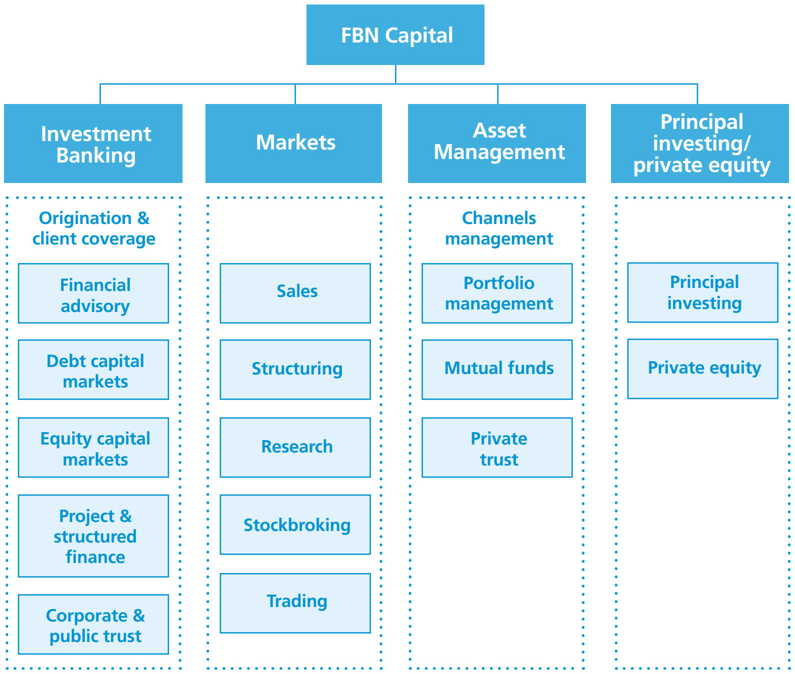
Looking forward to 2012, we will build on our efforts in 2011 by implementing more efficient and scalable processes and systems to drive our growth plans. This is a necessary step to consolidate on the restructuring and integration programme that we have carried out across the different entities that make up IBAM, and will ensure that we are able to effectively manage the businesses based on the new structure we have implemented. We will also deploy a more robust IT infrastructure to support our business requirements and continue to focus on efficiency in terms of service delivery.

We will continue to focus on leveraging the synergies within the Group towards generating incremental revenue for the Group, using the right performance management techniques and incentive systems.

In terms of our long-term objectives, we will be exploring opportunities in terms of international expansion in line with the Group objectives.

Operating structure

In implementing this new structure, some teams have been moved around and reporting lines have changed across divisions. The approach taken was to group together similar activities that were being carried out under the different legal entities that make up the IBAM business. Examples include merging the operations of FBN Capital's private equity business with that of First Funds into the PI/PE division, as well as combining the asset management functions of First Trustees with FBN Capital for more efficiency.



The business model as illustrated bottom left will position the Group as a total financial solutions provider. We aim to take advantage of synergies provided us by this operating model, as well as position ourselves to capitalise on growth in the economy by expanding the range and depth of services and solutions we offer, ultimately catering more efficiently to clients' needs.

IBAM divisions

Asset Management

In Asset Management, we offer generic and customised investment products and services tailored to fit clients' needs according to differing risk profiles. We have a number of funds available to investors who want to ensure returns in a diversified portfolio leveraging on the expertise of our experienced investment managers. We also offer portfolio management services – both discretionary and non-discretionary – for individuals who have more specific requirements for their investments. In addition, we will handle private trust products for individuals seeking a secure way to manage their estates.

Key developments in 2011

Growth in our Asset Management business was driven predominantly by increased focus by clients on the fixed-income market. We saw increased savings lead to increased participation in our funds and a rise in our assets under management (AUM) from ₦69 billion as at 31 December 2010 to ₦98 billion as at 31 December 2011.

Our target for the third quarter was to start working on a number of new products to generate diversification for our investors. Preliminary work has begun on the infrastructure and oil and gas programmes in anticipation of the deal flows from the transactions in each of the sectors respectively.

For trust products, we made steady progress through the year, winning new mandates on estate administration, with will drafting for clients with the desire for the conventional method of estate planning. We were also appointed as one of the Trustees to three sub-national bonds.

Outlook

In Asset Management, we expect that product breadth, distribution platforms and a shift in the household asset and savings mix will be the drivers of the retail market. Growth in the institutional market will be driven by product innovation, accessing a broader universe of investors (including pension funds, emerging market funds, family offices, etc.), and the creation of sector funds (power, agriculture, infrastructure, oil and gas).

We plan to use scale as a competitive advantage, and drive volume through distribution reach, product breath and strength of the brand; furthermore, our size will allow us to generate a cost advantage. We expect to leverage all parts of the Group efficiently in order to achieve our ambitions.

Financial review
Analysis of subsidiary performance

Investment Banking

Our Investment Banking division seeks to deliver innovative solutions to institutions that require strategic and financial advice, and provide comprehensive financing solutions. The activities that fall under this division include origination and client coverage, providing financial advisory services, assisting clients with raising debt and equity from the capital market, structuring complex transactions, and project financing. In addition, this division will handle public and corporate trust services.

Key developments in 2011

In Capital Markets, we saw a steady flow of business throughout 2011, successfully closing a number of deals and securing several new mandates from both the public and private sectors.

In Structured Finance, we secured new mandates in the telecoms and infrastructure sectors in the first quarter and followed this up with another mandate during the second quarter, thus making steady progress in building our pipeline of mandates.

We also started the year strongly in Financial Advisory, securing several mandates (particularly in the power sector as part of the ongoing sale of power assets by the Bureau of Public Enterprises (BPE) as well as progressing existing mandates.

Outlook

Within the financial advisory space, we expect to see increased activity in the oil and gas, financial services, power and consumer goods sectors. In addition, we expect the project and structured finance business to benefit from opportunities that emerge from the ongoing privatisation of the Power Holding Company of Nigeria (PHCN) successor companies and the restructuring of the Transmission Company; ongoing divestment initiatives by the international oil companies (IOCs), the potential unbundling of Nigerian National Petroleum Corporation (NNPC), and the Local Content Act[1] will create opportunities for Nigerian oil service companies.

Developments in the bond markets over the next few years will be driven by a more stable and favourable macroeconomic environment, and the development of a more vibrant sub-sovereign and corporate bond market. In equity capital markets (ECM), activity will be boosted by initiatives to be implemented by the Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC). Although investors continue to remain cautious of investing in equity, we expect sentiment to change gradually, as companies grow and investors seek to diversify their risk.

Markets

The Markets division comprises our sales, trading and structuring activities across asset classes. Our institutional sales team provides investors with access to multiple products across our asset management, trust and brokerage businesses. Our brokerage business serves as a stockbroker on primary transactions in the capital markets and an execution service investor looking to participate in the capital markets. Our channels management team interface with the Private Banking and Retail Banking groups in the Bank, and will provide more targeted selling of new products to our HNI and retail customers and further input to the product development teams. The creation of a structuring team will enable us to introduce a range of new products that will assist clients in achieving their desired risk objectives. We have also already put in place the structure to launch a market-making business in 2012.

Key developments in 2011

We have established several new relationships (particularly with foreign institutional investors who represent 70% of secondary market activity) as we seek to build our institutional sales business, and improve our execution processes in the brokerage business to ensure we meet clients' expectations in an efficient manner. Our other main focus was to exit the margin loan business, which we had effectively done by the fourth quarter.

Outlook

Institutional clients remain the dominant players in the Nigerian capital markets, and there are several regulatory forces that will shape the sector. The proposed policy by Pension Commission (PenCom) compelling pension fund administrators to build up equity baskets towards the 25% cap will be a key driver. The Sovereign Wealth Fund (SWF), which is expected to be implemented in 2012, will boost asset management activities, and the reforms being proposed by the Nigerian Government in the ministries, departments and agencies (MDAs) and the states should free up funds (spent on recurrent expenditures) for investments. We also expect to see growth in collective investment schemes and the asset management community.

At the retail end, the FirstBank Mobile Banking initiative to provide access to the unbanked adult population will boost customer base and thus investible funds. We will increase penetration of active FBN branches and create continuous product awareness through branches and investor forums. For the HNI universe, we will initiate the introduction of commission-based relationship managers in the Private Banking group to drive asset under management (AUM) and revenue growth.

The aim of our research department is to make us recognised as the #1 investment banking franchise for investment research. In addition to this, we will commence weekly and year-ahead reports and build upon the success of our maiden investor conference in the coming year.

1 Section 3(1): Nigerian independent operators shall be given 1st consideration in the award of oil blocks, oil field licences, oil lifting licences and all projects for which contracts will be awarded. Section 3(2): Exclusive consideration to Nigerian indigenous service companies which demonstrate ownership of equipment, Nigerian personnel and capacity to execute work on land and swamp operating areas.

Principal investing/private equity (PI/PE)

We continue to see significant opportunities in private equity as companies with high growth potential seek expansion capital and management support.

Key developments in 2011

We evaluated a number of potential investments in the energy, fast-moving consumer goods (FMCG) and financial services sectors with sizes ranging from $10 to $25 million.

Due to a shift in market real estate prices, we re-evaluated our existing real estate projects and decided to proceed on a development project and pursue partial or full disposal of previously acquired land.

We made progress with ongoing transaction documentation and embarked on exit negotiations with a number of investments. We obtained approval for a ₦1.5 billion investment in the information communication technology (ICT) sector in the third quarter, and assisted a number of investee companies with Bank of Industry (BOI) financing, short-term facilities, capital restructuring and exit strategies.

Outlook

We envisage significant growth in private equity investments in Nigeria as dedicated Sub-Saharan Africa funds raise significant amounts and establish local presence. In addition, recent PenCom reforms have provided local fund managers with a viable source of domestic capital.

PI/PE intends to fully deploy the outstanding ₦5 billion by the end of 2012 and will continue to work with the Group to identify expansion-stage or growth companies to invest in.

IBAM financial review

Revenues for IBAM as at 31 December 2011 amounted to ₦6.39 billion, with 46% contributed by Investment Banking and Asset Management, 28% by Trustees, 14% by Markets and 12% by PI/PE as shown in the chart below:

Composition of 2011 revenues (₦'mn)

- **2,939** Investment Banking and Asset Management
- **1,789** Trustees
- **895** Markets
- **767** PI/PE

FBN Mortgages Limited

FBN Mortgages Limited recorded gross earnings of ₦2.7 billion for the year ended December 2011, representing a 215% increase compared to the previous year's earnings of ₦861 million. Total property investments declined 14% to ₦6.7 billion as at December 2011 (December 2010: ₦7.8 billion) and total assets rose by 60% to ₦24.8 billion over the same period (December 2010: ₦15.5 billion).

On the asset side, efforts aimed at growing the loan portfolio have delivered results, with the loan book growing by 86% from ₦1.4 billion in 2010 to over ₦2.6 billion in 2011. Though our brand has set us apart from the competition, we also recognise that to keep our dominance, we need to be innovative. A good example is the strong participation in the self-employed segment. Using home-grown assessment models, we are able to derive risk-based insights to sharpen our focus on customer segments and drive product innovation. Looking ahead, we will improve customer segmentation to grow key segments such as low-income and the non-resident sector. We will increase the size of our sales force to further improve on traction. Our salaried segment will be expanded in our key markets and we will be looking at opportunities to extend the reach of our mortgage business to shore up revenue contribution.

Industry dynamics

A major change in the regulatory environment requiring primary mortgage institutions (PMIs) to divest from real estate investments has potentially far-reaching consequences for FBN Mortgages whose real estate investment currently accounts for over 50% of gross earnings. In compliance with the CBN directive, the initial phase of divestment of property developments has commenced, while we reposition the Company for growth by increasing the focus on other aspects of business such as mortgages and real estate finance.

The real estate industry has significant growth potential, especially within the context of huge unmet demand for infrastructural developments in parts of the Lagos Metropolis and other locations where we operate. A key success factor to large-scale delivery is the public-private partnerships (PPP) in which FBN Mortgages is actively participating with government on the Lagos State Home Ownership and Mortgage Scheme to boost the supply of affordable housing.

The supply market has been bolstered by increasing investor confidence but with concentration of investments still heavily skewed in favour of high-end developments, the opportunity in low-cost, affordable housing remains largely untapped and this is the direction for future growth.

Outlook

Within the context of regulatory requirements, we are increasing strategic partnerships with landowners, developers, real estate investors and State Governments/parastatals while seeking innovative ways to leverage the opportunities they offer. We plan on diversifying the revenue mix to improve the number of real estate financing deals and significantly grow the mortgage business. Our businesses have good growth potential, we have revved up revenue momentum and we are building robust controls especially in risk management, costs and processes. We continue to make progress in our goal to be a market leader in Nigeria.

Financial review
Analysis of subsidiary performance

First Pension Custodian Nigeria Limited

Business review

First Pension Custodian Nigeria Limited continued to maintain leadership position in the pension custody industry in Nigeria in terms of assets under custody, with a market share of 37% of total assets under custody of about ₦2.1 trillion already transferred to custodians by the National Pension Commission (PenCom or Commission). While leading the pension custody industry, we have continually strived to achieve our goal of being 'the custodian' by controlling 40% of custody business through customer intimacy, value-adding services and translation of the current leadership in assets under custody to leadership in profitability.

During the year, we penetrated the money market and fixed-income business through our appointment by AMCON (Asset Management Corporation of Nigeria) to provide custodial services.

We pay a monthly programmed withdrawal of over ₦600 million in relation to retirement benefits, representing about 50% of total monthly industry payout.

Key developments in the industry

During the year, a number of guidelines were issued by PenCom to ensure continued safety of pension fund assets and that fair returns are earned on investment by pension fund administrators (PFAs).

- Increase in the statutory capital for the PFAs from ₦150 million to ₦1 billion. The revised amount is considered adequate to absorb unforeseen losses and improve the financial health and business processes of the PFAs, given the current market situation. The affected operators have up to the end of 30 June 2012 to fully comply with the new capitalisation directive. The capital base for Pension Fund Custodians (PFCs) however remains at ₦2 billion.
- Revised regulation on investment of pension fund assets by PFAs. The purpose of which is to provide uniform rules and standards. The requirements of the regulations are consistent with the provision of the Pension Reform Act (PRA) 2004.
- The Commission will adopt a flexible investment regulation for PFAs in the country, allowing a wide range of investment outlets in the years ahead. The Commission has undertaken the gradual expansion of allowable investment outlets for pension fund assets, which is premised on increased public confidence, financial market development and improved skills and knowledge of industry operators.
- New requirements for PFAs that have funds under management of ₦100 billion and above and appointment to Board and top management positions of all PFAs. All PFAs with assets of ₦100 billion and above must have a minimum of 11 departments; all core operational departments to report to the managing directors/chief executive officers through the executive directors. The circular equally stipulates the post-qualification requirement, top management and financial sector experience for the managing directors, executive directors and heads of departments.
- The new requirements on post-qualification experience do not, however, apply to existing and approved Board and top management staff of affected PFAs. Of the 36 states in the country, six had already commenced full implementation of the pension policy scheme, 11 had partially implemented the policy, while 17 still have their pension bills with their respective state assemblies. No action has been taken by two states. The two million members of the National Union of Road Transport Workers have signified intention to join the pension scheme.
- PenCom in exercise of its statutory mandate of protecting pension funds and assets took over the management of First Guarantee Pension Limited, a PFA, with effect from 15 August 2011. The takeover was due to incessant shareholders' squabbles and several issues bordering on adverse corporate governance in the company.

Challenges in the industry

The pension industry has continued to make marked improvement in its operating environment. This, however, does not suggest that the industry in Nigeria is not experiencing its own peculiar challenges, salient ones of which have been highlighted below:

- Most employers in the private sector are yet to comply fully with the provisions of the Pensions Reforms Act. There are employers who are yet to register a single staff for the scheme; some register only a few employees and claim the others are contract or casual workers who are not on their payroll. Employers also fail to make the compulsory monthly contributions into employees' Retirement Savings Accounts, even after registration.
- Low rates of interest on some financial instruments, which poses a challenge to ensuring fair (real) returns on pension fund investment.
- Incorporating the informal sector: the informal sector represents the majority in the employed/employable population and perhaps is the most in need of the limited social security benefits that the pension scheme provides. However, the scheme is yet to adequately address how the artisan, traders and itinerant self-employed will benefit from the pension scheme, operate a Retirement Savings Account or plan for retirement.

  According to the Bureau of Statistics, about 24% of working age population is unemployed, about 40% of which falls between the ages of 15 and 44 years. When the 48 million Nigerians that are out of employment are considered, the challenges become more worrying.

  The implication of this is that, should this equation continue unabated, we may get to a situation whereby the replacement rate will be impaired.
- Investment of pension funds: PenCom's investment guidelines reflect the prudent rules of investment, which seek to ensure safety, liquidity and sustainable returns. This notwithstanding, there is need for more investment outlets to provide further diversification. PenCom had earlier this year reported that it was looking at the possibility of diversifying the investment of pension funds in infrastructure among others.

Outlook

The recent call in Europe and America for an extension of the retirement age, due to the failure of the pension scheme as a result of global financial crisis, is a wake-up call for all the players in the pension industry to embark on stringent financial and investment strategies to put the scheme on a sound footing and safeguard the pension fund.

The recent guideline on investment, which stipulates the investment criteria of the pension fund, is a step in the right direction. Also with effect from 30 June 2012, the new minimum share capital of PFAs is proposed to be ₦1 billion. This will probably lead to mergers and acquisitions and will improve the overall safety of the pension fund and the availability of these funds to the pensioners and their beneficiaries at the point of retirement.

The industry as a whole has a promising future with sustainable government support in creating the enabling environment for the industry to grow, as well as continuous support of all stakeholders. This would be further protected with PenCom's risk-based philosophy meant to promote transparency, provide early warning signals and encourage pension operators to regularly self-evaluate their activities, particularly their investment decisions. This approach is expected to insulate the pension industry from crisis.

Another heartwarming move that will ensure improved participation is PenCom's intent to introduce a framework for voluntary contribution that would allow the informal sector to participate in the contributory pension scheme. This should spell sustainability of the current tempo of business expansion in this industry and boost the available fund for investment within the economy.

First Registrars Nigeria Limited

First Registrars Nigeria Limited ('First Registrars' or 'the company'), just like most other companies operating in the financial services sector, had its share of the impact of the turbulent economic condition that prevailed throughout the period under review. The bearish outlook of the capital market, which has persisted for about two years now, continued and prevailed virtually throughout the year. Therefore, apart from dividend payments, no significant corporate actions were taken by a majority of our client companies during the year, thus negatively impacting our earnings. Furthermore, because the company operates in a highly regulated industry, policy pronouncements by industry regulators such as the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) also had significant effect on the income-earning capacity of the company during the year. Nonetheless, our drive to continue to increase our market share yielded positive results with not less than five additional registers won during the year under review. In addition, we have continued to bring innovation to the market with the introduction of new products.

We expect a continuation of the Government's economic transformation agenda, especially within the financial sector and more importantly the capital market. Thus, strict regulatory controls are likely to continue with the drive for transparency. With the stability of the banking sector, which remains one of the most active in the capital markets, and recently improved ratings for some of them, we expect increased levels of lending activity and overall improvement in performance of the industry. We expect that this will lead to an increase in capital market activities with the possibility of listing of new companies from sectors not represented on the Nigerian Stock Exchange (NSE).

Furthermore, being in an industry in which regulatory compliance is a major issue due to the custodial nature of the business, registrars are not free to charge income on some of their activities by the regulatory authorities in a bid to protect the investors. This places a rate limit on income from core activities. In addition is the threat of legislation* that may adversely affect the income-earning capacity of the registrar business.

*The CBN has pronounced that no bank or financial holding company would be allowed to engage in real estate business, or registrar business.

FBN Microfinance Bank Limited

Business review for 2011

The bank started the year on a positive note with risk assets of ₦939 million, deposit liability of ₦690 million and 16 branches. Having closed the financial year 2010 with a profit before tax of ₦48.6 million, it is set to close year 2011 with a profit before tax growth of over 450%, risk assets of ₦1.5 billion and deposit liabilities of ₦1 billion. The bank's performance can be attributed to the following:

- sustenance of quality risk assets during the year and creation of repeat loans;
- introduction and intensification of the sale of fee-earning products;
- adoption of cost-reduction strategies while enhancing service quality; and
- increased deposit mobilisation and new client acquisition.

Update on strategic plans for the year 2011

- Increase in the bank's paid-up capital from ₦1 billion to a minimum of ₦2 billion. The parent bank is currently working on the enhancement in line with the new Central Bank of Nigeria's (CBN) supervisory and regulatory framework for microfinance banks.
- Four additional cash centres were opened during the year, namely Iddo CMP, Lawanson CMP, Idumota CMP and Ikeja CMP, thereby closing the year with 20 business outlets.
- The bank was unable to establish branches outside Lagos as projected for the year as a result of CBN's new policy on microfinance banks, which introduced the National Licence for banks with the intention to open branches outside their state of commencement of business. The bank's original licence is a State Licence.
- Internally and externally facilitated trainings were conducted during the year to improve the quality of our workforce.

Financial review
Analysis of subsidiary performance

Developments in the sector during the year

- **Commencement of mobile banking.** Microfinance customers are being encouraged to own mobile phones. This will assist tremendously with the confirmation of customers' balances and withdrawals and checkmate conversion of customers deposit by field officers. Increased transaction on point of sale (POS) and consequently increase POS income.
- **Implementation of CBN policy on cashless banking.** With the commencement of this policy in Lagos State from January 2012, microfinance customers will be compelled to obtain automated teller machine (ATM) cards and this will boost our e-banking business.
- **Reclassification of microfinance banks into unit, state and national.** This has led to a drop in the number of microfinance bank outlets nationally. Most unit microfinance, which constitute the bulk of microfinance banks, are unit-licensed banks. The new CBN microfinance policy has confined these only to a location in the state as against the former policy that allows them to open cash centres. More microfinance customers are therefore migrating to microfinance banks with state or national licence.

Expectation and outlook for the year 2012

- Injection of additional funds by parent bank to enable FBN Microfinance bank to convert its licence from 'state' to 'national' in line with the new CBN policy and regulatory framework for microfinance banks.
- Establishment of six additional cash centres in Lagos State and three branches in Abuja, Oyo and Rivers States.

Risks

- **Increased cash security risk.** Following the commencement of cashless banking, it is expected that more cash transactions will be made through microfinance banks because the policy on charges for cash transactions will not affect microfinance banks in January 2012. The bank will therefore increase its insurance cost to cover more cash transactions/processes.

FBN Insurance Brokers Ltd

- FBN Insurance Brokers Limited seeks to harness the various opportunities available in the Nigerian Insurance market to achieve optimum revenue growth and profit margin. Our key priority customer segments are Institutions, Government and Manufacturing sector.
- FBN Insurance Brokers Limited realised gross income of ₦701 million for the year ended 31 December 2011, representing a 5% decrease on previous year income (December 2010: ₦737 million). Profit before tax decreased by 27% from ₦433 million in December 2010 to ₦316 million in December 2011. This performance was driven largely by diminution in value of investments as well as exceptional expenses related to the funding of staff gratuity in line with IAS 19.

Operating environment

- The operating environment in 2011 remained a challenging one for the financial services industry ranging from the Central Bank of Nigeria's directive to banks to divest from non-banking business or undergo a business reorganisation to the holding company structure, to continued diminution in the value of quoted companies as well as merger and acquisition activity within the banking sector. In line with the CBN's directive, all bank-owned insurance companies were required to submit their divestment plan to the National Insurance Commission for approval.
- Earlier in the year 2011, the industry's regulator, the National Insurance Commission (NAICOM), reduced the brokerage commission element on Group Life Scheme from 10% to 8%. The reduction was driven from a cost benefit analysis of the minimal level of brokers' inputs/role in the handling of these accounts, as well as the estimated premium income available for the Group Life Scheme in the Nigerian market.
- As part of revamping operations within the industry, there is now increased emphasis on strict compliance with the various insurance guidelines and submissions of returns in line with regulatory requirements. In addition, the regulatory agencies are pushing for enforcement of relevant/applicable laws to promote professionalism.
- As part of the reform process, industry players have been mandated to adopt the International Financial Reporting Standards (IFRS), effective from 1 January 2012. The Pension Reform Act 2004 (the Act) made it compulsory for employers of labour (with minimum of five employees) to put in place, in addition to the contributory pension scheme, a group life scheme to cater for payment of death benefits in favour of deceased staff dependants. The policy has however been more successful largely at the Federal Government level, with the private sector lagging behind significantly with respect to compliance. Consequently, the pension industry regulator, the national Pension Commission (PenCom), has initiated various awareness campaigns for compliance with the Act, and also stepped up their monitoring roles with the possibility of spot checks on companies to ensure compliance and penalise defaulters. Thus, this represents a growth area that is being explored by FBN Insurance Brokers.

Business outlook

- Following the Company's continued branch network expansion in strategic regions of the country and our re-engineered IT-driven operations, we plan to provide additional improved coverage to our market – leveraging off NAICOM's increasing sensitisation of the general public and the government with respect to compulsory insurances. Presently, the Company has four branches in Abuja, Port Harcourt, Benin and Ibadan and two desk offices in Onitsha and Akure. The plan for the coming year is to open three additional desk offices in Kano, Kaduna and Calabar.
- With the passage of the Nigeria Oil & Gas Industry Content Development Act 2010, we expect a pick-up in oil and gas/energy-related businesses. As a result of the oil and gas industry act, the local insurance market (brokers inclusive) is now able to better participate in major energy businesses domiciled in the country. As part of positioning the Company for further growth, we have executed service level agreements with key health service providers both locally and internationally.

- With continually improving relationships with key Federal and State parastatals and ministries, with the aim of expanding our market share with the attendant increased income generation, we expect to increase our core income ratio on non-FirstBank-related businesses. We will continue to build strategic partnerships and alliances with all tiers of government while enhancing the synergy within the Group to further improve income and retention of key customers. With the restructured Business Development and Marketing Unit and newly set up Special Risks Unit, FBN Insurance Brokers is poised to consolidate a brand that will be second to none in the Nigerian Insurance industry in all facets of integrated risk management and insurance claims advisory services to customers.

FBN Life Assurance Limited (FBN Life)

Overview

FBN Life Assurance Limited (FBN Life) is the 65%-owned life insurance subsidiary of FirstBank in partnership with Sanlam Emerging Markets, a leading South African insurance company. FBN Life commenced business operations from its Lagos head office in September 2010 and opened branches in Abuja and Port Harcourt within the 2011 financial year.

A range of products targeting the corporate market have been well received by the market – insurance brokers and clients alike – with the company participating either as lead or co-insurer in a number of large corporate Group life schemes in 2011. In addition, a suite of insurance benefits to protect against death, permanent disability and, under certain circumstances, loss of earnings, has been launched as a complementary offering to FirstBank loan customers, providing financial protection in an hour of need. A suite of individual life products was also developed and launched for the retail market in 2011. These retail products focus on separate risk management needs of the individual. These are the Flexible savings plan, Flexi cash flow, Flexi education planning, Extended family support plan and Family income protection plan. The company also markets Group Life Assurance for corporate bodies, keyman assurance for small and medium enterprises, and medical/hospitalisation insurance.

The company generated total income of ₦1.4 billion during its first year of operations, with over 90% representing premium income and the balance from investment income. The total asset of the company was over ₦4 billion, while the shareholders' fund and share capital stood at over ₦2.9 billion and ₦3.48 billion respectively.

Operating environment

The Nigerian market is still experiencing limited market penetration in both long-term and short-term insurances. The industry remains quite fragmented in spite of initiatives over the last few years to rationalise the number of companies holding licences to carry out insurance business. In addition, the high number of intermediaries through which most insurance business from corporate customers passes to insurers further reduces the net premium earned by insurance companies. This has resulted in the insurance sector being fragmented, with further consolidation required.

The long-term insurance industry faces the challenge of ensuring that the consumer market is adequately aware of the benefits, terms and conditions of the products available to them, thus contributing to the extremely low market penetration in Nigeria. A number of failed insurers in recent years, resulting from poor risk selection and management, have further eroded public confidence in the sector. A concerted effort by the industry to create public awareness, develop products aligned with customers' needs, improve the image of the industry in the market by settling claims promptly and efficiently and developing well-informed and adequately qualified sales personnel are requisite components of achieving this objective.

Opportunities and threats

Nigeria's relatively healthy GDP growth rate, which has averaged in excess of 7% in the last two years, coupled with recent reforms in banking and capital markets, as well as the oil and gas sectors, continue to create significant new opportunities for the insurance industry. We see the industry gross premium income growing at an average of about 22% over the last two years into the next three years. In addition, we anticipate long-term growth opportunities as the industry consolidates through mergers and acquisitions and continues to attract international players.

The increasing teledensity in the country will create opportunities for alternative channels to access customers and increase penetration. In addition, the proposed cashless economy being advocated by the Central Bank of Nigeria, and the increased use of technology in funds transfer, will assist in premium collection at minimal cost to the customer and the company.

We expect that the involvement of banks and international insurance institutions and the re-emergence of the middle class will be the biggest drivers of change in the domestic industry. The greatest competitive threats are expected to come from broad-based financial institutions as they take advantage of their large network of branches and extensive customer base. Distribution channels are increasingly becoming a major success factor as the traditional methods of reaching customers (through brokers and agents) are increasingly becoming more expensive. Consequently, channels such as workplace marketing, bancassurance and direct sales are becoming more important.

Strategy

Based on the need to establish market presence, FBN Life is developing diversified life insurance products, robust operating processes and technology platforms, and has also finalised reinsurance agreements. Our approach is to carve a niche in the group life market, establish retail distribution networks, expand our product portfolio, utilise strategic business models and create an efficient customer service model. In addition, FBN Life is working towards being a composite insurance company.

A perpetual challenge in insurance markets is the practice of premium undercutting in order to attract business away from competitor insurers. In this respect, Nigeria is no different from other markets, with premium quotations for certain lines of business, particularly group life, often being driven to unprofitable levels. Our strategy is not to engage in such poor practice, preferring to build sound relationships with clients and intermediaries, develop operational efficiency and premier customer service while pursuing profitable business. Over the coming year, we will conclude the installation of our world-class insurance IT system, which will drive our internal operations and enhance customer service capabilities, and also drive efficiency and innovation.

Financial review

Analysis of subsidiary performance

Despite the challenges facing the industry, enormous potential still exists to further penetrate the immature life insurance market. Through the launch of products and services mentioned earlier, together with prompt, efficient and transparent service to our customers, we expect to capture a significant share of the life market.

In 2012, we plan to expand our distribution base by opening a few strategic sales outlets in the following geographical areas within Nigeria that demonstrate the highest insurance penetration potential: Ibadan, Enugu, Benin, Warri, Ikeja, Kano and Kaduna. While each of these locations will be equipped to sell all the company's products, they will focus more on the retail products. The company will also focus on bancassurance products, taking advantage of our relationship with FirstBank and other financial institutions. With the planned acquisition of a general insurance licence, the company hopes to develop a full portfolio of insurance products for every family in Nigeria.

Regulation and governance

The company has fully complied with all existing and new legislation, including the requirements of the Nigerian Oil and Gas Industry Development Act with regard to local content in the servicing of Nigeria's oil and gas industry, a major component of the insurance market in the country.

The National Insurance Commission (NAICOM) remains the regulator of insurance practice in Nigeria and is responsible for the administration and enforcement of the Insurance Act. NAICOM annual operational guidelines were designed to strengthen operational standards within the insurance industry, improve on the quality and performance of insurers and reinsurers generally, and ensure the institutionalisation of effective corporate governance structures for insurers and reinsurers operating in the country. An important component of these guidelines is the requirement for all insurance companies operating in Nigeria to adopt International Financial Reporting Standards (IFRS) by 1 January 2012. This is aimed at checking over-bloated accounts, ensuring good health of the insurance companies and consistency in financial reporting within the industry. FBN Life supports these efforts to raise the standards of corporate governance and is at the forefront of the industry in implementing good governance, including the early adoption of IFRS. Insurance brokers have a body called the Nigerian Council of Registered Insurance Brokers, which also has legal and regulatory powers, as a result of which there have been conflicts with NAICOM. Still on the burner is the potential universal law for the industry, which will drive an integrated approach to industry regulation.

Outlook

Domestic economic growth rates are expected to remain stable over the next few years as the structural imbalance of the economy is addressed by the government. The non-oil sector has remained a key driver of this growth in the recent past. The increase in earnings, alongside the emergence of the middle-income cadre and by extension the increase in vehicle financing schemes, credits to SMEs and investment in the agricultural sector, are the main drivers to the growth anticipated in the industry, all of which should drive higher insurance penetration in the country.

The most significant opportunity for growth in the industry is represented by the over 60 million low- to middle-income portion of the population between the ages of 27 and 50 years, who are the main consumers of our goods and services. As this demographic shift their consumption patterns due to the expected changes in the economy, they will seek predictable low-cost, income-producing financial products from trusted institutions.

On the negative side, factors such as anticipated rises in inflation and unemployment are expected to have negative effects on the growth of the industry. With inflation currently in double digits and unemployment put at over 20% among young school leavers, the direct effects will be felt on the benefits of insurance products and operational costs. Also other factors such as low public confidence, poor perception and low disposable income remain major threats to growth in the industry.

To our minds, broad strategic issues over coming periods will include compliance, competitive agility, channel configuration, soft market conditions and understanding customer needs. The operational issues will include distributor/insurer alignment, expense reduction, customer service and improvements in the quality and availability of data used for decision making.

Banque Internationale de Crédit (Democratic Republic of Congo)

In October 2011, FirstBank acquired a 75% interest in Thorens Limited, which owns a 99% interest in Banque Internationale de Crédit (BIC), one of the leading banks in the Democratic Republic of Congo (DRC). This transaction represented landmarks in the histories of both FirstBank and BIC, being the first of several planned international acquisitions for FirstBank over the next few years and representing a major opportunity to extend the activities of BIC in the DRC and elsewhere. In an environment where competition is growing rapidly, the acquisition cements BIC's public perception as one of the safest institutions in the country and brings additional means for BIC to seize opportunities in a market with significant latent potential, where the proportion of banked people is around 1% out of a population of close to 70 million.

During 2011, BIC experienced significant growth in its operations, with the bank's balance sheet increasing by 15% from USD198 million in December 2010 to USD228 million in December 2011. This growth mainly derived from a USD14.4 million increase in deposits, coming most significantly from branches in provinces and from retail customers. This movement justifies management's view that competition is increasingly fierce in Kinshasa, the DRC's capital city and commercial centre, given in particular that most of BIC's competitors continue to focus their activities on a limited number of corporate customers. BIC has therefore developed and maintained a strategy focused on diversifying its customer base to SMEs (especially in provinces) and to retail customers. In the retail segment, a special effort has been dedicated to improving customer service and to development of new products (family savings accounts, facilities for company employees, domestic debit cards). Having also opened five new branches during the year, bringing the total network to 26 branches, we expect to increase our branch expansion efforts in 2012.

Also during 2011, BIC strove to maximise the profitability of its balance sheet, raising the ratio of interest bearing assets to total assets from 50% in December 2010 to 65% in December 2011, accompanied by an increase of USD21.8 million (24%) in our loan portfolio, which stood at USD110.7 million as at December 2011. Notwithstanding these improvements, our loan to deposit ratio remains very conservative (62%) and prudential ratios are well above requirements of the Congolese central bank.

In addition, net banking income for 2011 reached USD35.1 million as at December 2011, an increase of 21% year on year. In an environment where credit risk is difficult to monitor, the Bank has maintained a sound balance between interest income (49.59% of net banking income) and non-interest income (56.95 %). On the cost side, total operating expenses increased by 9% compared to 2010. An early retirement plan has been implemented, we are allocating our staff better and have undertaken some rationalisation of our operations processes. Administrative expenses, on the other hand, increased by 20.6% over the year, due to the higher number of branches and increased level of activities. Other expenses are mainly tax (with an effective income tax rate of 56 %) and provisions. The bank provided an additional USD6.7 million to recognise and classify weak and impaired assets in the portfolio. Overall, as at December 2011, BIC achieved a net profit of USD1.8 million.

During 2012, BIC will continue to focus on improving service quality by implementing training modules both for current employees and for new entrants and on recovering bad debts. An agreement with the German cooperation (KfW) has also been signed to improve our offer to SME customers. Based on tighter control measures and expansion of the network, we expect to increase our market share and ramp up our return on equity.

Corporate social responsibility

2011 in perspective

With over 117 years of banking business, we have always endeavoured to reflect good corporate citizenship. Getting it right for our customers, the fair treatment and development of employees, keeping our customers' information and funds secure, being there for our communities and the protection of the environment, are all important parts of the way we do business. As Nigeria's earliest and foremost bank with over 8,000 employees, and through our day-to-day operations in about 650 branches and business locations across Nigeria, we are positioned to contribute to the development of Nigeria.

In the course of the year, we commissioned a review of the Bank's corporate social investments through an impact assessment exercise. By commencing with the impact assessment exercise on our corporate social investments, we have begun a process of demonstrating exemplary levels of stakeholder engagement and responsiveness. The findings of the exercise will be made available to the public and will be followed through with a stakeholder responsibility forum, where we will continue to build on our previous achievement while responding to and anticipating stakeholders' concerns and expectations.

Through partnerships with leading organisations, we focused on support for educational advancement, enterprise development, entrepreneurship, health and welfare. Through our employee volunteering scheme, our skilled national workforce devoted time and personal resources to orphanages and care homes across the geo-political zones of Nigeria. Our social media channels were engaged to provide timely information on initiatives as well as serve as a platform for seeking useful feedback. These channels also serve as our information and resource repository where the general public has access to speeches and other useful documents. Our projects continue to improve livelihoods directly, through financing and indirectly through education and capacity building.

In September 2011, we joined seven other Nigerian banks and signed up to a joint commitment statement on sustainable finance in Nigeria. By signing up to the Nigerian Sustainable Banking Principles, we have welcomed the opportunity to be a part of the industry's concerted response to managing environmental and social concerns specific to Nigeria. In the course of the succeeding year, we will witness the introduction of a set of Nigerian Sustainable Banking Principles. This epoch-making initiative will see firm commitment to corporate sustainability in the Nigerian financial services sector.

The Bank's socio-economic efforts were acknowledged during the 2011 Nigerian CSR Awards in which we were nominated in three categories:

1. Best Company in Consumer Issues
2. Best Company in Infrastructure
3. Best New Entry for 2011

The Bank won the award for Best Company in Consumer Issues amongst many awards. All of the successes recorded in 2011 could only have been achievable because of our team of dedicated and dynamic workforce.

The Bank committed significant investment in the Staff Internal Brand engagement programme as a continuous part of its strategy to revitalise employees towards exceptional service delivery.

Our biggest contributions to the communities in which we operate are our direct economic impacts – both as a major employer and purchaser of goods and services, and also through the financial services we offer to our customers. However, we recognise that we have a broader responsibility to strengthen the society of which we are a part. Our long-term success is closely connected to being part of, and being trusted by, flourishing and sustainable local communities. This holds particularly true in Nigeria, where we are the largest financial services provider. With close to ₦1 billion committed in 2011, our corporate social initiatives were conducted through sponsorships, donations, partnerships and employee volunteering, and are focused on the following key areas:

1. education;
2. economic development; and
3. health and welfare.

In addition to the above, we have a strong commitment to disability support, security and other areas as demonstrated by sponsorships of key events.

Education

By providing infrastructure, supporting research and providing learning support materials, we augment the Government's efforts and create an environment conducive to learning, which will impact lives positively.

₦524 million

FirstBank research-based endowment fund

With over ₦400 million invested in endowments, the Bank has supported research in various areas of education in the country since 1994. Through these endowments in 12 universities, the Bank has created a platform for intellectual discourse and research in the Nigerian education sector. Professorial chairs in the Universities of Maiduguri and Nnamdi Azikiwe have recently completed the following reports:

1. ***Rainwater Harvesting for Tree Crops in North Eastern Part of Nigeria (University of Maiduguri)*** and
2. ***Fifty Years of Banking Sector Reforms in Nigeria – Past Lessons, Future Imperatives (Nnamdi Azikwe University)***

The reports are available for public use on the Bank's website.

FirstBank scholarships

Through the CEO's Annual Merit Award, the Bank provided scholarships to 13 underprivileged primary school children.

FirstBank learning infrastructure support

The Bank has invested huge resources to provide vital infrastructure in 12 universities across the six geo-political zones of Nigeria. In 2011, a 500-seater lecture theatre was handed over to the Faculty of Social Science, Obafemi Awolowo University Ife, which provides a conducive learning environment to six departments and over 2,000 students.

FirstBank learning support materials

We continue to respond to numerous requests from various schools and institutions of learning by donating FirstBank-branded exercise books and school kits. In 2011, the Bank supported over 10,000 school children and university undergraduates with exercise books and school kits.

Economic development

By supporting a variety of skills and enterprise development initiatives, we unlock potentials and create opportunities for the socio-economic growth of Nigeria.

₦396 million

Future leaders seminar

FirstBank has remained committed to building a cadre of value-based Nigerian youths into future leaders since 2006, when a partnership was established with the Nigeria Leadership Initiative (NLI).

To date, a total of 247 NLI associates have been inducted through the Future Leaders Programme in Nigeria, Europe and the US. The uniqueness of the programme lies in the fact that participants are highly accomplished and credible young Nigerians with leadership qualities rooted in values. Increasingly, a number of associates occupy key leadership positions in government (both in the executive branch and as elected officials), business and civil society organisations.

FATE Foundation Annual Entrepreneurial Awards 2011

The Bank has supported the FATE Annual Celebration and Entrepreneurial Awards since 2008. The programme brings together over 1,000 business leaders, industrialists, professionals and the general public to celebrate entrepreneurship.

LeAP Education Trust Fund

The Bank has partnered with League of Abiriba Professionals (LeAP) in the past two years through support for the annual LeAP Economic Empowerment Seminar. The Bank has further strengthened this partnership through support for the LeAP Education Trust Fund, which is dedicated to resuscitating quality education in the Abiriba community. With the Bank's support, the initiative is expected to increasingly provide qualitative infrastructure and teaching aids, among others.

Corporate social responsibility

Economic development continued

Business Path Radio Programme

In order to empower small and medium business owners to realise their dreams of starting and running sustainable businesses, FirstBank, in partnership with Fate Foundation, designed an entrepreneurial radio talk show, to build the entrepreneurial capacity of these aspiring entrepreneurs.

The Business Path Radio Programme was designed to enable the participation of a wider audience and encourage Nigerians to build bankable businesses and see the reality of successful entrepreneurship in the Nigerian business environment.

Accomplished entrepreneurs and top professionals were selected to facilitate, discuss varied business topics and provide answers to questions from phone-in participants, in the 13 weeks that the programme was aired.

Staff members accomplished in different professional fields facilitated on the programme by providing informed business insights.

With over 300 participants, including winners that participated in the quiz competition, the Business Path Radio Programme provided the platform to build the entrepreneurial capacity of budding business owners.

SIFE 2011 National Competition

The Bank's support in the Students in Free Enterprise (SIFE) 2011 National Competition enabled a platform for over 500 students drawn from 37 university campuses across Nigeria to demonstrate entrepreneurial skills by executing sustainable community projects.

The Benue State University team emerged winners and represented Nigeria in the global competition, held in Kuala Lumpur, Malaysia. The Nigerian team was able to showcase their innovative project before an international network comprising more than 3,000 students, academic and business leaders from more than 39 countries.

This support from the Bank provides students with the opportunity to develop outreach projects that improve the quality of life and standard of living for people in need, making a difference in their communities while developing the skills to become socially responsible business leaders.

Student Economic Forum

This is a platform for students in tertiary institutions in Nigeria to contribute to and engender solutions to the socio-economic development of Nigeria. Through the Bank's support over 600 students from 35 tertiary institutions in Nigeria engage with policy makers, entrepreneurs and economists on the initiatives required for the economic development and national transformation of Nigeria.

Microfinance Conference

The FirstBank Impact Series International Conference on Microfinancing held on 5 September 2011 was the maiden edition of FirstBank Impact Series international conferences. This edition, with its thematic focus on 'Microfinancing as a tool for poverty eradication and economic growth', appropriately addressed our bottom-up approach of engendering change from the grass roots. The conference attracted a sizeable attendance of well over 750 people drawn from regulatory institutions, microfinance banks, non-governmental organisations, policy makers, academics, researchers, students and the general public. As expected there was significant knowledge exchange amongst speakers, panellists and participants to drive development of the microfinancing sub-sector.

Health and welfare

We are committed to fostering awareness on health issues, providing suitable health infrastructure and providing financial assistance for the treatment and management of health issues.

₦49 million

Remi Babalola Red Cross Clinic

Strategically located on the Lagos–Ife road, a highway used by thousands of road travellers daily, this clinic will provide emergency healthcare services. The project is in partnership with Remi Babalola Red Cross Clinic, University of Ibadan Teaching Hospital and other stakeholders.

African Refugees Foundation (AREF)

Renovation of the AREF headquarters has been completed successfully.

Train the trainer

In partnership with the MariaSam Foundation, the Bank sponsored a delegate to attend the sixth International Conference on HIV Treatment and Prevention Adherence, held in the USA. Useful insights and knowledge around state-of-the-art science for HIV treatment and biomedical prevention adherence research were presented, discussed and translated into evidence-based approaches.

Oyo State flood disaster

The Bank supported the Oyo State Government in its efforts aimed at alleviating the suffering of survivors of the flood disaster, which claimed lives and destroyed properties.

Medical interventions

The Bank continues to render financial assistance to those in need of life-saving medical treatment including:

1. a renal and kidney treatment for a 21-year-old sickle cell anaemia male student;
2. follow-up kidney transplant treatment for a middle-aged male; and
3. a surgical procedure for a paralysed middle-aged male following a fracture of the lumbar vertebrae.

Other

Disability support

FirstBank disability support

In response to a cry for help in the dailies by The Fortunate Special School for the Deaf and Dumb, the Bank provided financial assistance to the school to avoid eviction.

Supporting autism

Since 2009, the Bank has supported children with autism spectrum disorder. To consolidate the support, we assisted the Zamarr institute in its bid to raise funds for an ultra-modern permanent site for the Institute for the treatment and inclusion of students with autism spectrum disorder. Since 2010 and in the spirit of giving, the Bank has supported the Patrick Speech and Languages Centre in its annual fundraising concert, which recognises talent among autistic children.

Security and safety support

Crime fighting:
The Bank recognises the connection between the security of life and properties and economic empowerment. To augment the Government's activities in this area, the Bank sponsors *Crime Fighters*, a TV programme on security awareness, crime prevention and fighting initiatives.

Security tools:
With the provision of security vans for operatives in States across Nigeria, the Bank empowers security forces to better deliver on their mandate of ensuring the safety and welfare of the entire citizenry. Security operatives in Enugu and Ebonyi States recently took possession of security vans.

Security trust funds:
As a means of bolstering security in Lagos State, the economic hub of Nigeria, a security trust fund was set up by the State Government. The Bank's Group Managing Director sits on the Board of Trustees. By its financial commitments, the Bank has facilitated a platform for better effectiveness and improved security in Lagos State.

Corporate social responsibility

Employee volunteering

Through the FirstBank Employee Volunteering Scheme (EVS) the Bank continues to engage with its employees. Through various internal communication strategies, FirstBankers are encouraged to give their time, resources, skills and energy to causes they care about and initiatives approved and supported by FirstBank. In July 2011, the EVS was launched using a new format to enhance volunteering participation. The First@Caring: First@Sharing initiative was introduced across the Bank and will be introduced to the FirstBank Group in 2012.

First@Caring: First@Sharing

The Bank offers employees the opportunity to share their time and resources with the less privileged. Through a collection drive in high-traffic business units, FirstBankers donated personal belongings, educational materials and food items. Using a participatory process, they determined their preferred charity and use of their time. A large number of employees from all branches and departments participated enthusiastically and engaged with charities and special homes. More than 600 volunteering hours was recorded. This remains a culture in the Bank as employees continue to volunteer in large numbers.

Business Path Programme 2011

Through this initiative, the Bank offered employees the opportunity to share useful insights in the expert subject matter, with over 323 aspiring entrepreneurs and participants. The insights provided are available via the Bank's website at www.firstbanknigeria.com.

Five Maids of Fadaka

Through human resources policies, we encourage employees to use their skills and talents for the good of others. The Five Maids of Fadaka is a stage play written by a FirstBanker and staged by the Thespian Theatre. This platform was used by FirstBankers to give back to society, and to this end proceeds of the play were given to four selected charities across Nigeria nominated and voted by FirstBankers.

International White Cane Safety Day 2011

In collaboration with the Nigerian Association of the Blind, FirstBankers joined millions of people across the globe in raising awareness on mobility concerns for the visually impaired. Employees drawn from across the Bank participated in the 8km walk and collectively clocked over 300 volunteering hours.

Down Syndrome Foundation (DSF) annual inter-house sports 2011

Employees participated in the DSF annual inter-house sports event and celebrated with children living with Down Syndrome.

With a volunteering policy in place, FirstBankers across the Bank are able to take advantage of volunteering opportunities and therefore increase the impact of the Bank's external CSR efforts as a major corporate priority for the brand. The Bank will continue to use the EVS as a platform to empower and develop our communities.

2012

We are committed to investing in and developing our approach to sustainability in 2012 and will be reporting our progress throughout the year. In the new year, we will seek to understand better the impact of our business from three perspectives – economic, social and environmental. Through stakeholders engagement we will look at our relationship with customers, community, employees, vendors, investors, regulators and other key stakeholders to ensure we continue our tradition of carrying out our business activities in a responsible and sustainable fashion.

Outlook

The future of the global economy rests heavily on four major factors: consumers, investors, government and a favourable trade balance. While some economies such as China rely heavily on a favourable trade balance and foreign direct investment for their growth, others, like the US rely heavily on consumer spending and government. Although signs of recovery in US consumer spending were obvious in the final days of 2011, prompting most commentators to raise their forecast for output growth in the country for 2012 to anything between 2% and 2.5%, it is estimated that in the next few years, global economic growth may still likely slow to c. 3% per year on average. The big risk ahead, however, is not the decline in the rate of global growth but an expected decline in the overall average output per capita, which is a determinant of how living standards can be supported or raised, raising the level of global consumption required to sustain growth.

In emerging and developing markets, growth is expected to slow as a result of the worsening external environment and weakening of internal demand, both from a reduction in disposable incomes as well as a loss of confidence in the economic system. Consequently, the thrust of economic policies in developing countries will most likely be a focus on moderating domestic growth and responding to externalities of advanced economies.

In the US, Department of Labor figures released late last year showed unemployment claims falling to their lowest level since April 2008. From a little under 1% for 2011, the new US GDP growth numbers should put a floor under the global output losses that have taken place since 2007. Rising job numbers in the US should also support this process as even conservative estimates expect unemployment figures in the US to be around 8% by the November elections. Given the relationship between consumption in the US and growth in Asia, by how much the new growth numbers in the US will serve to drive growth in Asia is a function of Europe's reaction to the sovereign debt crisis, and its financing and fiscal measures in aid of a stronger public expenditure management framework across the region. An inadequate reaction in Europe is sure to result in a contraction of bank lending globally.

Barring any major shock (a deterioration of the situation in Syria and Iran with regional implications), the trends described above should see oil prices hold steady in 2012, with price estimates remaining in the region of USD100 all through the year.

In the case of the Nigerian economy, which is largely dependent on the revenues from oil production and sales, stronger oil prices should translate into improved revenue performance for the Nigerian economy. However, government policies only will determine if the effect of the increased revenues is felt throughout the economy. The parameters of the proposed appropriation act for 2012 hold out the prospects of fiscal consolidation in 2012, as a more efficient and accountable public sector budgeting process should see the rebalancing of spending away from recurrent to capital items. Over the medium term, this process is expected to benefit from proper public expenditure management, and a strengthening of domestic conduct of business rules. In the short term, however, the suite of policy measures necessary for this transition will see the burden of taxation on consumers grow (e.g., proposed rise in VAT from 5% to 10%, increase in import duty of certain goods such as rice and wheat to encourage local production of 'cassava bread'), with a net transfer of financial resources to government spending and business investment. Added to the taxation burden, the proposed full deregulation of the downstream sector will lead to rising costs and higher inflation, marking a significant change in disposable incomes.

Clearly, one of the main challenges in 2012 will be the effect of the current policy environment on disposable incomes. Most commentators agree that a diminution in disposable incomes is expected as the government's share of spending and borrowing grow over the short term, making a re-alignment of the Bank's business inevitable. The possibility of distress at the lower, mass-market end of our asset creation business is a key risk the Bank faces.

To combat this, the Bank has implemented a strong risk-based pricing regime, which encompasses the revision of our pricing tool and mechanism, with an active framework built around concessions and the implementation of a short-term re-pricing model to ensure we are constantly aligned with the market. The Bank has also put in place a comprehensive risk management framework which embraces selective loans and advances (LAD) creation, a process by which the loan portfolio is selectively and prudently grown in key sectors and geared towards assets with higher (risk-adjusted) total yield. In addition, the Bank's credit policy has been comprehensively reviewed in line with international best practice and retail product programmes revised to address risks expected in retail business. Product limits, obligor limits and risk acceptance criteria have also been aligned with the Bank's risk appetite, with products assigned a risk rating as an indicator of the level of risk the Bank is assuming under the products.

Risk appetite thresholds have been defined in the credit portfolio plan of the Bank and are conceived on prevalent business realities, prudential guidelines, strategic thrust and target shareholder value proposition of the Bank and portfolio quality target. These risk thresholds are designed to minimise erosion of earnings and capital and are monitored on a quarterly basis and reported to management for the assessment of performance against stated goals.

The move to proper public expenditure management should most likely reduce the pressure on the exchange rate of the naira, which should in turn reflect in the Central Bank of Nigeria's (CBN) policy thrust with respect to the monetary policy. Our estimates are that the policy rate would see a more sublime cumulative increase of 200 basis points over the next 12 months; and that the naira's exchange rate to the dollar will average ₦160 over the same period. A stabilisation of the interest rate regime is expected to go a long way in promoting growth in credit availed to the private sector.

In anticipation of this, the Bank intends to grow small-ticket lending at the right price to a large number of private sector customers, effectively targeting these clients with a dedicated coverage and product range while adopting a value chain strategy to deepen the interlock with existing customers, deepening customer stickiness to the Bank.

Within the banking sector, the addition of new players and in particular, the likely emergence on the domestic scene of a number of new foreign players, is expected to change the landscape. A more diverse functional grouping in the industry should also see new competition from an increasingly efficient corporate banking field, bigger (and ambitious) universal banks, and regional banks minded to entrench themselves in their different turfs.

Consequently, it is expedient that we defend our leadership position while extending into new front lines and attaining a leadership position in each strategic business unit and across all customer segments including retail, corporate and institutional. To this end, the Bank intends to significantly deepen its current business relationships to ensure that existing clients' potentials are completely harnessed and increased credit needs are addressed, while expanding its client base through the provision of superior service

Outlook

through improved value proposition and tailored solution. Based on the strength of our balance sheet, we will also pursue the expansion of our offerings to capture fee-based opportunities through creatively proffering transaction-based solutions to our clients. This will also be enhanced through our renewed focus on service and process excellence. In practical terms, we have strengthened and consolidated our back-end processes, in order to ensure seamless support for all our front-end functions.

The CBN's new cashless economy initiative dictates that individual operators must adopt relevant processes and technologies to respond to the policy. Consequently, alternative service channels (especially electronic) and cash centres will be key to extending bank reach, increasing customer convenience and ease of access to bank services, and hence in determining the final outlines of competition in the industry. Over the next 12 months, we intend to continue to rapidly deploy our revolutionary solution in service delivery, the quick service points (small-format branches) in addition to other initiatives such as the deployment of the Mobile Money platform. During the year, the Bank received its licence to operate Mobile Payment Services in the country and is well positioned to take advantage of the market opportunity this represents. Our network of around 1,600 ATMs is well located and placed closer to the rural areas than any other bank in the country, and with our established money transfer franchise of Western Union and MoneyGram, we are well positioned to deploy a robust mobile payment business that will pave the way for the Bank to play a pivotal role in the electronic payment space.

Despite the numerous challenges expected in the year ahead, our response to these challenges at FirstBank has included seeking out more efficient ways of providing financial services solutions to our customers. Most significant, though, will be the transition in our focus from our products/services suites and on to a definition of ourselves as providers of financial service solutions, ensuring thereby that our plethora of products and services then become tools that we can employ in a manner that satisfies each customer's unique financial service needs.

Remarkably, as a result of consistent improvement of our operating structure (especially the more recent re-focusing of our operations away from the old geographic orientation in favour of a customer segment-based definition) and investment in critical technologies, we have regained customer leadership in gross earnings, total loans, total assets and total deposits. Significant improvements in the efficiency of our internal process, which have already been initiated, will, however, be critical as part of our commitment to regain the number one spot in terms of profitability and capital efficiency.

Risk management and governance

In this section

Chief Risk Officer's report

This risk management disclosure is made in line with international best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the FirstBank Group. The report is aimed to provide relevant information to all stakeholders in an orderly and timely manner and thereby continue to boost the confidence of the market in the Bank and its subsidiaries. Year on year, we have continued to strive at improving on the quality and scope of our enterprise-wide risk management practice and transparent disclosures and have surpassed minimum regulatory requirements.

The operating environment at the beginning of the year was rather tense, with the industry not fully recovered from the impact of global economic recession and the 2009/10 Nigerian banking crisis. There was apprehension on possible liquidation of the eight CBN-intervened banks in the event that investors were not found to buy over the banks. This situation did transfer significant market opportunities to the big and strong banks, as discerning customers continued to take flight to safety. The tension in the banking industry was, however, doused in the second half of the year as a result of the recapitalisation and acquisition of five of the CBN-intervened banks by suitable investors, and nationalisation of three of such banks through the Asset Management Corporation (AMCON). AMCON played a major role in cleaning up the toxic loans of banks with high non-performing loans and concentration risk, thereby restoring confidence in the banking industry, and released liquidity and stimulated credit to key sectors of the economy.

In light of the prevailing economic realities, the FirstBank Group has continued to diligently pursue its transformation initiatives by revamping its operating model in line with its overall strategic thrust of growth, service excellence, and people and performance management, including the enhancement of our enterprise risk management framework to proactively address the risks in a highly dynamic business dispensation.

Credit risk

FirstBank, in the financial year under review, continued to provide a robust suite of credit products and service offerings to meet and exceed market demands. Also, the credit delivery channels and risk management processes were constantly checked against industry standards to improve the level of efficiency, asset quality and yield. Particularly, the credit policy was reviewed to address changes in the risks complexion of our business. The Group continued to record high demand for credit lines from existing and new customers, even though the general credit squeeze in the industry was abating. Substantial numbers of requests for large exposures were received as the Bank continued to be viewed as the largest provider of funds, and so significant resources were deployed regarding the review and analysis of such requests, towards ensuring that only acceptable risks as defined in the Group's risk appetite framework are taken and appropriately managed. FirstBank Group, being well positioned, was able to tap into the private sector growth buoyed by specific sector reforms and increased fiscal spending as fallout of the general elections during the year. Credit to the private sector marginally increased by 1.3% over the prior period, while a 58% growth was recorded in lending to government and remained within regulatory limit. There was an overall growth of 4.6% in the loan portfolio, a significant leap over 0.5% recorded in the prior period; however it was below the target of 10–15% for the year, primarily due to the sale of Seawolf Oilfield Services Limited to AMCON and to a lesser extent, higher rate of maturing and paid down loans to new loan drawdown. We hold the view that the low rate of credit utilisation was not primarily caused by the tightened risk acceptance criteria of the Group, but by increase in the business risk of the customers as a result of high operating expenses and general uncertainty. We have continued to engage the customers to address any genuine issue that may be impeding drawdown in order to elicit a higher rate of utilisation and meet planned loan growth in the subsequent period, without compromising asset quality.

Our focus will be to provide credit support to bridge the infrastructural deficiency in the country, subject to independently tested viability of the same, and to grow credit in sectors with high economic activities, including the real sector – agriculture and manufacturing in view of the support being provided by the Government to such sectors. The Group will also support credit growth to viable emerging companies, subject to the defined target market and risk acceptance criteria for this business segment. Furthermore, we will continue to put in place processes to ensure compliance with both regulatory limits and internal risk limits to ensure credit risk is kept within tolerance levels. We will continue to aggressively champion a well-diversified portfolio and consciously dilute any form of concentration risk in the portfolio that may impinge on the soundness of the Group. With the sale of Seawolf Oilfields Services Limited's exposure to Asset Management Corporation of Nigeria (AMCON), which was the largest exposure in the Bank's loan portfolio and in excess of our single obligor limit, concentration risks will be proactively managed, including risks to the Group of obligors, industries, highly correlated sectors and insider-related exposures to avert breach of our internal portfolio and regulatory limits. Also, the FirstBank Group has provided the needed collateral securities for eligible companies to access funds at concessionary rates from the various Federal Government stimulus packages through the Central Bank of Nigeria and Bank of Industry for manufacturers, SMEs and power and aviation companies.

In the financial year 2011, AMCON purchased non-performing loans under two phases, and the Bank took advantage of the opportunity to clean up its books. The sale of ₦176 billion of eligible Bank assets to AMCON contributed not only to the conservative loan growth on the one hand, but also to the impressive asset quality ratio posted at the end of the year. Phase two sales were made in exchange for tradable bond instruments (yet to be traded), while Phase three loans were sold against consideration bonds to be converted to tradable bonds. The hair cut for each phase of sale to AMCON has steadily increased and translated into additional provisions being made on some of the sold loans, where adequate provisions had hitherto not been made. In line with the Group's policy on prompt recognition of delinquent loans, we will actively take necessary remedial/recovery actions on non-performing loans including in-house recovery measures, engagement of external recovery agents, legal recovery process and non-recourse sale to AMCON and other debt factor companies, as the need arises.

Our classification and provision strategy continues to be aligned to the CBN prudential guidelines, and a more conservative position will be taken as considered auspicious. We plan to continue with the aggressive recovery drive through the special recovery initiative embarked upon in the second quarter of 2011, and will focus on quick work-out of assets showing early signs of deterioration.

The Group, through training and acculturation, will continue to enhance the risk awareness culture of all staff at both the business and support levels, maintain zero tolerance for regulatory infractions and ensure all risk management staff are adequately qualified and regularly up-skilled to meet the demand for effective delivery of the risk function, spanning policy formulation, analysis, control, monitoring, work-out and recovery of loans. Our processes will be continuously transformed to seamlessly integrate with the risk-based compliance framework and Basel II methodologies through development of economic capital models and stress testing towards promoting a healthy, well-capitalised and sound financial institution that is able to withstand systemic risks that may occur.

Market and liquidity risk

Despite the volatility in the foreign exchange market and the regime of hiking the benchmark interest rate to defend the naira and keep a lid on inflationary pressure, which posted significant systemic business risks in 2011, the Group retained a reduced exchange rate, and interest rate risk exposures in its portfolios due to the best-in-class process and superior monitoring strategies put in place. Similarly, the sound liquidity stance of the Group waxed stronger in the year due to increase in customers' patronage and the sustained good image of the Bank in the industry. FirstBank Group has clearly identified its traded and non-traded market risk sources, and the Bank has adequately hedged its exposures.

Operational risk

FirstBank Group has embedded a robust operational risk management practice, culture and environment driven by highly rated risk and control intelligent solutions to promote the soundness of the institution. Operational risk is managed within acceptable levels through appropriate management focus and resources aimed at minimising operational losses in the Bank.

The general security situation in the country remains a concern, having taken a different dimension with the political undercurrent. FirstBank Group has continued to work at ensuring the safety of the Bank's assets, staff and customers' investments through implementation of a robust business continuity management system in line with global best practice. To this end, the Bank has adopted the BS 25999 standard, and in acknowledgement of its commitment to business continuity, received the highly esteemed BS 25999 certification from the British Standards Institution (BSI) during the year. FirstBank is the first organisation to attain this feat in Nigeria, placing the Bank on a par with international organisations in the area of business continuity management.

Information security risk

FirstBank, over the years, has held its industry leadership position through implementation of strong governance initiatives. One of these pioneering efforts was to obtain the certification of the world's renowned Information Security standard, ISO 27001, which through defined processes and controls enables management to identify, analyse, and, where necessary, respond appropriately to risks that might adversely impact on the integrity, confidentiality and availability of its information assets and the resultant effect on its overall business objectives.

We successfully expanded the scope of our initial certification and carried out recertification of our processes. FirstBank is well equipped and positioned to tackle these emerging vulnerabilities as our business practices and organisational culture are guided by global best practices. We will continue to partner with leading security organisations worldwide to promote good information security practices and governance in the banking industry towards ensuring a more secure operational environment in Nigeria.

Another focus for FirstBank information security management practice for 2012 is to deepen our security practice and align our card production environment to the international Data Security Standard by the payment card industry, which will further strengthen our security governance.

Legal and compliance risk

We continue to build on our institutionalised awareness creation framework for the identification, mitigation and management of the myriad of legal risks in our business activities. In addition to the existing processes, we have embedded proactive legal advisory support into our transaction flow with the benefit of end-to-end documentation, security and compliance assurance. We recognise that such legal risks may originate from within the Group or as a result of other external factors – hence the early deployment of our legal advisory mechanism for a more efficient and timely identification, mitigation and management of these legal risks. This accentuates the reality of our strategy of evolving the legal services function from a mere advisory role to one of shaping strategy, process and policy.

The current regulatory regime places a demand on financial institutions to know their customers and implement processes for combating money laundering and terrorist financing, as well as putting in place measures aimed at understanding regulations as they affect the financial services industry and the implications for non-compliance. The Group has continually reviewed and analysed relevant laws and regulations, which are compiled into rule books in order to ensure the business is run within regulatory boundaries.

Environmental and social risk

The Environmental and Social Risk Management System (ESRMS) policy for the Group is in place and adopted towards ensuring that projects financed are executed in a socially responsible manner and reflect sound environmental management practices. The policy will continue to apply to all projects with a capital cost of USD50 million and above. Furthermore, such projects will also be reviewed and evaluated against the social and environmental requirements of the Group's bilateral partners such as the International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, and the World Bank Group's Environmental, Health and Safety General Guidelines, as the need arises.

The FirstBank Group stands to gain reputational and competitive advantage in the adoption and implementation of the ESRM policy as the policy will positively impact the brand. It will provide a competitive edge in public–private projects and attract foreign investors as the Group will be considered to be environmentally and socially responsible and thereby get a higher rating when being assessed for credit.

Conclusion

The FirstBank Group will focus on proactive identification and management of risks in its different business lines and operations under a rapidly transforming environment, through critical up-scaling of the enterprise risk management framework with the strategic objective of maintaining risk at acceptable levels. The Board and management of the Group will continue to critically subject business initiatives to risk considerations and proceed on such initiatives only when the risk is considered fair, avoiding unguarded and uncalculated risk to the capital.

The disclosures in this report demonstrate the commitment of the Group to sound corporate governance, transparency and best-in-class risk management practices.

Remi Odunlami Executive Director/Chief Risk Officer

April 2012

Risk management framework
Our approach

Risk management philosophy

The key elements of the Bank's risk management philosophy are the following:

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

Risk culture

- The Board and management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of the Bank are not jeopardised while expanding the Bank's market share.
- The responsibility for risk management in the Bank is fully vested in the Board of Directors, which in turn delegates such to senior management.
- The Bank pays attention to both quantifiable and unquantifiable risks.
- The Bank's management promotes awareness of risk and risk management across the Bank.
- The Bank avoids products, markets and businesses where it cannot objectively assess and manage the associated risks.

Risk appetite

The Bank's risk appetite is set by the Board of Directors annually, at a level that minimises erosion of earnings or capital due to avoidable losses in the banking and trading books, or from frauds or operational inefficiencies. The Bank's appetite for risk is governed by the following:

- high-quality risk assets measured by three Key Performance Indicators:
  - i. ratio of non-performing loans to total loans;
  - ii. ratio of loan loss expenses to interest revenue; and
  - iii. ratio of loan loss provision to gross non-performing loans.

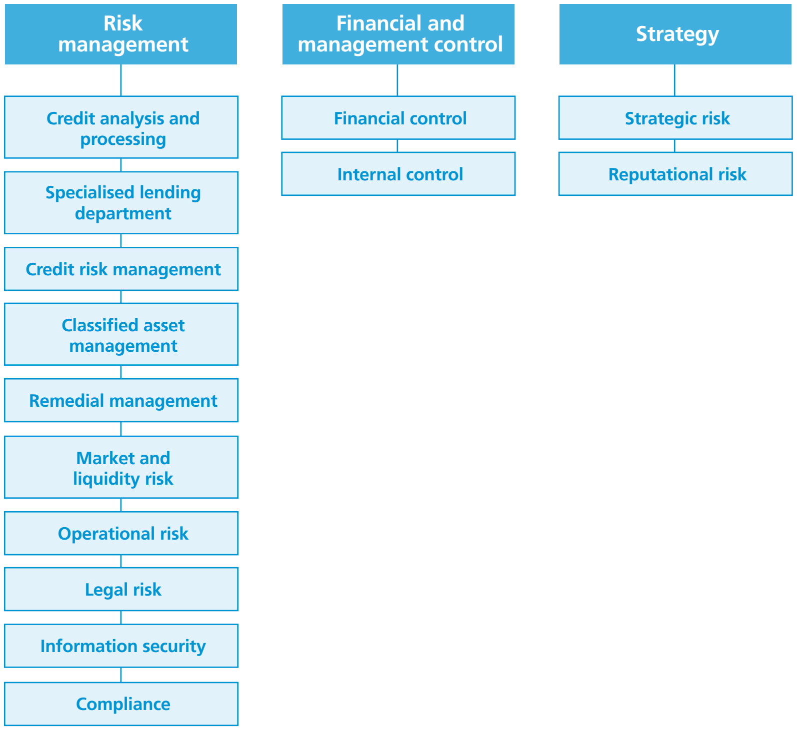
The broad objective is to be among the top three banks with respect to (i) and (ii) above and for (iii) maintain a ratio that ensures that there are adequate provisions for all non-performing assets based on their levels of classification.

- Diversification targets are set for the credit portfolio and limits are also set for aggregate large exposures.
- Losses due to frauds and operational lapses are pegged at a maximum of a specified percentage of gross earnings and in any case must be lower than the industry average.
- Financial and prudential ratios targets are pegged at a level more conservative than regulatory requirements and better than the average of benchmark banks. These include liquidity ratios, deposit concentration limits and open position limits.
- The Bank aims at minimising the following independent indicators of excessive appetite for risk:
  - i. exception reporting by internal control officers, auditors, regulators and external rating agencies;
  - ii. adverse publicity in local and international press;
  - iii. frequent litigations;
  - iv. payment of fines and other regulatory penalties; and
  - v. above average level of staff and customer attrition.

The Bank will not compromise its reputation through unethical, illegal and unprofessional conduct. The Bank also maintains zero appetite for association with disreputable individuals and entities.

Risk management oversight

The Bank's risk management directorate (the Directorate) provides central oversight of risk management across the Bank and its subsidiaries to ensure that the full spectrum of risks facing the Bank and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The Directorate is, however, complemented by other departments in the management of certain important risks as illustrated below.



The Directorate coordinates the monitoring and reporting of all risks across the Bank and its subsidiaries. The Directorate is headed by a skilled and highly competent Executive Director.

The Internal Control Division performs first-level and continuous independent verification/testing of control measures put in place to manage all risks across the Group.

Without prejudice to the above, internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework.

Relationship of risk management with other units

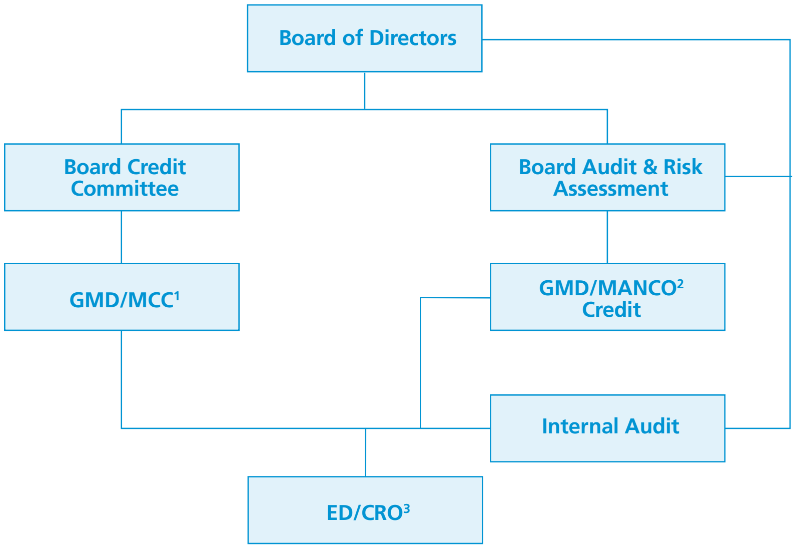
The relationships between the Risk Management Directorate (RMD) and other sections of the Group are highlighted below:

- Sets policies and defines limits for other units in the Bank.
- Performs Bank-wide risk monitoring and reporting, and provides framework for management of risk.
- Other units provide relevant data to risk management for risk identification, monitoring and reporting, while RMD provides a framework for managing such risks.
- Collaborates with market-facing units in designing new products.
- Coordinates activities with internal audit to provide a holistic view of risks across the Group.
- Makes recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports.
- Collaborates with information technology support group to provide relevant automated credit operations process, such as credit scoring, loss databases, loan origination and management systems, etc.

Risk management framework
Governance and internal control

Risk management governance framework

FirstBank's risk management governance framework is outlined in the diagram below.



1 Group Managing Director/Management Credit Committee.
2 Group Managing Director/Management Committee.
3 Executive Director/Chief Risk Officer.

Roles and responsibilities

Board of Directors

- Approve and periodically review risk strategy and policies.
- Approve the Group's risk appetite annually and monitor the Bank's risk profile against this appetite.
- Ensure executive management takes steps necessary to monitor and control risks.
- Ensure that management maintains an appropriate system of internal control and reviews its effectiveness.
- Ensure risk strategy reflects the Group's tolerance for risk.
- Ensure the Group's overall credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Review and approve changes/amendments to the risk management framework.
- Review and approve risk management procedures and control for new products and activities.
- Periodically receive risk reports from the management highlighting key risk areas, control failures and remedial action steps taken by the management. This is done at least once every quarter.
- Ensure that the management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function.
- Ensure that the Group implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.
- Ensure that detailed policies and procedures for risk exposure creation, management and recovery are in place.
- 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 committees of the Board, namely:

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

Without prejudice to the roles of these committees, the full 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 two executive and three non-executive directors, with a non-executive director as Chairman. The Chief Risk Officer (CRO) reports to this Committee and is a non-voting member.

Board Credit Committee

The Board Credit Committee ensures effective management of credit risk by the Bank and its subsidiaries. It is also responsible for approving the following:

- credit risk management strategy, policies and standards;
- credit products, processes and approving authorities;
- credit risk appetite and limits; and
- credit requests above MCC level, including those going to the full Board as a recommendation. This Committee is made up of the Group Managing Director/ Chief Executive, all the executive directors and five non-executive directors. The Chairman is a non-executive director.

Management Committee (MANCO)

For all categories of risk, the Management Committee is responsible for formulating policies, monitoring implementation and reviewing risk reports for presentation to the Board/Board committees as well as implementing Board decisions across the Bank.

To be more specific, the management of the Bank and its subsidiaries is responsible for the following:

- implementation of risk strategy approved by the Board of Directors;
- developing policies and procedures for identifying, measuring and controlling risk;
- providing appropriate resources to evaluate and control risk;
- reviewing risk reports on a regular and timely basis; and
- providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.

Management Credit Committee (MCC)

It is the responsibility of this Committee to:

- establish and maintain an effective risk management environment in the Group;
- review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval;
- define the Group's risk and return preferences and target risk portfolio;
- monitor on an ongoing basis the Group'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 the Bank's policy;
- review defined credit product programmes on recommendation of the Head, Credit Risk Management (CRM) and endorse to the Board of Directors for approval;
- review credit policy changes initiated by the management of the Bank and endorse to the Board of Directors for approval;
- ensure compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
- approve credit facility requests within limits defined by FirstBank's credit policy, and within the statutory requirements set by the regulatory/supervisory authorities;
- review and recommend to the Board Credit Committee facilities beyond management approval limits;
- review monthly credit portfolio reports and assess portfolio performance;
- request rapid portfolio reviews or sector/industry reviews from CRM where deemed appropriate; and
- approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limits.

Internal control

Overview

Internal control in FirstBank refers to the overall operating framework of practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions, which exists in the Group and is designed to ensure:

- that essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance with general accounting principles;
- compliance with applicable laws and regulations including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

FirstBank is committed to creating and maintaining a world-class internal control environment that is capable of sustaining its current leadership position in the financial services industry.

Strategy and policy

FirstBank operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To effectively manage these risks, FirstBank Group has put in place internal control measures that cover the Bank and its subsidiaries.

The Bank has also instituted an effective and efficient internal control environment that ensures minimal operational losses arising from fraud, errors, operational lapses, armed robberies, customer dissatisfaction, customer complaints and other risk exposures.

Strong and effective IT control and revenue assurance

FirstBank has also developed a strong framework for effective information technology (IT) controls. This essentially revolves around ensuring the integrity, security, efficiency and reliability, and compliance of the Bank's information systems and resources, including:

- management and administration of users/access control on the Bank's various application software to ensure proper user access rights are attached to each job role and to ensure reliability of access control mechanisms on the applications;
- monitoring and review of the Bank's processes, practices and procedures to maximise revenue through a systematic and automated approach, crossing all departmental and functional boundaries, guaranteeing validity, completeness, accuracy and timeliness of financial data relating to the Bank's revenue. This includes interest income, interest expense, commissions, fees, commission on turnover (COT) and management fees validation among others;
- monitoring IT operations, databases, server hardware and server operating systems, network infrastructure and applications systems monitoring;
- quality assurance, systems development controls and user acceptance testing (UAT); and
- reviewing all new systems end-to-end and coming up with technology-related risk and vulnerabilities in the product, process or system being developed and advising mitigating controls.

Fraud management objectives

- Prevention of fraud occurrence or losses. Where prevention is not possible they should be promptly detected and mitigated.
- Efficient fraud loss mitigation measures, i.e., rapid escalation of fraud occurrence, insurance recovery and effective management of law enforcement agencies.
- Prevent repeat of operational lapses and system defects that facilitate fraud incidents.
- Minimise other operational losses associated with fraud losses.
- Automation of fraud preventive and detective measures.

Risk management framework
Governance and internal control

Fraud management strategies

- Implementation of world-class enterprise fraud management software with strong emphasis on automated fraud prevention and detection. To this end, FirstBank has deployed the Internal Control & Anti-Fraud Automated Solution (ICAFAS) software in the prevention and timely detection of fraud in the system.
- Building fraud prevention and detection controls in processes and systems.
- Strict compliance with internal policy, regulatory and statutory requirements.
- Implementation of anti-fraud operational, supervisory and independent controls.
- Proactive management of financial and non-financial risks.
- Holding operators and supervisors personally responsible for fraud occurrence.
- Conducting root cause analysis of fraud occurrence.
- Automation of reconciliation activities.
- Risk-based departmental and independent control checklist for supervisors and resident internal control officers (RICOs).
- Enforcement of general ledger account ownership policy for operations staff.
- Strong handshake/partnership among various stakeholders responsible for fraud escalation, management and loss recovery.
- Continuous awareness campaign on fraud learning points.
- Dynamic/continuous control improvement measures.
- Improve RICO manning and skill capacity.
- Improve anti-fraud operational control capacities among operations staff.
- Process optimisation and automation.
- Frequent rotation of RICOs and operations staff.
- Effective fraud escalation mechanism to all levels of management.
- Effective implementation of whistle-blowing policy.

Internal Control & Anti-Fraud Automated Solution (ICAFAS) project

To keep in line with the volatile risk environment in the banking industry, FirstBank intensified efforts in the current year to derive maximum benefits from the Internal Control & Anti-Fraud Automated Solution (ICAFAS) project that began in the prior year.

The ICAFAS project is separated into two categories:

i) Anti-fraud detection solution

Currently, 23 fraud rules have been deployed using the anti-fraud solution to alert responsible officers of the Bank of activities that may lead to potential fraud based on specific scenarios. The implementation of additional fraud rules and reconciliation scenarios is ongoing.

ii) Governance, risk and compliance software

The integrated GRC (Governance, Risk and Compliance) software is structured to integrate the activities of inter-related departments within the organisation. This enables departments such as internal control, compliance, information security, operational risk, information technology and internal audit to operate from an integrated platform. Additional cost savings also accrue from an internal as well as an external point of view. Internal processes and procedures can be easily tracked and promptly corrected, thereby reducing the overall risk of the organisation. Other benefits in this regard include:

- increasing the efficiencies of these departments by improving the flow of information;
- eliminating redundancies often experienced by such departments in a purely manual process. The current processes performed by these departments will now be documented electronically in line with international best practice;
- allowing easier monitoring of risks and control breaches Bank-wide;
- eliminating a silo approach to risk and control management within the organisation; and
- effectively tracking control breaches and increasing the control consciousness of the operational staff who are the first line of defence.

Review of the internal control department by Ernst & Young (Chartered Accountants)

An assessment and review of the current structure, functions, duties and responsibilities of the internal control department was done by Ernst & Young.

The review was carried out to assess the current level of performance of FirstBank internal control function against both the Committee of Sponsoring Organisation of the Treadway Commission (COSO), internal control integrated framework and attributes of internal control commonly experienced in leading financial services organisations.

The review included interviews with a range of internal control stakeholders, including non-executive and executive directors and members of the FirstBank management team. The firm also carried out a detailed review of internal control activities including a desktop review of the Bank's internal control framework, internal control guidelines as well as various documentation and samples of internal control reports and a comprehensive internal control staff survey with a 99% response rate.

Priorities for 2012

- Full deployment of the ICAFAS software in effectively preventing and detecting fraud and control infractions.
- Implementation of the FirstBank Management Committee (MANCO) approved recommendations of the Ernst & Young report.
- Strengthening of internal controls consciousness in the Bank through effective support and training to operators in their role as the first line of defence in risk management.
- Strengthening of IT control and monitoring to ensure adequate controls built around the Bank's software.

Credit risk

Overview

Credit risk management verifies and manages the credit process from origination to collection. In designing credit policies, due consideration is given to the Bank's commitment to:

- create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
- identify credit risk in each investment, loan or other activity of the Bank;
- utilise appropriate, accurate and timely tools to measure credit risk;
- adopt a risk-based approach for determining appropriate pricing for lending products and service offerings;
- set acceptable risk parameters;
- maintain acceptable levels of credit risk for existing individual credit exposures;
- maintain acceptable levels of overall credit risk for the Bank's portfolio;
- coordinate credit risk management and other risks inherent in the Bank's business activities; and
- set remedial and recovery actions.

Philosophy

The following principles guide credit risk management across the Bank. The Bank shall:

- deliberately manage its risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised, as well as ensure portfolio flexibility and liquidity;
- ensure that exposures to any industry or customer are determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines;
- extend credit to only suitable and well-identified customers and never where there is any doubt as to their ethical standards and record;
- never extend credit where the source of repayment is unknown or speculative nor where the purpose/destination of funds is undisclosed;
- never take a credit risk where ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations shall have priority over business and profit considerations;
- ensure that the primary source of repayment for each credit is from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements; the realisation of security remains a fall-back option;
- adopt a pricing model that reflects variation in the risk profile of various exposures to ensure that higher risks are compensated by higher returns;
- ensure that products to be sold in the retail market are backed by approved product programmes;
- ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the counterparty;
- avoid all conflict of interest situations and report all insider-related credits to appropriate bodies; and
- ensure that there are consequences for non-compliance with the Bank's credit policies.

Responsibilities and functions of key stakeholders in the credit process

In line with the Bank's philosophy to entrench sound corporate governance in its operations, the Credit Group under risk management is structured to ensure the separation of policy, monitoring, reporting and control functions from credit processing functions. To this end, the functions of the Credit Group are handled at different levels by five departments, namely:

- Credit Analysis & Processing (CAP);
- Specialised Lending Department (SLD);
- Credit Risk Management (CRM);
- Remedial Management Unit (RMU) with a bias for proactive work-out of accounts showing early signs of weakness; and
- Classified Assets Management (CAM).

Credit Analysis & Processing (CAP) is responsible for the appraisal of non-specialised credit requests and processing to obtain requisite approvals in line with the Bank's policy. The department has been reconstituted to handle requests from the Strategic Business Units – Corporate Banking, Institutional Banking, Private Banking, Public Sector and Retail Banking. CAP also engages in the review of wholesale/retail/consumer credit product programmes. It was recently reorganised for more balanced and better-organised distribution of workload and to align with the current new structure. This, it is believed, will enhance efficiency and effectiveness of the function. It will also foster smoother (internal) customer relationship management.

Specialised Lending Department (SLD) is responsible for the appraisal of credit requests and processing through to final decision of specialised types of credit, due to the peculiarity of such transactions in view of their size and complexity. Below is an outline of the portfolio being handled by SLD.

- Project finance
  - power
  - oil and gas (upstream and downstream)
  - utilities (water projects, etc.)
  - transportation (mass transit, aviation)
  - commercial real estate projects i.e., projects conceived for commercial gain
  - infrastructure, including public assets concessions (roads, airports, etc.).
- Agricultural credit product programmes.
- Financial institutions credit requests.
- Public sector.

Risk management disclosure
Credit risk

Credit Risk Management (CRM) is responsible for the planning, monitoring and reporting of the credit portfolio. The monitoring of loans on obligor and portfolio basis as well as the reporting of these to Management and the Board remains the core responsibility of CRM. The monitoring unit is delineated along the Strategic Business Units (SBUs) to provide independent support and guidance to the relationship teams in the management of facilities, by ensuring early warning signs of deterioration are promptly picked up and remedial action is set in motion. The credit control unit is responsible for ensuring adherence to control measures, confirming approval of credit, conveying approvals and ensuring conditions are satisfied. CRM has ownership of all rating systems/ scorecards and recommends and monitors the credit risk appetite for the year and reports periodically to the Board and Management. The department serves as the credit secretariat and manages the documentation and other credit process initiatives for the Group.

Remedial Management/Recovery Business Unit (RBU): In order to checkmate the level of loan default in a tough operating environment, emphasis will continue to be placed on prompt identification of weak assets for active loan work-out and remedial management by Remedial Management (with the Recovery Business Unit sub-sect). Effort will be geared to independently follow up on customers with delinquent assets before the level of delinquency becomes irreversible and thereby reduce the level of potential loss in the portfolio.

Classified Assets Management (CAM) will remain responsible for the recovery of classified retail loans that are 90 days past due, wholesale accounts classified lost with days past due (DPD) of over 540 days and accounts written off from on-balance sheet into CAM SOL. CAM will continue to liaise with debt recovery agents, receivers/ managers and solicitors to ensure effective recovery of bad loans.

Internal ratings scale

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

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

The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Obligor Risk Rating (ORR) system

The obligor risk rating grids have a minimum of nine risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligors in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket			Range of scores	Probability of default	Grade
Extremely low risk	AAA	1	1.00 – 1.99	90–100%	1%	Investment
Very low risk	AA	2	2.00 – 2.99	80–89%	1%	
Low risk	A	3	3.00 – 3.99	70–79%	1.5%	
Low risk	BBB	4	4.00 – 4.99	60–69%	2%	
Acceptable – moderately high risk	BB	5	5.00 – 5.99	50–59%	4%	Non-investment
High risk	B	6	6.00 – 6.99	40–49%	6%	
Very high risk	CCC	7	7.00 – 7.99	30–39%	9%	
Extremely high risk	CC	8	8.00 – 8.99	10–29%	13%	
High likelihood of default	C	9	9.00 – 9.99	0–9%	15%	
Default risk	D	10				Default
Sub-standard	D				25%	
Doubtful	D				50%	
Lost	D				100%	

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

- FirstBank shall not lend to non-investment grade obligors without any form of collateral, except as specified under a product programme. Collaterals are rated from best to worst in order of liquidity, controllability and realisable value. The more liquid a collateral is, the lower the estimated portion of the exposure that may not be covered in the event of default. Therefore, for highly illiquid collaterals, a higher loss given default is assumed.
- Under the internal rating systems, all facilities should have a Facility Risk Rating (FRR), which is different from the obligor risk rating to the extent of the perceived value of the collateral provided.

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the ED/Chief Risk Officer. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

The process of setting the limits is as follows:

- The Bank engages in a detailed portfolio plan annually. In drawing up the plan, the Bank reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The Bank's target loan portfolio is then distributed across acceptable target market industries, Strategic Business Units and approved product programmes.
- Aggregate large exposure limit of not more than 400% of the Bank's shareholders' funds.
- Public sector exposure limit of not more than 10% of the Bank's loan portfolio.
- Industry/economic sector limits are imposed on the Bank's lending portfolio, in line with the following policies:
  - the Bank's target market is companies operating in industries rated 'BB' or better unless on an exception basis;
  - the Bank would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g. oil exploration and oil service, tyre manufacturing and tyre distribution, etc.);
  - the Bank would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better; and
  - no more than 15% of the Bank's portfolio would be in any industry rated 'BB'.

Geographic limits

- Presently, the Bank does not have any exposure to counterparties domiciled outside Nigeria. Such exposures are taken by its subsidiary in the United Kingdom, which operates within country limits defined by its Board of Directors. However, the Bank has a fully developed country risk rating system, that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

Single obligor limits

- Limits are imposed on loans to individual borrowers. The Bank as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 15% of SHF to create a prudent buffer. The largest exposure of the Bank, which was reported as being in excess of the single obligor limit in prior period, was regularised through sale of same to AMCON. Although it is a performing asset, it had to be sold down because of its size and the impact it could have on the banking industry should there be an adverse situation.
- Product programmes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Bank shall not lend more than:
  - 20% of the Bank's shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure; and
  - no single retail loan should amount to more than 0.2% of total retail portfolio.

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

Approval levels	Investment grade obligors limits ₦'000	Non-investment grade and unrated obligors limits ₦'000
Board of Directors	>45,000,000	>30,000,000
Board Credit Committee	45,000,000	30,000,000
Management Credit Committee	30,000,000	5,000,000
GMD + CRO + Business_SCO1 or Business_SCO2	10,000,000	3,000,000
Risk_SCO1 + Business_SCO1 or Business_SCO2	8,000,000	2,500,000
Business_SCO1 + Risk_SCO2	5,000,000	1,000,000
Risk_SCO3 + Business_SCO2	500,000	250,000
Risk_SCO4 + Group Head +BDM	100,000	100,000

Risk management disclosure
Credit risk

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

Classification and provisioning policy

Provision is made in accordance with the *Prudential Guidelines for Licensed Banks* issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facility as follows:

Classification	Past due obligation	Provision
Performing	<1 day – 89 days	1%
Sub-standard	>90 days – 179 days	10%
Doubtful	>180 days – 359 days	50%
Lost	>360 days	100%

Write-off and recoveries

After full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs shall require endorsement at the appropriate level as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

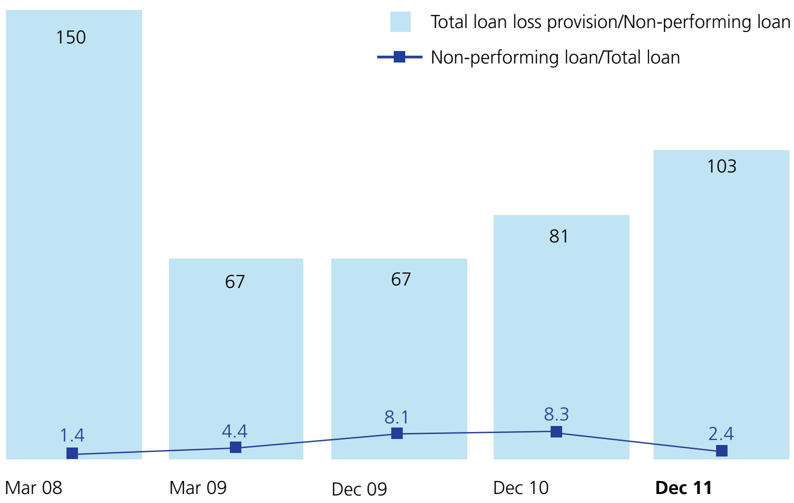
Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

Portfolio ratios (Bank only)

Asset quality ratios

Non-performing accounts have been recognised, classified and provisions made as appropriate in line with the Prudential Guidelines, giving loan loss coverage of 103% (see chart below). Non-performing loans/total loans ratio for the period was 2.4%, mainly due to the recognition and classification of weak and impaired assets in the portfolio.

Asset quality ratios



Non-performing exposures are defined as exposures with past due obligations >90 days. Loans move from performing status to sub-standard, doubtful and lost, depending on objective criteria based on the number of days past due as shown below.

	December 2011 (₦'bn)
Performing	1,134
Non-performing:	
Sub-standard	9
Doubtful	7
Lost	12
Total	1,162

Performing but past due loans

Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing are as follows:

At 31 December 2011	Retail (₦'mn)	Corporate (₦'mn)	SME (₦'mn)	Financial institutions (₦'mn)	Total (₦'mn)
Past due up to 30 days	31,821	115,644	1,815	2,046	151,326
Past due 30–60 days	7,653	20,725	255	3	28,636
Past due 60–90 days	3,886	9,224	775	0	13,885
	43,360	**145,593**	**2,845**	**2,050**	**193,848**

Portfolio distribution by business lines

The consumer and retail segments contributed 23% of loan portfolio as at December 2011.

Sectors	December 2011 (₦'bn)	% of portfolio
Corporate	559	48
Consumer	118	10
Wholesale	53	5
Retail	155	13
Financial institutions	13	1
Agricultural/miscellaneous	21	2
Public sector	102	9
Trade/commerce	81	7
Financial market	16	1
Treasury investment	22	2
Real estate	22	2
Total	**1,162**	**100%**

Portfolio distribution by risk rating

Risk rating category	Rating	December 2011 (₦'bn)	% of portfolio
Extremely low risk	AAA	-	0
Very low risk	AA	90	8
Low risk	A	16	1
Acceptable risk	BBB	171	15
Moderately high risk	BB	364	31
High risk	B	465	40
Very high risk	CCC	12	1
Extremely high risk	CC	3	0
High likelihood of default	C	14	1
Default	D	28	2
Total		**1,162**	**100**

The Weighted Average Risk Rating (WARR) calculates the aggregate risk rating of the Bank's credit portfolio weighted against probability of default. It provides a holistic view on the level of risk on the Bank's portfolio through credit ratings.

WARR for December 2011 stood at BB, which is the limit of the Board-approved target.

Risk management disclosure
Credit risk

Credit Risk Management outlook

The Group will continue to pursue an aggressive but sustainable loan growth strategy by optimally exploiting the economic developmental goals of the government vis-a-vis achieving its own strategic imperatives. It is expected that there would be increased demand for credit, while loan selection criteria will remain rigorous with pricing reflecting the risks being taken on such exposures for asset creation to make business sense, otherwise government securities would remain a safer option for the Bank. The Group will also devote considerable effort to keeping asset quality at acceptable risk thresholds through policy re-definition and transformation of structures and processes. The proposed full deregulation of oil and gas downstream sector, passage of the Petroleum Industry Bill and consequent removal of petroleum subsidy will dominate the socio-economic climate in the first quarter of 2012 and beyond. It is envisaged that there would be an increase in downstream operators' demand for credit lines once NNPC is no longer involved in the control of allocation of petroleum products importation. Monitoring structure of petroleum-based transaction would have to be tightened to control inherent losses and avert significant losses on the portfolio.

Capacity utilisation is likely to increase in the manufacturing sector with the expected increase in electricity generation and planned privatisation of the power sector. Coupled with the developmental initiatives in the agricultural sector, the non-oil sector is expected to witness the highest considerable growth.

Disposable income is expected to be impaired with the removal of petroleum product subsidy and increase in electricity tariff, and contract the consumer target market, causing a shift to retail and SME lending. The newly set-up Emerging Corporate Business Unit will have to be strategically developed to capture the business opportunities and good margins in the SME sector, subject to sound risk management policies and procedures.

In spite of the growth projections in 2012, asset quality will not be compromised and this would be ensured through the constant review of the Bank's risk appetite definitions and risk acceptance criteria. Therefore, credits will only be extended to suitable and well-identified customers, in line with Board approved policy. The Bank will also continue to focus on the growth sectors of the economy through strategic portfolio planning, supported by sound risk identification, measurement, control, monitoring and reporting. There will also be an aggressive focus on remedial management and recovery of delinquent assets.

The credit process will be enhanced to address prevailing challenges, while credit models will be subjected to periodic validation for the purpose of obtaining necessary assurances. Portfolio stress tests will be adopted as appropriate, to consider implications of scenarios that may seem relatively unlikely but could pose serious risks to the institution if they crystallise. The SAS risk management module and business analytics will be a useful tool in this regard to develop models and test and validate different business scenarios.

We will continue to strengthen specialised lending, credit analysis and credit monitoring through both internal and external trainings.

Market risk

Overview

Market risk is the risk that the value of a trading or an investment portfolio will decrease due to changes in market risk factors such as stock prices, interest rates, foreign exchange rates and commodity prices.

It represents the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of movements in certain market variables and their implied volatilities.

During the financial year, the Bank was exposed to market risk in its trading, market making, underwriting and investing activities mainly as a result of:

- interest rate movements in response to fiscal policies, market forces or as directly indicated by monetary policy pronouncements such as changes in the Central Bank of Nigeria's benchmark Monetary Policy Rate;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces.

Philosophy

The market risk management process in the FirstBank Group allows disciplined risk-taking within a framework of well-defined risk appetite that enables the Bank to enhance shareholder value while maintaining competitive advantage through effective utilisation of risk capital.

Our objective is to manage market risk exposures for optimal returns while maintaining a market profile consistent with our status in the financial services industry. Thus, FirstBank's Group market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy;
- a Bank-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk methodology (VaR), stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
- an independent market risk management function reporting directly to the Bank's Chief Risk Officer. Market risk officers are competent and empowered to perform their duties professionally without undue interference;
- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Bank does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products;
- where the Bank takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward; and
- all the procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls.

Structure and framework

The Bank ensures that all the market risk exposures are consistent with its business strategy and within the defined risk tolerance. FirstBank therefore manages market risk within:

- a well-defined market risk appetite;
- an overall market risk exposure maintained at levels consistent with the available capital; and
- a stable and reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk in a consistent manner across the businesses within the Bank.

Governance

The Board of Directors provides oversight for the market risk management function through its Board Audit & Risk Assessment Committee (BARAC).

Management oversight is provided by the Assets & Liabilities Management Committee (ALCO).

The Board of Directors is responsible for:

- approval of market risk management framework, policies, strategies, guidelines and philosophy;
- provision of oversight for the implementation of market risk management policies; and
- approval of market risk-related limits for the Bank and subsidiaries.

The ALCO, made up of executive directors and other relevant divisional heads, is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to foreign currency rates, interest rates and equity prices' risks;
- reviewing market risk strategy and recommending the same for Board approval;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;

Risk management disclosure
Market risk

- reviewing and recommending for approval market risk-related limits, i.e., position, concentration, currency, dealing gap, total portfolio and counterparty limits; and
- approving appointment of dealers.

The ALCO is the highest technical body responsible for market risk management but has delegated its technical functions to an ALCO sub-committee, the Market Risk Policy Committee (MRPC), in order to achieve a more intense analysis of market and liquidity risks and to administer technical policies concerning financial models and valuation techniques. The MRPC shall make recommendations to ALCO on market risk management.

The responsibilities of the MRPC as an advisory technical body responsible for market risk management include the following:

- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;
- reviewing and recommending for approval annually, the Market Risk Limits Package (MRP), Liquidity Risk Package (LRP), Management Action Triggers (MATs) and Triggers for Accrual Portfolios (TRAP) for all the Risk Taking Units (RTUs);
- ensuring the certification of financial models, the effectiveness of the market risk systems and other systems used to calculate market risk;
- recommending changes in the market risk framework for ALCO's approval;
- recommending exceptions from the market risk framework for ALCO's approval;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk for ALCO's approval;
- recommending for approval the amendments to MRP and LRP in terms of limits (position, concentration, dealing, counterparty, etc.);
- providing the oversight on limit exceptions and trigger breaks;
- recommending for approval the volatilities of risk factors, correlations of securities or currencies and credit risk factor tables (i.e. this will be a function of the type of contract, its tenor and volatility of the underlying market factors) for different products;
- recommending for approval the assumptions to back interest rate and liquidity gap analyses of the balance sheet into tenor buckets;
- reviewing capital allocation, charge computations and stress tests reports;
- recommending steps to protect the Bank's capital ratios from the effects of changes in market risk factors;
- establishing the Bank's capital hedge framework;
- reviewing periodically the Bank's market risk strategy; and
- endorsing the appointment of the Bank's Head of Market and Liquidity Risk department.

The day-to-day implementation of the Bank's market risk management policies, procedures and systems is delegated to the Head of the Market and Liquidity Risk Management department who reports to the ED/Chief Risk Officer.

The Market and Liquidity Risk department is responsible for:

- implementation of the framework and establishment of the market risk policy;
- definition of identification standards and independent measurement, monitoring, controlling and reporting of market risk;
- definition, approval and monitoring of limits;
- performance of qualitative risk assessments; and
- performance of stress tests and scenario analyses.

The Bank also provides oversight for its subsidiaries that engage in limited proprietary trading in quoted equities. In addition, each subsidiary has a risk management policy that is consistent with the Enterprise Risk Management framework.

The Bank does not trade in commodity and therefore is not exposed to commodity risk except in transactions where commodities have been used as collateral for credit transactions. The latter is covered under credit risk management.

Policy and strategy

FirstBank has put in place a clearly defined market risk management framework that provides the Board of Directors and management with guidance on market risk management processes. The Bank has also prescribed tolerable market-related losses, with regard to the quantum of available capital and level of other risk exposures.

Value at Risk (VaR)

VaR is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value, which will not be exceeded in a set time period at a set statistical confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days.

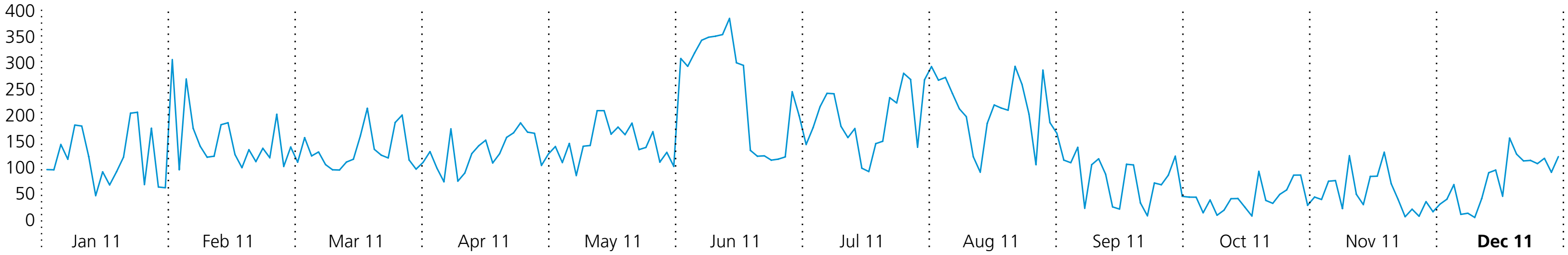
The Bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors.

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

The table and graph below shows the trading VaR of the Bank. The major contributors to the trading VaR are Bonds and Foreign Exchange due to high volatility in those instruments impacting positions held by the Bank during the period. The yield on various maturities for Bonds rose by over 500 basis points on the average; while the naira depreciated by about 5% in the interbank market.

DAILY VAR @ 99%,10-DAY (TRADING)	Average ₦'million	High ₦'million	Low ₦'million	Actual ₦'million
Interest rate risk:				
Bonds	53.40	184.41	0.10	1.78
Treasury Bills	3.24	29.75	0.21	0.68
Foreign exchange risk:	76.02	275.56	0.80	115.90

Daily VaR (trading) Trend



Stress testing

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

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

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

Non-trading portfolio

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

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes.

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:

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

Hedged non-trading market risk exposures

The major sources of market risk in the Bank's books have been identified and are being managed using hedges and swaps.

Risk management disclosure
Market risk

Outlook

The Nigerian economy achieved major stability in the financial sector in 2011 to brace up for the global financial crisis and emerging issues in global economy, and it is more poised to experience an improved level of macro-economic stability and policy alignment between fiscal and monetary policies in 2012. The impact of the various banking reforms and initiatives that had been introduced to the system in the past three years is expected to manifest itself and significantly support various financial markets in 2012.

The year 2011 was characterised by a continuous hiking of the monetary policy rate (six consecutive times) by the CBN to defend the naira and keep a lid on inflationary pressure. We expect to see more of CBN's actions in combating liquidity in 2012 especially with the expansionary fiscal stance of the budget but the apex bank is more likely to explore other indirect monetary policy tools in managing system liquidity rather than frequently increasing the Monetary Policy Rate (MPR) as recorded in 2011.

The inflationary threat that has surfaced in the country since 2011 over concern about political spending remained unabated with the CBN failing to achieve the single-digit target. We anticipate that fighting inflation will be a great challenge in 2012, taking into account the removal of fuel subsidies as well as the proposed expansionary fiscal stance.

The foreign exchange market was largely volatile for most of 2011 with various monetary tightening steps aimed to help curb the persistent pressure as the market failed to achieve desired goals, forcing the CBN to lower the naira's target band to +/-3% around 155 naira. Also, Nigeria's foreign reserves remained flat throughout 2011, despite the rising oil prices at the international market due to strong import demand and large financial outflow. The expected inflationary tendencies will most likely fuel pressure in the FX market in 2012 but we foresee a cushion from the import substitution strategies embedded in budget 2012 and the deregulation of downstream oil sector which would have a salutary effect on the country's external reserve.

The equities market moved further southwards in 2011 as investors showed preference for long-term risk-free assets over the highly volatile and risky stocks due to the incessant raising of the benchmark interest rate and partly as a result of the uncertainty in the economic environment engendered by the security threats which negatively affected the growth of the capital market. Although achieving a non-inflationary growth in 2012 is not likely, we are optimistic that the gains from the ongoing reforms in the nation's capital market will be highly visible and lead to the growth and development of the market. Besides, the preparedness of the Government to tackle the threat of insecurity in the country will boost the interest of both foreign and local investors into the market.

Oil price was favourably higher than the budget benchmark with savoury performance in the nation's crude oil production in 2011. The outlook remains buoyant and we anticipate a more positive macroeconomic performance in 2012 driven significantly by the upbeat global oil prices and improved crude production.

The ongoing financial reforms have been a key pillar, which encouraged performance growth in 2011. The Nigerian banking system is now relatively stable and well positioned to stimulate growth and development of the economy. The year 2012 will be a watershed for the industry as we expect to witness more consolidation of the reforms and intensified competition as a result of recent mergers and acquisition in the banking industry.

We are positive of a greater prospect for the Nigerian financial market driven by a stronger banking industry and favourable regulatory environment in 2012.

Liquidity risk

Overview

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

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

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

Philosophy

FirstBank Group maintains an optimal level of liquidity through the active management of both assets and liabilities while complying with regulatory requirements and optimising returns.

The following principles guide liquidity risk management across the Bank:

- a robust liquidity risk management framework that ensures maintenance of sufficient liquidity to withstand a range of stress events;
- clearly articulated liquidity risk tolerance appropriate for the Group's business strategy and its role in the financial system;
- alignment of risk-taking businesses with resultant liquidity risk exposure in fund transfer pricing, performance measurement and new product approval process;
- a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust framework for projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons;
- a clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritisation of funding sources by stability;
- early warning indicators of liquidity risk to aid the prompt identification of liquidity risk such as concentrations either in assets or liabilities, deterioration in quality of credit portfolio and a large size of off-balance sheet exposure; and
- a comprehensive contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Governance

The Board Audit & Risk Assessment Committee (BARAC) and the full Board are responsible for the following:

- approval of liquidity risk management framework, policies, strategies, guidelines and philosophy;
- providing Board oversight for the implementation of liquidity risk management policies; and
- approval of liquidity risk-related limits for the Bank and subsidiaries.

The Assets & Liabilities Management Committee (ALCO), made up of executive directors and other relevant divisional heads, is responsible for the following:

- review of policies relating to liquidity risk management;
- recommendation of liquidity risk policies to the Board;
- review of liquidity risk strategy and recommendation of the same for Board approval;
- provision of management oversight on the implementation of policies relating to liquidity risk;
- monitoring of liquidity risk inherent in the maturities mismatch of the assets and liabilities;
- development of policies, procedures, tools and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensuring compliance with statutory and regulatory requirements relating to liquidity risks;
- review of and recommendations on liquidity risk-related limits for approvals; and
- approval of stress scenarios and contingency funding plan assumption.

Implementation of the Bank's market and liquidity risk management policies, procedures and systems is delegated to the Head of Market and Liquidity Risk Management department who reports to the Executive Director/Chief Risk Officer.

The Bank maintains a well-articulated liquidity risk policy, which drives the level of liquidity risk exposures and determines business size and maturities.

Policies and procedures

The principal mechanism for implementing the Bank's liquidity policy is the maintenance of the liquid assets to deposits ratio over and above the defined regulatory minimum.

The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure the Bank's exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all the Bank's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

The liquidity and funding management process also includes the preparation of multicurrency balance sheets, assessing cash flows by major currencies and projecting cash flows under stress scenarios.

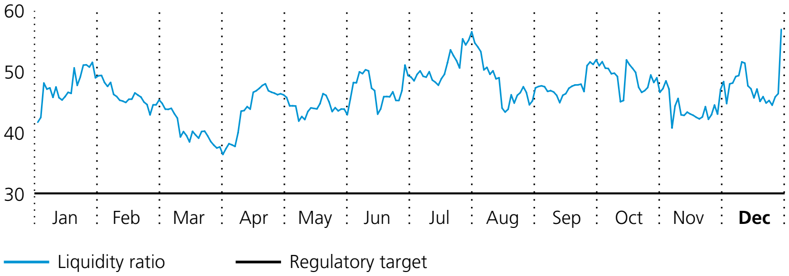
The Bank's use of concentration ratios prevents it from relying on a limited number of depositors or funding sources.

Risk management disclosure
Liquidity risk

Liquidity ratios

This is the level of liquid assets to total deposits. The level of holdings of liquid assets in the balance sheet reflects the Bank's prudence in its liquidity policies and practice. The Bank maintained healthy liquidity ratios well above the regulatory target. The Bank's liquidity position benefited from conversion of eligible bank assets (EBA) to AMCON bonds. A total of ₦146 billion was received in 2011 as Bonds, in exchange for the assets.

Liquidity ratio trend



	December 2011 ₦'million	December 2010 ₦'million
Liquidity ratio	**55.38%**	44.14%

Sources of funding

The Bank is funded primarily by a well-diversified mix of retail and corporate deposits. This funding base ensures stability and low funding cost with minimal reliance on higher cost time deposits and interbank takings as significant sources of funding. The Bank places considerable importance on the demand and savings deposits which represent over 85% of its funding base. Although these accounts are contractually repayable on demand, in reality, they are stable and have formed a core component of the Bank's liabilities. The Bank also enjoys a relatively lower cost term deposit base due to the market's perception of the Bank as one of the strongest banks in Nigeria.

Loans to deposit ratio (Bank only)

The Bank emphasises the importance of core current and savings deposit accounts as a source of finance for lending to customers. This is achieved by restricting the ability of business units to increase loans and advances to customers without corresponding growth in current and savings deposits. The pre-set loans to deposit ratio, set and monitored by ALCO, is 80%.

	December 2011 ₦'million	December 2010 ₦'million
Loans and advances to customers	1,128,851	1,017,411
Customer accounts	1,783,777	1,330,771
Advances to deposit ratio	63.28%	76.45%

Diversification of asset base and contingent liquidity risk management

The Bank maintains a large portfolio of tradable liquid assets in the form of Nigerian Treasury Bills and Federal Government of Nigeria bonds, which are low in risk and can be converted in a short period of time or used to enhance the Bank's borrowing. The Bank also maintains a large portfolio of low-risk assets that can be securitised and traded as off-balance sheet items. In addition, the Bank has put in place contingency funding arrangements with similar-sized Nigerian banks and maintains a standing credit facility with the Central Bank of Nigeria, which can be accessed at short notice.

Capital management

FirstBank's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Bank maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Bank's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors.

FirstBank's capital is divided into two tiers:

- Tier 1 capital comprises core equity tier 1 capital including ordinary shares, statutory reserves, share premium and general reserves. The book values of goodwill, intangible assets, unpublished losses and under provisions are deducted in arriving at core equity tier 1 capital.
- Tier 2 capital comprises qualifying subordinated loan capital, preference shares, general provisions, debenture stock, minority and other interests in tier 2 capital and unrealised gains arising from the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties and foreign reserves.

The Central Bank of Nigeria prescribed a minimum limit of 10% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The total risk weighted assets reflects only credit and counterparty risk.

The Bank achieved a capital adequacy ratio of 26.00% at the end of the year, compared to 27.56% recorded for the period ended December 2010. This is attributable to the growth in risk weighted assets during the year and reduction of Tier 2 capital as tranche A of the EIB loan moved closer to maturity. The Bank, as a policy, works to maintain adequate capital cover for its trading activities, with a minimum internal target of 15%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

Capital adequacy (Bank only)

	December 2011	December 2010
	%	%
Capital adequacy ratio	26.00%	27.56%
	₦ million	**₦ million**
Capital composition:		
Tier 1		
Paid-up capital	16,316	16,316
Reserves	352,041	324,391
Tier 2		
Long-term debt stock	27,335	33,343
Reserves	16,520	15,292
	412,212	**389,342**
Capital utilisation:		
Qualifying risk weighted	1,585,604	1,412,823

In June 2006, the Basel Committee on Banking Supervision published *International convergence of Capital Measurement and Capital Standards*, known as Basel II. Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing capital requirements and improving measurement of capital. Though there has been no regulatory requirement for banks in Nigeria to comply, FirstBank has made substantial progress in its Basel II compliance project. The successful conclusion will allow the Bank's capital measurement to reflect credit, market and operational risk exposures on the assets of the Bank.

The Bank's initiative is in tandem with regulatory actions that embraced the framework and accordingly set up a committee called the CBN/NDIC Committee on the new accord to oversee the adoption of the capital accord. The road map for implementation has been issued in a memorandum to the Bankers' Committee on the implementation of the new capital accord in Nigeria.

Outlook

The sound liquidity stance of the Group became stronger in 2011 due to an increase in customers' patronage and the sustained good image of the Bank in the industry. It is worth mentioning that this feat achieved was not unconnected to the recent huge investment in branding and a customer-driven business approach engendered by the Bank.

We have further strengthened the Group funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we operate and the market environment), make best use of funding sources and minimise borrowing costs.

The Bank expects to continue building on the goodwill in the coming years by maintaining a robust liquidity position that ensures financial obligations are met as and when due at minimal cost.

Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for the Bank from well-diversified funding sources.

Risk management disclosure

Operational risk

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in FirstBank is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor, financial and environmental risk.

The Bank recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Objectives

FirstBank is committed to the management of operational risks. The Bank's operational risk management framework aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Bank is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;
- improve performance measurement – the Bank's improved understanding of its operational risk profile shall enable appropriate allocation of risk and economic capital to individual lines of business, which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations – the Bank expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in the Bank's internal control system; and
- raise awareness of operational risk in the Bank from top to bottom through the implementation of an enterprise-wide operational risk approach.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in FirstBank:

- The Board of Directors is responsible for setting the operational risk strategy of the Bank and its implementation.
- The Board approves and periodically reviews the operational risk management framework.
- Operational risk in the Bank is coordinated through a centralised and independent operational risk management function.
- Ownership, management and accountability for operational risk is decentralised with business and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting operational risk.
- The Bank's operational risk management practices are in line with Basel II.
- The Bank's operational risk management practices are subject to regular independent review by internal and external auditors.
- Operational risk management is governed by well-defined policies and procedures which are clearly communicated across the Bank.
- Operational risk-related issues are taken into consideration in business decisions including new product and process designs.
- Operational risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by the Bank.

Methodologies

In order to meet its operational risk management objectives, each business function within FirstBank is required to identify, assess, measure and control its operational risk in line with the policy set by the Board.

The following are some of the key tools and techniques used by each business unit, in line with the nature and scale of the business risks.

Operational risk issues reporting using the issue and action module of SAS Oprisk monitor

This is used for operational risk issues reporting on an online real time basis. Issues to be reported using this tool range from significant operational risk exposures, exceptions from key risk indicators (KRI) analysis and trending, exceptions from Control Risk Self Assessment (CRSA), operational and fraudulent losses incidences, significant control breakdowns rectified during the month, all exceptions to corporate governance standards and outstanding audit issues, and any other issues with operational risk implications.

Real time incidence reporting

This is for reporting urgent and significant operational risk issues/events that have to be escalated to relevant senior management stakeholders within 48 hours of the incidence without having to wait for the monthly risk reporting cycle. Examples of significant operational risk issues are: armed robbery attack, fraud and losses.

Control Risk Self Assessment (CRSA)

CRSA is a key component of FirstBank's operational risk framework and involves, on a quarterly basis, each business unit within FirstBank proactively identifying and assessing its significant operational risks and the controls in place to manage those risks.

Internal loss data

The tracking of internal loss event data is a key component of FirstBank's operational risk framework. Internal loss events and data are analysed with a view to focus attention on where they are needed and to forestall re-occurrence through sharing lessons learnt.

Key risk indicators (KRIs)

KRIs are measures that track the risk profile of FirstBank. Each business unit within the Bank develops and monitors key risk indicators for its significant risks, which:

- target key operational risk exposures for the business unit;
- enable management to understand and address the underlying causes of risk exposures;
- use thresholds aligned to FirstBank's risk appetite and enable risk-based decision-making;
- are monitored with a frequency that matches the nature of the risks;
- complement the self-assessment and loss-event collection processes; and
- are reported as part of monthly management reporting.

Key operational risks

Major operational risks faced by the Bank are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. Analysis also revealed that the quality of people and their integrity is a critical panacea to mitigating these key operational risks. As a result, the Bank has adopted and developed a competency-based recruitment framework in which attitude, skills and knowledge are tested through background checks, psychometric tests and personality checks before engaging any employee. Also, the Bank has invested in enhanced physical security measures and collaborating with security agencies to improve protection of the Bank's assets. Other key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Customer (KYC) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Bank's customers for each debit on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff;
- installation of panic alarm system, CCTV, deadman doors etc.; and
- implementation of a rules-based anti-fraud solution.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of banking licence, all of which directly impact shareholder value. Accordingly, FirstBank operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, the Bank's strategy is to:

a. reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;

b. minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Bank's long-term growth, cash flow management and balance sheet protection; and

c. make all managers responsible for the management of operational risk and thus minimise actual or potential losses. The Bank recognises that some losses, such as operational errors, are inevitable and are normal business cost; but will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy, the Bank:

- has put in place best-practice operational risk management policies and procedures. These include toolkits to help identify, assess, control, manage and report on operational risk within the Bank;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- ensures that all staff in business and support functions are aware of their responsibilities for operational risk management;
- considers the potential operational risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has put in place structures and processes for reporting control failures to designated individuals and escalating material issues to Management Committee (MANCO) and the Board Audit & Risk Assessment Committee (BARAC);
- ensures that staff are provided with appropriate operational risk management training that is commensurate to their roles;
- establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of operational losses, through management of risk factors and utilisation of insurance or other risk transfer strategies; and
- ensures that staff responsibility with respect to operational risk management is communicated through ongoing risk awareness workshops and management action.

Risk management disclosure
Operational risk

Governance

The overall responsibility for operational risk management in FirstBank resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on FirstBank's operational risk profile.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through BARAC and MANCO;
- the approval of operational risk Group policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board, MANCO and BARAC;
- the operational risk management framework is owned by Group Operational Risk Management; and
- the implementation of the operational risk framework within the SBUs (Strategic Business Units), SRFs (Strategic Resource Functions), BDOs (Business Development Offices), branches, departments/business units and control and support units and the day-to-day management of operational risks is owned by their respective offices and executed through their management structure supported by the operational risk relationship managers and nominated coordinators reporting to the respective senior management officials or their designates.

The Board and Board Committees

The Board of Directors, Board Audit & Risk Assessment Committee and the Management Committee shall have overall oversight function for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- sets the Bank's operational risk strategy and direction in line with the Bank's corporate strategy;
- gives final approval for the Bank's operational risk management framework, policies and procedures; and
- periodically reviews the framework to ensure its relevance and effectiveness; and ensures that senior management is performing its risk management responsibilities.

Board Audit & Risk Assessment Committee (BARAC)

The Committee:

- ensures that the operational risk management framework is comprehensive and in line with the Bank's strategy;
- approves the operational risk management framework and oversees its implementation; and
- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and reports significant operational risk issues to the Board of Directors.

Management Committee (MANCO)

The Bank's MANCO:

- ensures that the framework is implemented consistently across the Bank;
- ensures policies and procedures are developed for managing operational risk in the Bank's products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to operational risk management;
- reviews the Bank's risk profile and assesses potential impact on the activities of the Bank or business unit;
- ensures the Bank's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on operational loss events, risk profiling and control failures Bank wide and monitors corrective measures being implemented;
- ensures that the outputs from the operational risk management process are factored into the day-to-day management decisions of the Bank; and
- ensures that the Bank's operational policies and procedures promote the desired risk culture.

Operational Risk Management Committee

The Bank's ORMC:

- carries out the first-level review and challenging of developed operational risk policies and procedures;
- translates what is sometimes perceived as a 'form filling exercise', into a proactive discussion via senior management participation and decision making on existing and potential operational risks;
- ensures senior management becomes aware of, and more directly accountable for, operational risks in its jurisdiction;
- manages significant operational risks where they originate, within the business/function;
- ensures compliance with Group, business/function operational risk policies and procedures;
- ensures that operational risks identified within the business are assessed in terms of implications for wider business risk and to ensure that the identified business risks are reviewed and reported accordingly through the operational risk reporting process;
- ensures implementation of the real-time incident reporting process;
- continually promotes risk awareness throughout the Bank so that complacency does not set in;
- identifies, reports and manages the top five operational risks now and in six months' time; and
- assists the Management Committee in managing ongoing corporate governance issues.

Chief Risk Officer

- Leads the development and implementation of operational risk management across the Group.
- Develops operational risk management strategy, principles, framework and policy.
- Implements appropriate operational risk management processes and methodologies.
- Advises and coaches management and business units on risk management.
- Coordinates the appropriate and timely delivery of risk management information.
- Exercises supervisory responsibilities over operational risk management in addition to responsibility over market risk, credit risk and other key risk types.
- Approves all reports, operational risk policy proposals, recommendations and other documents prepared by the Operational Risk Management Group before submission to the Management Committee, Operational Risk Committees and Board Audit & Risk Assessment Committees.

Operational Risk Management Function

The Group Operational Risk Management function is independent of the BDOs, branches, departments/business units and control and support units and reports to the Chief Risk Officer, a member of the Board.

The core responsibility of the Group Operational Risk Management function is the development and implementation of operational risk management across the Group.

This entails:

- drafting operational risk management policies, standards, processes and procedures;
- developing and driving implementation and maintenance of the operational risk management framework;
- developing and distributing tools, techniques, methodologies, common risk language, risk frameworks, analysis, reports, communication and training;
- coordinating, aggregating and facilitating operational risk management activities across the Bank;
- monitoring the operational risk profile, including accumulations of risk, trends, and risks from internal and external market changes;
- escalating high-priority issues to senior management and the Board;
- collating, challenging and reporting on aggregate risk profile, control effectiveness and actions to risk committees and the Board;
- analysing BDOs, branches, departments/business units and control and support units' operational risk to derive emerging themes for the Bank;
- defining yearly operational risk limit and appetite for the Bank, business and support units respectively; and
- liaising with external parties, e.g., regulators, analysts, external auditors, etc. on the Bank's operational risk management practices.

The Strategic Business Units and support functions

The Strategic Business Units and support functions are the first line of defence in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- Implement and comply with Group operational risk-related policies, procedures, processes and tools in their areas.
- Assess risks and the effectiveness of controls in line with documented risk policies and toolsets.
- Design, operate and monitor a suitable system of control.
- Manage and review risk as part of day-to-day business activity.
- Develop a divisional/control and support unit operational risk management plan that is consistent with the operational risk appetite and strategy of the Bank.
- Keep the Bank's Operational Risk Management fully informed of operational risk developments via timely ad hoc or regular reports and meetings.
- Identify, review and assess the inherent operational risks in the context of the existing control environment and document decisions with regard to the required mitigating action or acceptance of the risk.
- Update and maintain the operational risk framework for the division/control and support unit, ensuring that the data and analyses are timely, relevant and complete for reporting and, as required, validate and certify their quality.
- Ensure potential operational risks in new businesses, products and services, and processes within their business units are identified and mitigated.
- Prepare quarterly risk profiles for review by divisional/control and support senior management and the Bank's ORM function.
- The divisional/control and support unit senior management or their designate appoints the Operational Risk Coordinator with the responsibility of executing the divisional/control and support unit ORM strategy, effective day-to-day managing of operational risk and maintaining the required data within the division/control and support unit in line with this policy.

Risk management disclosure
Operational risk

Operational Risk Coordinators

The role is a part-time role being performed by an individual in addition to his/her business as usual (BAU) role. Below are the key responsibilities of the role:

- Helps line management in coordinating and driving operational risk management at branch and departmental levels.
- Addresses and escalates significant operational risk issues/trends to branch/ departmental management and to ORMD through the real-time incidence reporting mechanism and the issue and action plan page of the Oprisk application.
- Creates awareness of operational risk.
- Oversees all Oprisk activities among which are:
  a. capturing of all operational losses, events and exposures on the operational risk system;
  b. proper monitoring and rendering of key risk indicators;
  c. prompt response to Oprisk CRSA administered on branch/department; and
  d. reporting of cases of default/breaches.
- Serves as the Department's Business Continuity Coordinator.

Milestones

BS 25999 certification success story

The revamping and refreshing of the Bank's Business Continuity Management framework reported last year was taken to the next level of it being presented for BS 25999 certification. We are delighted to report that the Bank clinched this prestigious BS 25999 certification from the British Standards Institute (BSI). The certification is the world's highest accreditation for business continuity management systems from the institute. This is another addition to the Bank's string of firsts as it is the first organisation and only company in Nigeria today to have earned such a prestigious certification. The implementation of business continuity management in the Bank is in line with global best practice, which ensures safety and protection of the Bank's assets, staff and customers, and assures the Bank stakeholders that it has the ability to continue business to a predefined level even in the event of business disruption.

The implementation of the Oprisk module of the statistical analysis software (SAS) risk intelligence solution, started last year, was successfully completed this year with the migration of the application to production environment. Since it went live, hands-on training for end users has been concluded for over 600 branches nationwide. The Operational Risk Management module has two basic components, namely Oprisk monitor and Opvar. The SAS Oprisk monitor is a browser-based application that collects, manages, tracks and reports on issues and action plans, risk and control assessment data, key risk indicators (KRIs) and operational loss data. The SAS Oprisk monitor will be used at every operational risk point (branches and departments), while Opvar is specifically designed for operational risk capital calculation, allocation and risk modelling using data mainly from the Oprisk monitor.

Since the quality of risk management is also a function of the quality of the people driving the process among other things, the Bank also made significant investment in the development of risk management personnel. The Bank enrolled 18 staff for the Certified Risk Analyst (CRA) course under the auspices of the International Academy of Financial Management (IAFM). The staff passed the final examination and all earned the designation CRA. Also, 25 staff members have gone through business continuity management certification and BSI lead auditors' programmes and having passed the BCI and BSI certification examinations have earned the designations Associate Members of the Business Continuity Institute and Certified BS 25999 Lead Auditors of the Business Continuity Institute (BCI) and British Standards Institute (BSI) respectively.

Outlook

FirstBank is on a journey to embed robust operational risk management practices, culture and environment beyond complying with regulatory requirements, but as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives and projects are currently ongoing that, when completed, will enhance the risk management culture and practices within the organisation and by extension, significantly reduce the Bank's operational risk exposures and incidences.

Some of these key initiatives and projects are as follows:

- implement and roll out the world-class risk intelligence solution to other SBUs and support functions in the Bank and the Bank's local and international subsidiaries;
- embed the culture of CRSA in all activities and across all levels in the Bank;
- extend and embed business continuity management systems to the Bank's branches and subsidiaries;
- review and update existing operational risk management toolsets and processes and introduce new ones;
- capacity building and aggressive Bank-wide operational risk awareness campaign to increase employees' risk-awareness level and competence in managing risks.

Information security risk

Overview

In recognition of the value customer data plays in its daily operations and the need to adequately protect data, FirstBank adopted the internationally recognised best Information Security Standard, ISO 27001, in the year 2010. After a rigorous and meticulous implementation of the standard, the Bank was awarded the prestigious ISO 27001 certificate in September 2010 in recognition of its efforts by the British Standards Institute thereby becoming the first bank in Nigeria to be awarded this certificate.

FirstBank, as part of its risk management strategy, aims to continuously implement far-reaching global standards and best practices that would in turn ensure strong risk governance.

Global business and security environments are constantly evolving. As new products and technologies drive changes in the financial environment, new threats and vulnerabilities emerge. Addressing these threats and ensuring no business disruption occurs becomes a challenge that organisations worldwide have to live with. It is now widely established that the best way to address information security concerns is through a combination of continuous monitoring, well defined and established risk measurement metrics/indices and an effective awareness programme.

Philosophy

The key elements of FirstBank's information security management philosophy are the following:

The Board

The Board and management have the overall responsibility to ensure that all information assets within FirstBank are protected and adequately secure. These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information assets in the Bank to ensure all customer information receives adequate protection. In addition, it assures that the Bank complies with all legal, regulatory, contractual and commercial requirements of information security.

Information security requirements will continue to be aligned with organisational goals and the Information Security Management System (ISMS) is intended to be an enabling mechanism for information sharing, electronic operations, e-commerce and reduction of information-related risks to acceptable levels.

- The Board and management of FirstBank are committed to information security management as they have demonstrated through resource and financial commitment to information security implementation.
- The Bank has adopted the ISO 27001 standard, which is the de facto standard for information security management.
- The Bank, through the establishment of its information security management office and adoption of the ISO 27001 standard, is poised to comply with not only local but international information security regulatory and legislative requirements.
- The Bank is committed to ensuring that information is protected against unauthorised access or disclosure.
- The Bank has put in place processes that will ensure that confidentiality of information will be maintained across its operations and processes.
- The Bank is committed to preserving the integrity of information through protection from unauthorised modification, disclosure and theft.
- The Bank is committed to the investigation and escalation of all suspected information security breaches.

Culture

FirstBank is committed to ensuring the confidentiality, integrity and availability of its customers' information through:

- maintenance of a comprehensive list of FirstBank information assets detailing ownership;
- identification of the value of information assets through appropriate risk assessments;
- understanding vulnerabilities and threats that the information assets may be exposed to; and
- appropriate management of information security risks for compliance with contractual and legal requirements as well as procedures and practices of ISO 27001.

Appetite

The Bank's information security risk appetite is set by the Board of Directors as identified in the risk assessment methodology; this is set at a level that minimises risk to the integrity, confidentiality and availability of information assets.

Oversight

The Board Audit & Risk Assessment Committee performs an oversight function spanning the entire information security organisation in the Bank.

Its function also includes ensuring that detailed policies, procedures and standards are created, updated regularly and effectively communicated to stakeholders.

Relationships with other units

The information security office maintains key relationships with other units in the Bank through key activities such as:

- getting involved in strategic projects within the Bank to ensure that information security and information security policy requirements are built into applications and processes at the conceptual stage and not bolted on at disparate junctions after full implementation;
- liaising with business unit coordinators, information asset owners and subsidiary coordinators;
- incident documentation and learning points dissemination;
- monitoring information security incidents enterprise-wide; and
- information security awareness programme for the Bank, this includes awareness concepts computer-based training and facilitator-led training for all staff.

Governance

Board of Directors

Final authority and responsibility for safeguarding FirstBank's information assets rests with the Board of Directors. However, the Board may delegate this authority to the Management Committee, Board Audit & Risk Assessment Committee (BARAC),

Risk management disclosure
Information security risk

Executive Director Risk Management or other offices of the Bank as it deems fit. Key responsibilities of the Board with respect to information security are:

- approving the Bank's overall information security framework and policy; and
- ensuring that the Bank's information security posture is maintained in line with its risk appetite and commensurate with the risks associated with information assets.

Board Audit & Risk Assessment Committee

The Board Audit & Risk Assessment Committee (BARAC) reviews and approves information security policies and budgets to ensure they are in line with the Bank's strategic vision before passing on to the Board for final approval. Key responsibilities of the BARAC for information security are detailed below:

- Ensure top management, as well as key stakeholders within the information security organogram, possess the requisite expertise and knowledge required to secure the Bank's information assets.
- Ensure that the Bank implements a sound methodology for managing information security consistent with the ISO 27001 standard.
- Ensure that detailed policies, standards and procedures are created, updated regularly and effectively communicated within the Bank.
- Assess the effectiveness of FirstBank's information security programme.
- Ensure FirstBank adequately budgets for information security.

Management Committee

The Management Committee (MANCO) recommends for approval information security policies, strategies and budget. MANCO is responsible for reviewing and approving the information security monitoring programmes and the key results of monitoring activity, identifying key risks and the actions needed to keep them at an acceptable level. Key responsibilities of the MANCO with respect to information security are detailed below:

- Provide direction and ensure information security initiatives and activities are aligned with business objectives and strategies.
- Approve FirstBank's information security strategy and policies.
- Approve information security initiatives that affect FirstBank subsidiaries and/or third parties.
- Provide the resources (human capital, financial, systems, etc.) required to implement security initiatives.
- Ensure comprehensive risk assessments (procedural and technical) are performed and used to determine the level of protection accorded to information assets.

Executive Director Risk Management (Chief Risk Officer)

The executive sponsor has the ultimate responsibility to provide an accurate view of the information security condition of the Bank and encourage information owners and users to keep risks at an acceptable level. Key responsibilities of the Executive Director Risk Management (CRO) with respect to information security are detailed below:

- Sponsor and promote the effectiveness of information security within the organisation.
- Sponsor the FirstBank information security programme.
- Ensure the implementation of information security strategy and policies are approved by the Board.
- Ensure security initiatives and activities are aligned with business objectives.
- Provide appropriate resources to evaluate and control information-related risks.
- Review information security reports on a regular and timely basis.
- Escalate information security incidents to the MANCO where necessary.
- Provide guidance and direction for the Information Security Forum (ISF).

Information Security Forum

The Information Security Forum (ISF) consists of a number of FirstBank departmental heads and business development managers (BDMs). It is a forum where security issues affecting the Bank are discussed, monitored and controlled.

Internal Audit

To support the monitoring process without losing independence, the Internal Audit function and information security office:

- harmonise approaches used to evaluate information risk from a security perspective;
- harmonise checklists used to evaluate security vulnerabilities and threats;
- exchange results of information security-related audits and reviews;
- help shape the development of the monitoring process to ensure that all key issues are addressed;
- have access to the current information security situation assessments of the Bank as prepared by the information security office; and
- audit the information security office function to ensure effectiveness.

Compliance

The Compliance function is to protect business growth and sustainability by ensuring compliance to regulation. This is achieved through:

- identifying and analysing the rules governing the operations of the Bank to create a robust rulebook to monitor compliance to applicable regulations; and
- designing and implementing adequate controls in order to conduct business in accordance with regulatory requirements.

Internal Control

The Internal Control function undertakes transactional monitoring. Maintaining a close working relationship with the information security office, Internal Control forwards results of information security-related transaction investigation and reviews. Internal Control:

- helps shape the development of the monitoring process to ensure all key issues are addressed; and
- monitors the transactions to ensure accuracy, integrity and completeness.

Business Unit (BU) coordinators

FirstBank operates a multi-business strategy that is centred on the BUs. BU coordinators and information asset owners from directorates will assume major responsibilities in this approach.

BU coordinators are individuals responsible for promoting good practice in information security within each business area of the Bank. They support the information security office at an operational level and assist in collating information requirements.

Key responsibilities of BU coordinators are detailed below:

- Encourage and assist information asset owners to implement monitoring arrangements that generate the information needed to monitor the information security situation of the Bank.
- Present information on the security situation of BUs within the Bank to the Head of the respective units.

The BU coordinators ensure all information security requirements and responsibilities are clearly defined in service-level agreements. It is envisaged that the BU coordinators support the information asset owners to achieve the information security goals defined by FirstBank.

Information asset owners

Information asset owners are specific individuals (typically management personnel) who have been formally appointed by the Bank as being accountable for the secure storage and use of major information assets.

Key responsibilities of information asset owners are as follows:

a) Ensure that information assets are classified according to the FirstBank classification scheme.

b) Ensure that information assets are properly labelled.

c) Monitor the security condition of information assets.

d) Review staff logical access rights to systems and application quarterly.

e) Ensure BU coordinators (BUC) report Information Security Incidents (ISI) on a weekly basis.

f) Review Annual Risk Assessment (ARA) of the department/branch information assets and processes.

g) Review the department/branch operating procedure annually.

h) Maintain and update the department/branch assets register.

i) Ensure implementation of information security controls.

j) Ensure all staff receive information security awareness training before granting them access to information assets.

k) Ensure the department/branch is represented during the monthly Information Security Forum (ISF) meeting.

All FirstBank workers

All FirstBank workers (i.e., employees on the payroll and others acting in a similar capacity, such as contractors, consultants, student placements etc.) are responsible for complying with the principles and policies in the information security policy manual where relevant to their jobs.

They are responsible for maintaining the security of all information entrusted with them. Upon hire, as a condition of employment, each worker undertakes to comply with FirstBank's information security policies.

Any worker failing to comply with the security policies could be subject to disciplinary action, potentially including termination of employment or contract and/or prosecution.

Strategy and policy

Information security risk management framework

FirstBank has adopted an integrated approach to information security risk management in line with the ISO 27001 standard. Its fundamental objective is to ensure the confidentiality, integrity and availability of its information assets. Information assets are viewed as a very critical asset of the Bank and shall therefore be adequately protected. The protection of FirstBank's information assets is critical to the Bank's business continuity and its ability to meet business objectives. Accordingly, the Information Security Management Department (ISMD) has been assigned the responsibility of ensuring that the Bank's information assets are adequately protected at all times.

This responsibility is shared by both management and employees of FirstBank, irrespective of designation or function.

Information security management in FirstBank is a continuous process. We continue to provide the structures that assist FirstBank to best protect its information assets and create assurance for investors. As part of its responsibility, the ISMD monitors risk indicators such as information security-related incidents supplemented by trend analysis that highlights high-risk or emerging issues so that prompt action can be taken.

ISO 27001 certification success story

FirstBank continues to chart new ground in its overall pioneering effort in risk management and information security management practices. FirstBank is the first bank to certify its processes to the prestigious ISO 27001 standard and has successfully completed its first surveillance assessment by the British Standards Institute (BSI). The British Standards Institute is currently developing a case study on FirstBank as a reference for other institutions given the record time and depth of its implementation of the world-renowned information security standard, ISO 27001.

Outlook

Information security risks and concerns will continue to rise globally; this is as a result of the rate of adoption of advanced information processing systems, mobile technology, electronic commerce and wireless technologies across the world. These trends portend serious implications for data security in terms of confidentiality, integrity and availability (CIA). Taking this into consideration, FirstBank is implementing a range of proactive solutions as part of its strategic plan for 2012. These would include, among other solutions, the use of sophisticated security tools for proactive monitoring and detection of security vulnerabilities.

As we have demonstrated in the past, we are well equipped and positioned to tackle these emerging vulnerabilities as our business practices and organisational culture are guided by global best practices. We will continue to partner with leading security organisations worldwide to promote good information security practices and governance in the banking industry towards ensuring a more secure operational environment in Nigeria.

Other focus areas for FirstBank information security management practice for the year 2012 include aligning its cards production environment to the international Data Security Standard by the Payment Card Industry (PCI).

Risk management disclosure

Compliance risk

Overview

The establishment of an independent compliance function in the Bank is in line with international best practice. The Compliance function operates from head office and some selected hubs, each of which is supervised by dedicated Compliance Officers whose primary responsibility in the Bank is to ensure compliance with established rules and regulations. Highlights of the scope of coverage of the Compliance function include:

- regulatory compliance;
- Anti Money Laundering (AML)/Countering the Financing of Terrorism (CFT) compliance (including Know Your Customer (KYC), Know Your Customers' Business (KYB) principles); and
- corporate governance compliance monitoring.

The objectives of the Compliance function, as part of an effective risk management framework, include the following:

- To assist and support line management to ensure that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.
- To enable First Bank of Nigeria Plc to demonstrate to the regulators that it is fit and proper to undertake its business.
- To maintain fairness in all the Bank's dealings.
- To facilitate the management of compliance risks.
- To prevent disciplinary action by regulators.
- To minimise the possibility of civil and criminal action against FBN.

Philosophy

The Board approves and periodically reviews the compliance framework and strategies in the Bank and assumes overall accountability for compliance performance. The ownership, management and accountability for compliance risk is decentralised across various Strategic Business Units and functions (SBUs and SRFs).

The Bank's compliance risks are centrally managed by an independent Compliance function. The Compliance risk management practices in the Bank are subject to periodic independent reviews by the internal audit as well as the external auditors.

Each and every one of the activities of the Compliance function is governed by articulated policies and processes duly approved by the Board. The Group's AML/CFT regime is driven by a documented, functional AML/CFT Policies and Procedures Manual to which every member of staff has unfettered access through the Group's i-porter. As a living document, the manual is reviewed and updated regularly to reflect the dynamism and changing regulatory or environmental imperatives.

A detailed Compliance Standard Operating Procedure (SOP) Manual has been developed for all compliance risk management processes, including Compliance function roles, responsibilities and operating procedures.

Strategy and priority

FirstBank remains committed to complying fully with both the spirit and the letter of applicable laws and regulations and to always act with care and due diligence. The risk of non-compliance with legal and regulatory requirements ranges from potential financial loss arising from regulatory sanctions, loss of business and/or franchise, as well as damage to the Group's reputation.

In ensuring compliance with laws and regulations, the Bank has put in place a robust compliance framework. The Compliance function, under the leadership of the Chief Compliance Officer, ensures that statutory and regulatory requirements are adhered to and ensures that breaches are promptly reported. The Bank has in place a comprehensive Compliance Process Manual, which is accessible to all staff through the Group's i-porter. The Manual defines the roles and responsibilities of all stakeholders in ensuring compliance with laws and regulations. The Group's compliance objectives as well as the minimum acceptable compliance standards across the Group are also specified in the Manual.

While the primary responsibility for complying with regulatory requirements lies with all members of staff conducting particular transactions or activities to which regulation applies, the Board of Directors is ultimately accountable for compliance performance.

The current regulatory regime places much pressure on financial institutions to know their customers and implement processes for combating money laundering, as well as putting in place measures aimed at understanding regulations as they affect the financial services industry and the implication for non-compliance. In this regard, FirstBank has reviewed its Anti Money Laundering (AML)/Countering the Financing of Terrorism (CFT) Manual, incorporating new guidelines for KYC/KYB, in line with the recent CBN AML/CFT Compliance Manual. The Group has continually reviewed and analysed relevant laws and regulations, which are compiled into rule books in order to ensure business is run in line with compliance requirements.

Governance structure

In line with international best practice, the Compliance function is responsible for ensuring that the Bank continuously manages its regulatory risk.

Regulatory risk is the risk that occurs when financial institutions do not comply with the spirit and the letter of applicable laws and regulations or supervisory requirements.

The management of regulatory risk comprises ensuring compliance with all the statutory and regulatory requirements. The Compliance function is therefore responsible for ensuring compliance with all rules imposed on the business by regulators/supervisors.

Responsibility for managing compliance with internal rules created by FirstBank itself lies with the Internal Audit and Control functions. These are monitored as part of their normal duty of ensuring that an effective system of internal controls is maintained in FirstBank.

Certain internal rules are of such importance that the Management Committee (MANCO) may require the involvement of the Compliance function for effective implementation. The Compliance function is also, to that extent, responsible for monitoring compliance with internal rules, as determined by MANCO from time to time.

The Compliance function operates independently from the internal Audit and Control functions. However, the Division leverages on the Internal Audit and Control infrastructure by administering compliance checklists on business units and branches through the independent control and normal audit procedures. These compliance reports are forwarded to the Compliance department for review and subsequent monitoring.

Roles and responsibilities

Roles and responsibilities for compliance are assigned to various functions as follows:

Function	Role
Board of Directors	Assumes overall accountability for compliance performance.
Chief Executive Officer	Provides demonstrable support to the CCO with the development of a compliance culture.
Executive Directors, Executive Vice President and MANCO	Assume overall accountability for compliance within their Strategic Business Units (SBUs)/Strategic Resource Functions (SRFs).
CEOs of subsidiaries and their management teams	CEOs assume overall accountability for compliance within their companies and their respective management is responsible for day-to-day compliance with regulations applicable to their business.
Business Unit Heads and Business Development Managers	Responsible for day-to-day compliance with regulations applicable to their business.
SBU/SRF/Subsidiary Compliance Officers	Facilitate the implementation of the compliance process within their SBU/SRF/Subsidiary.
Branch Managers (Branch Compliance Officers)	Branch Managers assume overall responsibility for compliance in their branches and are responsible for conducting periodic compliance reviews.
All employees	Responsible for familiarising themselves with the regulatory requirements applicable to their business and ensuring that all transactions and activities in which they are involved are carried out in accordance with those regulations.
Internal Control	Assists the Compliance function in the conduct of independent monitoring.
Internal Audit	Provides quality assurance for the Compliance function.
Chief Compliance Officer	Responsible for the development, communication, leadership and implementation of the compliance strategy, policy, structure and process.
External Audit	Responsible for reviewing the compliance risk management process as part of their statutory audit duties.

Responsibilities of the Chief Compliance Officer (CCO)

The CCO takes responsibility for compliance issues in the Group including its Strategic Business Unit. The CCO works closely with the Chief Risk Officer (CRO) in the performance of the following specific responsibilities:

- Assigns a robust compliance structure, process and advisory service in order to ensure line management's compliance with current laws, regulations and supervisory requirements.
- Reports non-compliance with laws, regulations and supervisory requirements to the Chief Executive Officer and the Board of Directors in a timely manner.
- Provides the Board of Directors with regular information on the level of FirstBank's compliance with laws, regulations and supervisory requirements.
- Ensures, as far as possible, that no conflict of interest exists between the Compliance function and other internal control functions.
- Establishes a compliance culture in FirstBank that contributes to the overall objective of prudent risk management.
- Establishes effective communication with line management in order to continuously monitor compliance with laws, regulations and supervisory requirements.
- Mandates line management to monitor compliance with laws, regulations and supervisory requirements as part of their normal operational duties.
- Ensures that regulatory requirements are incorporated into operational procedures and manuals where appropriate.
- Makes recommendations whenever necessary to ensure that laws, regulations and supervisory requirements are being complied with.
- Establishes effective mechanisms for reporting and resolving non-compliance with laws, regulations or supervisory requirements.
- Documents his findings, including remedial action, as part of the compliance monitoring programme.
- In conjunction with Training and Development, ensures continuous training of compliance staff on technical knowledge of regulatory framework and associated risks.
- Compiles and maintains a comprehensive compliance manual for the Group, in conjunction with line management.

Risk management disclosure

Legal risk

Outlook

The regulatory environment has become even more dynamic in recent times. The industry policy on Retail Cash Collections and Lodgment, which is expected to take effect on 1 June 2012, comes with enormous challenges on the part of the banks. The challenge is in putting in place appropriate compliance risk management processes and procedures in knowing our customers and leveraging on our technology infrastructure to understand and manage the risk of utilising electronic payment channels.

Current measures aimed at understanding regulations as they affect the industry and the implications for non-compliance are being continuously improved through process rejuvenation and revalidation, which is then rigorously communicated to all staff, including the Board of Directors, through training.

Overview

Legal risk management is an integral part of the Bank's Enterprise Risk Management framework. The Bank recognises that all aspects of its business activities are fraught with legal risks, the growth of which may not only outstrip its business growth, but may also threaten the entire franchise. To this end, there is a dedicated Legal Services department with responsibility for the effective management of this portion of the Bank's overall risk profile. The department's responsibilities include the formulation of the strategy for the Bank's legal risk management, the provision of legal advisory services on all aspects of the Bank's businesses in the context of extant laws and regulations, asset security documentation and litigation management, among others.

Approach

At FirstBank, our approach to legal risk management is to:

- identify where and how things can and/or might go wrong from the legal perspective;
- determine the extent of any negative impact in the event of its crystallisation;
- identify and grade the risks and impact of the current controls;
- define priorities according to the risk appetite of the Bank;
- establish controls to reduce or eliminate the risks as determined by the Bank's risk appetite; and
- monitor the controls to ensure effectiveness.

In doing this, we continue to ensure that our policies and operational guidelines do not only provide the structure for the effective management and control of identifiable legal risks, but also bring the Bank and its employees to a true appreciation of the legal constraints impacting on the Bank's business activities.

Governance

The Legal Services department oversees the Bank's global legal risk function and reports directly to the Chief Risk Officer. The department is sub-divided into four hubs, each of which is headed by a senior officer, who reports to the Head, Legal Services. The respective hubs are as follows:

Corporate and contracts

This hub ensures the preparation and review of transaction documentation, especially for the Bank's institutional/corporate clients. It also provides documentation and structuring support to the Bank's general services, treasury, strategy and e-channel initiatives.

Litigation

This hub handles the entire value chain of investigation activities up to the decision-making point for the prosecution of the Bank's claims against third parties and/or the Bank's defence of claims against it. The unit monitors and manages the Bank's litigation portfolio, including the evaluation, recommendation and pursuit of alternative dispute resolution mechanisms with extensive external counsel interface.

Security documentation and management

This hub has responsibility for the documentation and perfection of the various securities used to secure credit facilities extended to the Bank's customers.

Regional coordination/operational efficiency

This hub coordinates and supervises the activities of our area legal managers outside the head office. These area legal managers whose offices are spread in nine locations across the country provide real-time support to the Bank's Business Development Offices (BDOs) within their respective areas of coverage.

There is a sub-hub known as the bonds and guarantees sub-hub, which is responsible for the preparation of all bonds and guarantees issued by the Bank and the review of such instruments issued in the Bank's favour.

Strategy and priority

Our strategy is to consolidate the evolution of our legal services function from simply an advisory role to one of shaping strategy and policy using the following:

- detailed commercial knowledge of the Bank's business complemented by our rigorous outsourcing skills and alliances with external counsel of repute;
- application of this knowledge to influence our internal and external customers;
- communication of key principles of document-intensive deals, improving turn-around time;
- engendering of trust with our commercial colleagues and customers who value our judgement;
- deepening our role in the Bank's Enterprise Risk Management framework and showing more genuine and early presence in transaction and policy reviews;
- consistent review of our legal cost minimisation initiatives strategy that minimises cost of legal services to the Bank and also its customers; and
- pursuit of all-round professionalism.

Our priority is to attain the status of the impartial voice, the guiding hand and the sounding board for all our colleagues.

All the above are embedded in the following, which were products of our rigorous team experience, engagement and collective passion, namely:

Vision – to be the best in-house legal services provider in the Nigerian financial services sector

Mission – to consistently provide professional legal services of the highest quality aimed at enabling the Bank make informed business decisions and proactively mitigate losses

Payoff line – 'your business partners and trusted advisers'

Outlook

The steady growth in foreign and local respect and loyalty to the FirstBank brand is replicated in the diversity and complexity of the Bank's transactions. The Legal Services team realises that the ensuing year promises increasing global recognition for the Bank and is therefore positioned, through a myriad of personal and professional development initiatives, to equip its people to ensure that the Bank is expertly navigated through transactions that traverse diverse jurisdictions while remaining protected at all times.

During the year, we will deepen the skills of our people in the areas of specialised transactional documentation and perhaps, commence the development of a database of experts with the rare competences required in this area. We will also strengthen our Regional Coordination desk and give it the needed impetus for its growing roles, especially in the areas of the Bank's corporate initiatives and projects. Across all our operations, we will strive to optimise our operational efficiencies and institutionalise our ongoing quality assurance efforts through the deployment of technology and other matrices for reliable data and performance evaluation. We will seek to streamline our Area Legal Managers' structure for greater efficiency and staff motivation.

Finally, we are poised to provide the necessary legal services support to the Bank as it consolidates its leadership in the Nigerian financial services industry and makes in-roads into the sub-region. We will do this through the provision of legal services that resonate with the transformative disposition of the Bank.

Directors' report

For the year ended 31 December 2011

The directors present their annual report on the affairs of First Bank of Nigeria Plc ('the Bank') and its subsidiaries ('the Group'), together with the financial statements and auditors' report for the financial year ended 31 December 2011.

a. Legal form

The Bank, which commenced operations in Nigeria on 31 March 1894 as a branch of Bank of British West Africa Limited (BBWA), was incorporated as a private limited liability company in Nigeria in 1969. It was converted to a public company in March 1970. The Bank's shares were listed on the floor of the Nigerian Stock Exchange by way of introduction in March 1971.

b. Principal activity and business review

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include: granting of loans and advances, corporate finance and money market activities. Its major subsidiaries carry on capital market, insurance and trusteeship businesses.

The Bank has 12 subsidiaries namely: FBN Bank (UK) Limited, FBN Capital Limited, First Trustees Nigeria Limited, FBN Mortgages Limited, First Registrars Nigeria Limited, FBN Microfinance Bank Limited, First Pension Custodian Nigeria Limited, FBN Insurance Brokers Limited, FBN Bureau de Change Limited, First Funds Limited, FBN Life Assurance Limited and Banque Internationale de Crédit (BIC).

The Bank prepares consolidated financial statements.

c. Operating results

Gross earnings and profit before tax of the Group increased by 28% and 48% respectively while the profit before tax for the Bank grew by 57% during the year.

The directors recommend the approval of a final dividend of ₦26.106 billion (December 2010: ₦19.58 billion). Highlights of the Group's operating results for the period under review are as follows:

	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Gross earnings	296,329	232,079
Profit before tax	50,066	33,767
Taxation	(5,281)	(4,590)
Profit after tax	44,785	29,177
Non-controlling interest	884	1,933

Appropriations

	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Transfer to statutory reserves	7,296	4,848
Transfer to contingency reserves	13	-
Transfer to retained earnings reserve	38,360	26,262
	45,669	**31,110**

d. Directors' shareholding

The direct and indirect interests of directors in the issued share capital of the Company as recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are noted:

Directors' shareholding

	Number of ordinary shares held as at 31 December 2011		Number of ordinary shares held as at 31 December 2010	
Name of Directors	**Direct**	**Indirect**	**Direct**	**Indirect**
Prince Ajibola Afonja (Chairman)	26,021	1,230,468	26,021	1,230,468
Bisi Onasanya	7,518,059	-	6,718,059	-
Ambrose Feese	293,557	-	293,207	-
Bello Maccido*	-	-	-	-
Ebenezer Jolaoso	126,111	-	26,111	-
Ibiai Ani (Nee Ajumogobia)	66,034	-	66,034	-
Ibrahim Waziri*	235,680	-	-	-
Ibukun Awosika	-	-	-	-
Kehinde Lawanson	8,312,720	-	8,312,720	-
Khadijah Alao-Straub*	-	-	-	-
Lawal Ibrahim	46,450		9,500	-
Mahey Rasheed, OFR	528,796	-	528,796	-
Obafemi Otudeko*	1,863,480	-	-	-
Remi Odunlami	129,649	-	129,649	-
Tunde Hassan-Odukale*	-	27,247,691	-	-
Urum Eke*	74,258	-	-	-

*Directors not on the Board in 2010

Prince Ajibola Afonja has indirect shareholdings amounting to 1,230,468 through ARM. Tunde Hassan-Odukale has indirect shareholding amounting to 27,247,691 through LAC Investments Ltd.

In accordance with the Company's Articles of Association, the following Directors, Ibukun Awosika, Ambrose Feese, Ebenezer Jolaoso, Alhaji Lawal Kankia Ibrahim and Kehinde Lawanson would retire by rotation and being eligible, offer themselves for re-election, while Urum Eke offers himself for election as a Director of the Company.

e. Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

f. Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the Accounts. In the directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

g. Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2011 is as stated below:

Range	Number of holders	Holders %	Units	Units%
1–9,999	1,006,896	78.29	2,751,513,955	8.43
10,000–50,000	232,950	18.11	4,704,230,191	14.42
50,001–100,000	22,956	1.78	1,613,010,642	4.94
100,001–500,000	18,856	1.47	3,725,869,317	11.42
500,001–1,000,000	2,190	0.17	1,534,821,600	4.70
1,000,001–5,000,000	1,743	0.14	3,379,348,072	10.36
5,000,001–10,000,000	225	0.02	1,598,732,614	4.90
10,000,001–50,000,000	196	0.02	3,692,779,651	11.32
50,000,001–100,000,000	30	0.00	2,068,580,772	6.34
100,000,001–500,000,000	21	0.00	3,732,300,713	11.44
500,000,001–32,632,084,356	4	0.00	3,830,896,829	11.74
Total	**1,286,067**	**100**	**32,632,084,356**	**100**

Directors' report

For the year ended 31 December 2011

h. Substantial interest in shares

According to the register of members at 31 December 2011, no shareholder held more than 5% of the issued share capital of the Bank.

i. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to ₦968.6 million (Dec 2010: ₦887.7 million) during the year.

Full description	Amount ₦
Sponsorship in respect of DALA Hard Court Tennis Championship	7,500,000
First International Conference on Africa's Indigenous Stimulants	5,000,000
SIFE Foundation	10,000,000
Nigerian Association Of Small & Medium Scale Enterprise (MSME) conference	5,500,000
Nigeria Economic Summit Group	25,000,000
Lagos International Trade Fair	10,000,000
Kaduna Polo Tournament	10,000,000
Acquisition of Head Office structure for Nigeria Economic summit group	10,000,000
Crescent University Abeokuta	20,000,000
Babcock University Security Fund	14,285,000
Upgrading of NUGA VIP Centre – University of Nigeria Nsukka	15,119,406
The Leap Education Fund For League of Abriba Professionals	10,000,000
Sponsorship of the Crime Fighters TV Programme – the Police & you	50,000,000
The Nigeria Economist Conference	10,000,000
The Ajumogobia Science Foundation Scholarship Fund	8,000,000
Osun State Government State Youth Employment Scheme	50,000,000
50th FirstBank Amateur Golf Championship 2011	15,000,000
Rivers State Investors Forum and Commission on NIBBS for ANAP Foundation	7,500,000
International Micro Finance Conference With Professor Yunus	75,000,000
FirstBank Research Based Endowment Fund	426,719,342
Sub total	784,623,747
Others	183,975,024
Total	**968,598,772**

j. Human resources

Employment of disabled persons

It is the policy of the Bank that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees, whether or not physically challenged, are given equal opportunities to develop. As at 31 December 2011, 23 physically challenged persons were employed by the Bank.

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

k. Health, safety and welfare at work

Health and safety regulations are in force within the Bank's premises and employees are aware of existing regulations. The Bank provides subsidy to all levels of employees for medical, transportation, housing, etc.

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

The Company operates both a Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004, as well as a terminal gratuity scheme for its employees.

l. Employee involvement and training

The Bank ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the Bank's policy of continuous development, training facilities are provided in the Bank's well-equipped Training School. In addition, employees of the Bank are nominated to attend both locally and internationally organised courses. These are complemented by on-the-job training.

m. Diversity in employment

The Bank is committed to maintaining a positive work environment and to conducting business in a positive, professional manner by consistently ensuring equal employment opportunity. As at 31 December 2011, the Bank had 31% females in top management positions. The table below shows the gender distribution of top management staff by grade:

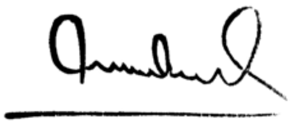
Top management complement by gender as at 31 December 2011

Grade	Female	Male	Total
Group Managing Director/CE		1	1
Executive Directors	1	3	4
General Managers	1	4	5
Deputy General Managers	10	18	28
Assistant General Managers	10	23	33
Total	**22**	**49**	**71**
% Distribution	**31**	**69**	**100**

n. Auditors

The joint auditors, Messrs PricewaterhouseCoopers and PKF Professional Services, have indicated their willingness to act and continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, a resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD



Tijjani Borodo
Company Secretary
Lagos, Nigeria
March 2012

Corporate governance report

Introduction

The FirstBank Group is made up of 12 subsidiaries operating in banking and other areas of the financial services industry; making it one of the largest financial services groups in Nigeria and Sub-Saharan Africa. The Group has presence in London, Johannesburg, Paris, Beijing, Abu Dhabi and the Democratic Republic of Congo.

First Bank of Nigeria Plc (FirstBank or the Bank) and its subsidiaries ('the Group') operate under a governance framework that enables the Board to balance its role of providing oversight and strategic counsel with its responsibility to ensure conformance with regulatory requirements and acceptable risk tolerance parameters. The Group operates in highly regulated industries and compliance with applicable legislation, regulations, standards and codes, including transparency and accountability, remain an essential characteristic of its culture. The Board monitors compliance with these by means of management reports, which include information on the outcome of any significant interaction with key stakeholders.

The most significant development in the preceding financial year in the corporate governance sphere in Nigeria was the launch of the Corporate Governance Code for Public Companies by the Nigerian Securities and Exchange Commission (the SEC Code) in March 2011. This reflected global trends emphasising regulatory compliance and improved disclosure in the wake of significant destruction of shareholder value through a failure to adopt sound corporate governance practices. The SEC Code regulates all corporate governance issues involving listed and public companies in Nigeria. Other applicable regulatory requirements impacting the corporate governance space are covered in the Companies and Allied Matters Act (CAMA), the Securities and Exchange Commission (SEC) Act, Banks and Other Financial Institutions Act (BOFIA), the Central Bank of Nigeria Code of Corporate Governance for Banks in Nigeria Post Consolidation (the CBN Code).

Though acknowledging that there is a limit to the effectiveness of prescriptive governance rules and external metrics, we expect that over the coming periods, there will be further regulatory push, towards the enforcement and entrenchment of the practices stipulated in the codes and regulatory documents. Thus, a key differentiator among companies over coming periods will be institutions that are proactive about not just ensuring compliance with the regulatory codes of corporate governance, but also embrace the spirit of the principles in their business practices. Indeed, underscoring enforcement of this trend locally, over the past year, there has been a surge in the number of companies placed on some form of suspension, whether full or technical, and in some instances, delisted from the Nigerian Stock Exchange. In the same vein, the push towards the adoption of International Financial Reporting Standards (IFRS) across a number of sub-segments of the financial services industry, notably banks and insurance companies, with both sub-segments required to begin reporting under IFRS from 2012, is aimed at entrenching higher levels of transparency and driving convergence with global best practice.

The global financial crisis revealed that compliance with the letter of the law with respect to governance rules did not guarantee good governance in practice. In some high-profile corporate failures, governance that looked good on paper did nothing more than provide cover for weak board oversight, incompetence and fraud. The clear lesson is that responsibility for good corporate governance begins and ends in the boardroom.

Reporting standards and quality of financial disclosure

We have continued to pay attention to the quality of disclosure in our annual report and accounts. We have provided information not just on the financial, but also the non-financial aspects of our business. This diligence, going beyond the requirements of CAMA, has been widely recognised, with FirstBank emerging the Best Financial Reporting Company at the Africa Investor awards in London, 2011.

As part of enhancing transparency and disclosure in our financial reports, the Bank has adopted the International Financial Reporting Standards (IFRS); thus aligning with the strongest global standards of transparency in financial reporting. The adoption of IFRS will enhance shareholder value and bring added benefits to our business relationships with our overseas correspondent banks, multilateral organisations and international investors that require financial statements to make informed decisions about the Bank. To meet local reporting requirements, we will continue to produce financial reports in compliance with both IFRS and Nigerian Statement of Accounting Standards.

Developments during 2011

- There was continued focus on directors' training via attendance at various courses.
- Sustained provision of enhanced levels of information in the annual report and financial statements provided to shareholders and investors on an annual and quarterly basis.
- Pursuant to CBN's regulation on the Scope of Banking Activities and Ancillary Matters No 3, 2010 (CBN regulation on scope of banking activities), which brought to an end the universal banking regime under which banks and banking groups in Nigeria had been operating since 2002, FirstBank has adopted, is in the process of implementing the holding company (Holdco) structure and has incorporated the holding company, FBN Holdings Limited. Additional detail on the Holdco structure can be found on page 36 of the annual report.
- FirstBank acquired 75% interest in Thorens Limited, which owns a 99% interest in Banque International de Crédit (BIC) in the Democratic Republic of Congo.
- FirstBank recertified its information security and business processes, and expanded the scope of the initial certification in the global information security standard ISO 27001 as well as business continuity management standard BS 25999:2-2007.
- FirstBank won the Sectoral Leadership Award (Banking) in November 2011 and was also nominated for the Good Corporate Governance Award by African Business Awards.

Focus areas for 2012

- Sustain the focus on directors' training via formal and informal training sessions on relevant issues.
- Continue to enhance the level of information provided to, and interaction with, shareholders, investors and stakeholders generally.
- Expand the direct reporting line of the Chief Internal Auditor to the Audit Committee, in addition to the Board Audit & Risk Assessment Committee.
- Finalise the governance framework for the Holdco structure.
- Finalise divestment from First Registrars Limited, the registrarship subsidiary, in line with the provisions of the apex bank's regulations.
- Deepen our security practice and align our card production environment with the international Data Security Standard by the payment card industry, thus further strengthening our security governance.

Board structure and composition

The FirstBank Board (the Board) comprises 16 members made up of 11 non-executive directors and five executive directors including the Group Managing Director/CEO (GMD/CEO). This is in line with the CBN Code, which requires that the number of non-executive directors should be more than that of executive directors subject to a maximum board size of 20 directors. Alhaji Mahey Rasheed, a non- executive is the only independent director on the Board. He was appointed based on criteria laid down by the CBN for the appointment of independent directors and does not have any significant shareholding interest or any special business relationship with the Bank. Arrangements are ongoing with respect to the appointment of a second independent director to the Board.

The number and stature of non-executive directors ensures that sufficient consideration and debate are brought to bear on decision making thereby contributing to the efficient running of the Board. This ensures a balance of authority and power, so that no one individual has unrestricted decision-making powers.

In keeping with our commitment to equal opportunity and diversity in the work place, we subscribe to the recommendation in the SEC Code that boards should consider the benefits of diversity including gender when making board appointments. In reviewing potential candidates for a new election or subsequent appointments to board positions that have become vacant, qualified women are included in the selection process and are appropriately considered in the election proposals. We have seen a significant increase in the number of women on the Board from 6% prior to 2008 to 25% currently, which corresponds to four women.

Biographies of the members of the Board are available at the end of this corporate governance report on pages 163 to 167.

Roles of the Chairman and the Chief Executive Officer

In compliance with recognised practice of good corporate governance, the roles of the Chairman and Chief Executive are separate and distinct. The Chairman, Prince Ajibola Afonja, is a Non-Executive Director and has responsibility for leading the Board while the GMD/CEO, Bisi Onasanya, has responsibility for leading the executive management team. In addition, the Chairman does not act as chairman of any of the boards of the subsidiaries or any of the board committees.

Strategy

The primary purpose of the Board is to build long-term shareholder value and ensure oversight of management. Ultimate responsibility for governance rests with the Board, which ensures that appropriate controls, systems and practices are in place to safeguard the assets of the Group.

The Board considers and approves the Group's strategy and financial objectives. The Group runs a three-year strategic planning cycle that is validated annually by the Board at a board strategy retreat. Key members of senior management are in attendance at this session as well. Once the financial and strategic objectives for the following year have been agreed, the Board on a quarterly basis monitors performance against financial objectives and detailed budgets. The non-executive directors and executive management have a good working relationship, with regular interaction and engagement encouraged. Non-executive directors have access to the Group's management and company information, as well as any other resources required to carry out their responsibilities.

The Board has the responsibility to ensure that management is effectively discharging their duties and responsibilities with respect to running the Company and creating value for shareholders. It is also charged with the responsibility of succession planning. In this regard, the Board is satisfied that the current pool of talent available within the Bank and the Group, coupled with various human capital management and development initiatives to deepen and upscale the talent pool, provides a broad-based pool to sustain short- and long-term performance.

Skills, knowledge and attributes of directors

Members of the Board are reliable and have the requisite expertise to perform their function and to assess and supervise the various businesses operated within the FirstBank Group.

The Board ensures that directors possess the skills, knowledge and experience necessary to fulfil their obligations. The directors bring a balanced mix of attributes to the Board, including:

- expertise in financial accounting and finance;
- good business judgement;
- good management skill;
- appropriate industry-specific knowledge;
- business experience in international markets
- good leadership skill; and
- ability to provide strategic insight and direction.

The credentials and profile of the Board are regularly reviewed, to ensure the Board's composition remains both operationally and strategically appropriate.

Appointment philosophy

The appointment philosophy ensures alignment with all necessary legislation and regulations, which include, but are not limited to, the requirements of CAMA and BOFIA. Board appointments and evaluations are conducted in a formal and transparent manner, in line with the Board appointment policy. The Board takes cognisance of the skills, knowledge and experience of the candidate, as well as other attributes considered necessary to the prospective role. Consideration for the appointment of directors also takes into account appointments to external boards to monitor potential for conflicts of interest and ensure directors can dedicate sufficient focus to the Group's business.

When a vacancy exists, the Governance Committee, identifies candidates with the requisite expertise and experience, using external consultants (if required) to shortlist and thereafter makes its recommendations to the Board. The Board appointment is based on a careful analysis of the existing Board's strengths, weaknesses, skills and experience gaps, appropriate demographic representation, diversity, to ensure the Board is able to meet the Group's strategic objectives. The Board also considers length of tenure; recognising that continued tenure brings company-specific knowledge and understanding while new faces bring fresh perspective and ideas. We are comfortable that the FirstBank Board includes sufficient diversity to optimise its performance.

Corporate governance report

Tenure of directors

Non-executive directors are appointed for an initial term of three years and can be re-elected for a maximum of two subsequent terms of three years each, subject to satisfactory performance and approval of the shareholders. Hence, the maximum tenure of non-executive directors is nine years and subject to retirement age of 70 years. A person may be appointed notwithstanding that he is 70 years or more of age. However, special notice is required of any resolution appointing or approving the appointment of such a director and notice to be given to the Group and by the Group to its members shall state the age and the director to whom it relates.

Executive directors are appointed for an initial term of three years and the contract can be renewed for another three years subject to the performance of the director as indicated in the result of his/her annual performance evaluation. The Board can, however, grant a waiver of the tenure limit in the case of an executive director whose performance is deemed exceptional. This will, however, require formal justification and unanimous approval of the Board. Executive directors are discouraged from holding a large number of directorships outside the Group.

In compliance with the CBN Code on tenure of directors, there were significant changes to the Board in the latter part of 2010. Prince Ajibola Afonja, a non-executive director, replaced Oba Otudeko as the Group's Chairman effective from 1 January 2011 and three other non-executive directors also retired from the Board as at 31 December 2010. Four executive directors also resigned from the Board. Underscoring the effectiveness of our succession planning, the Board initially appointed four non-executive directors to the Board in October 2010 and another four non-executive directors at the end of December 2010; with 1 January 2011 as the effective date of appointment.

Mallam Bello Maccido was appointed to the Board on 1 January 2011 but resumed duties on 31 January 2011 as an Executive Director in charge of our Retail business in the northern region of Nigeria. Urum Eke was appointed to the Board on 24 March 2011 but resumed duties on 16 May 2011 as an Executive Director in charge of our Public Sector business for the southern part of Nigeria.

In accordance with the Company's Articles of Association, the following Directors, Ibukun Awosika, Ambrose Feese, Ebenezer Jolaoso, Lawal Ibrahim and Kehinde Lawanson, would retire by rotation and being eligible, offer themselves for re-election; while Urum Eke offers himself for election as a Director of the Company.

Board responsibilities

The Board has a formal charter that is reviewed and reassessed at least every three years or earlier as required, to ensure it remains consistent with its purpose and responsibility. The charter covers policies regarding board membership and composition, board procedures, the conduct of directors, risk management, remuneration, board evaluation and induction. The key responsibilities of the Board are as follows:

- approve the Group's strategy and financial objectives, and monitor the implementation of those strategies and objectives;
- review and approve the Group's capital and liquidity positions, and approve proposals for the allocation of capital and other resources within the Group;
- oversee the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage risks facing the Group – this includes credit, market, compliance, strategic, reputational and operational risks;
- decide and approve the expenditure authorisation, investment and credit lending limits to be delegated to Board Committees, subsidiary Boards and executive and senior management;
- review on a regular and continuing basis the succession planning for the Board and senior management staff (especially the Group Managing Director and other executive management members);
- approve all appointments of directors to the Boards of the subsidiary and affiliate companies;
- review the recommendations of the independent consultants on the annual review/appraisal of the performance of the Board and approve action steps as required;
- maintain a sound system of internal controls to safeguard shareholders' investment and the assets of the Group;
- review significant audit and compliance issues and approve action and remediation plans;
- establish and maintain appropriate accounting policies for the Group;
- approve any significant changes in the organisational structure of the Group;
- approve the Group's performance-based compensation policy; and
- approve the Group's secondment/mobility policy.

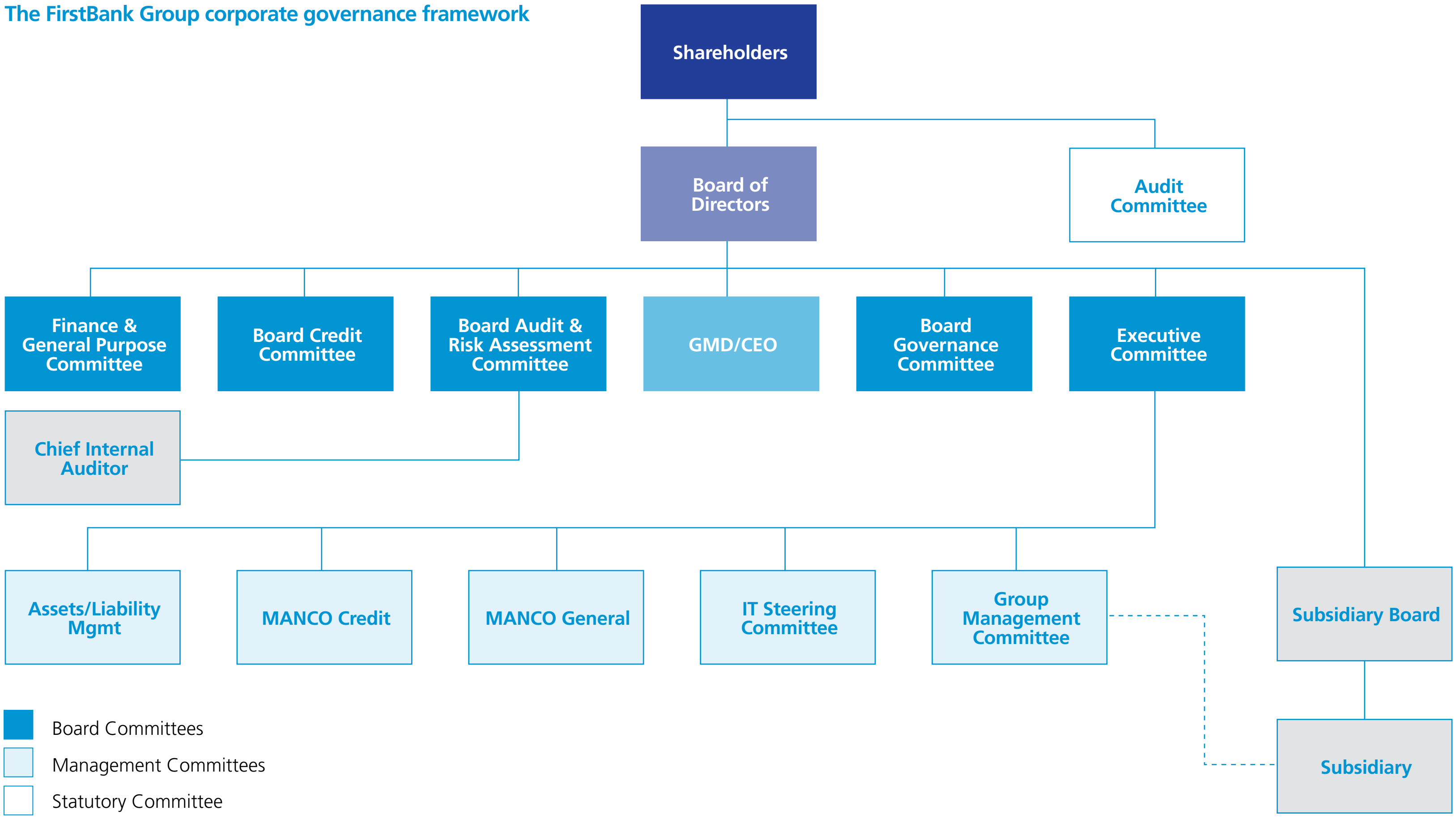
Delegation of authority

Ultimate responsibility for the performance of the Bank and Group rests with the Board. The Board retains effective control through a well-developed governance structure of board committees. These committees provide in-depth focus on specific areas of board responsibility. The Board delegates authority to the GMD/CEO as well as the Executive Committee of which he is the chairman, to manage the business and affairs of the Group on a day-to-day basis, within such limits as defined by the Board from time to time. The GMD/CEO has authority to sub-delegate such authority and power to such members of the executive management team as he/she shall determine from time to time. The Management Committee (MANCO), comprising five Executive Directors (including the CEO) and six Executive Vice Presidents (who have equal responsibility as the Executive Directors with the exception of Board functions), is responsible for management of the day-to-day affairs of the Group. Biographies of the Executive Vice Presidents are provided on page 167 of this corporate governance report.

Board effectiveness and evaluation

In line with the provisions of the CBN's Code of Corporate Governance for Banks, KPMG Professional Services, an independent consultant, conducted an appraisal of the Board of Directors for the year ended December 2011. The board performance evaluation for the financial year ended 31 December 2011 considered the following key areas, namely: board operations, strategy, corporate culture, stewardship and monitoring and evaluation. The report on this evaluation was discussed at a board meeting and relevant action points have been noted for implementation to further improve board functioning. The individual Directors were also evaluated and the assessment is communicated and discussed by the Chairman. The cumulative results of the performance of the Board and individual Directors are considered by the Governance Committee as a guide in deciding eligibility for re-election.

The FirstBank Group corporate governance framework



Induction and training

The Board of First Bank of Nigeria Plc, in accordance with Section 18 to 20 of the CBN Code, has established a formal orientation and training programme to ensure that new directors familiarise themselves with the operations of the Company, plans, senior management and its business environment and to induct them into their fiduciary duties and responsibilities. This is done through induction courses, which are presented by the Company Secretary and other experts on local and international industry developments, board effectiveness, corporate governance, risk management, technology issues, banking and other technical subjects. All business heads also undertake regular presentations to update the Board on the challenges, opportunities and risks facing the business areas. This is achieved by way of management reporting and quarterly board meetings, which are structured to form part of ongoing training. The Bank attaches significant premium in the training of its directors.

Company Secretary

All directors have access to the Company Secretary and he is accountable to management and the Board through the Chairman on all corporate governance matters. The Company Secretary shall provide directors with guidance on their responsibilities, good governance and ethics. He is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations are complied with. He plays an active role in directors' induction, training and strategic administrative planning. The Board has ultimate responsibility for the appointment and removal of the Company Secretary.

Access to independent professional advice

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

Corporate governance report

Independence of the internal auditor

The internal audit function serves as the third line of defence in the Bank's risk management, control and governance framework. It provides independent and objective assurance services that enable the Bank to meet its business objectives via the deployment of a risk-based, technology-enabled methodology in line with best practice. The internal audit function reports to the Board Audit & Risk Assessment Committee.

Remuneration

Introduction

This section provides stakeholders with an understanding of the remuneration philosophy and policy applied at First Bank of Nigeria for non-executive directors, executive directors and employees.

Remuneration philosophy

FirstBank's compensation and reward philosophy represents the values and beliefs that drive compensation decision making in the organisation. Compensation philosophy is in line with FirstBank's quest to attract and retain highly skilled personnel that will keep the Bank ahead of competition. In reviewing our compensation, some of the triggers for compensation review include organisational policy, market positioning, financial performance of the Bank, government policies and regulations, industry trends, inflation and cost-of-living index.

Remuneration strategy

FirstBank's compensation and reward strategy is aimed at attracting, rewarding and retaining a motivated talent pool to drive the Bank's core ideology and strategic aspirations. FirstBank's compensation strategy supports its corporate strategy and is reviewed as required to reflect changes in internal and external environmental conditions. The compensation and reward strategy seeks to position the Bank as an employer of choice within its pay market by offering a well-packaged, attractive and sustainable compensation package. Compensation is equitable and rewards officers based on relative worth of jobs (within the system), competencies and performance. Compensation is also differentiating and it is used as a tool for retaining high potential talent and driving desired culture/values.

Remuneration policy

FirstBank's compensation policy includes remuneration, perquisites and benefits. The remuneration includes base pay, allowances, as well as performance-based bonuses and incentives as follows:

- Base pay – includes the salary component for the defined job grade and it is mainly cash-based. It is guaranteed and payable monthly in arrears as per the employment contract. It is the basis for the computation of some allowances and most benefits.
- Allowances – other pay items outside base pay. They are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch, clothing, etc. They shall be payable in cash and shall be paid monthly, quarterly or yearly for tax planning, liquidity planning and staff convenience. Allowances are segregated into two i.e., those that form part of staff salary and those categorised purely as allowances.
- Bonuses and incentives – these are related to achievement of certain targets and may be cash or non-cash such as additional stock option or paid holidays. Profit sharing also includes payments made for organisational achievements, e.g., profit sharing/end-of-year bonuses.

Perquisites/perks are usually 'lifestyle'-induced and designed to ensure comfort, motivation, commitment and retention of staff particularly at the senior level, or high potential staff, e.g., status cars. They are acquired by the Bank for the employee's use, or reimbursements are given to any employee who acquires them on his own.

Benefits are entitlements usually attainable subject to organisational conditions. They include leave, medical allowance, subscriptions and deferred benefits such as pensions and gratuity. Benefits may be present (in service) or deferred payments (outside service).

To guarantee staff convenience and also ensure that, in line with the Bank's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that while staff remain liquid, the Bank does not run contrary to tax laws and other statutory regulations.

Remuneration structure

The pay structure, i.e., the Bank's adopted methods of administering its pay philosophy, recognises and differentiates along the following lines:

- Pay for Position/Role – Each job is properly evaluated and compensation for the position is in line with similar benchmarked jobs. Salaries are graded, i.e., consist of a series of pay bands on each grade that represent elevations within the same grade. There are five bands within each grade.
- Pay for Person – In this case, the Bank pays a premium for special skills, experience or competencies. This may require sign-on bonuses, repatriation fees, special contracts, etc.
- Pay for Performance – These shall include special bonus and incentive schemes and differentiating pay for performance level/career tracks.
- Pay for Role – Pay is structured to recognise the role types within the Bank. For example, marketing roles that have strategic impact on business revenue and customer facing roles will have a greater portion of their pay at risk while back-office roles that require functional expertise would have more of their pay guaranteed.

Board compensation

Non executive directors

In line with the CBN Code, non-executive directors receive fixed annual fees and sitting allowances for service on boards and board committee meetings. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Governance Committee of the Board annually reviews and makes recommendations to the Board on the remuneration of the Chairman and other non-executive directors.

Executive directors

Remuneration for executive directors is performance driven and restricted to base salaries, allowances, performance bonuses and share options. Executive directors are not entitled to sitting allowances. The Governance Committee reviews and makes recommendation to the Board on all retirement and termination payment plans made to the executive directors.

The amounts specified below represent the total remuneration paid to executive and non-executive directors for the Group in the period under review.

	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Fees and sitting allowance	162	169
Executive compensation	520	545
Total	682	714

The Group will continue to ensure its remuneration policies and practices remain competitive, incentivise drive performance and are in line with its core values. Additional details on the remuneration to the Board can be found on page 226 of this annual report and accounts.

Board meetings

The Board meets quarterly and additional meetings are convened as may be required. The annual calendar of Board and committee meetings is approved in advance at the first meeting of the Board in each financial year and all directors are expected to attend each meeting. Material decisions may be taken between meetings through written resolutions as provided for by the Bank's Articles of Association. The annual calendar of Board activities includes a Board retreat at an offsite location, to consider strategic matters and review the opportunities and challenges facing the institution. All directors are provided with notices, agenda and meeting papers in advance of each meeting and where a director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting while such director reserves the right to discuss with the chairman matters he/she may wish to raise at the meeting. The FirstBank Board met seven times in 2011, three of which were extraordinary Board meetings. The record of attendance is provided below:

Composition and Board meeting attendance

Meetings held	1	2	3	4	5	6	7
Names	20 January 2011	Extraordinary 24 March 2011	Pre AGM 1 June 2011	28 July 2011	Extraordinary 15 September 2011	27 October 2011	Extraordinary 16 December 2011
Prince Ajibola Afonja (Chairman)	✓	✓	✓	✓	✓	✓	✓
Bisi Onasanya	✓	✓	✓	✓	✓	✓	✓
Alex Otti[1]	✓	✗	✗	✗	✗	✗	✗
Ambrose Feese	✓	✓	✓	✓	✓	✓	✓
Bello Maccido[2]	N/A	✗	✓	✓	✓	✓	✓
Ebenezer Jolaoso	✓	✓	✓	✓	✓	✓	✓
Ibiai Ani	✓	✓	✓	✓	✓	✓	✓
Ibrahim Waziri[2]	✓	✓	✓	✓	✓	✓	✗
Ibukun Awosika	✓	✓	✓	✓	✓	✓	✓
Kehinde Lawanson	✓	✓	✓	✓	✓	✓	✗
Khadijah Alao-Straub[2]	✓	✓	✓	✗	✓	✓	✗
Lawal Ibrahim	✓	✓	✓	✓	✓	✓	✓
Mahey Rasheed, OFR	✓	✓	✓	✓	✓	✓	✗
Obafemi Otudeko[2]	✓	✓	✓	✓	✓	✓	✗
Remi Odunlami	✓	✓	✓	✓	✓	✓	✓
Tunde Hassan-Odukale[2]	✓	✓	✓	✗	✓	✓	✓
Urum Eke[2]	N/A	N/A	✓	✓	✓	✓	✗

Key: ✓ present ✗ apology

1 Alex Otti resigned from the Board with effect from (wef) 28 February 2011.

2 Directors appointed during the year: Ibrahim Waziri, Khadijah Alao-Straub, Obafemi Otudeko and Tunde Hassan-Odukale (All appointed wef 1 January 2011). For Bello Maccido and Urum Eke, the number of Board meetings held from the date of resumption were: Bello Maccido (Appointed wef 01 January 2011) – 6 and Urum Eke (Appointed wef 24 March 2011) – 5.

Corporate governance report

Board committees

The Board carries out its oversight function through its six standing committees each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines to the Board. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. In line with best practice, the Chairman of the Board does not sit on any of the committees. There were no changes to the standing committees in 2011. The directors confirm that the committees functioned in accordance with their terms of reference during the financial year under review.

The following board committees operated within FirstBank in 2011:

Board Finance & General Purpose Committee (BFGPC)

The primary purposes of the Board Finance & General Purpose Committee are to:

(a) consider and approve the Bank's capital expenditure plan and specific capital projects above the approval limit of the Management General Committee (MANCO General or MGC) and make recommendation for the consideration of the Board; and

(b) advise the Board on its oversight responsibilities in relation to recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of the Bank on Principal Manager grade and above.

Key responsibilities

The Committee is responsible for the following:

- approval of capital expenditure within the monetary amounts specified by the Board;
- ensuring that the principle of competitiveness, transparency, fairness and openness is adhered to in the Bank's procurement process;
- regularly reviewing and recommending to the Board, limits of capital expenditure for the various levels of management and the Executive Committee;
- recommending capital expenditures exceeding the approval limits granted to the committee to the Board;
- recommending to the Board approval limits of capital expenditure for the subsidiary companies;
- recommending approval of the Bank's procurement policy to the Board;
- ensuring all approved capital expenditure is in accordance with the Bank's approved annual budget;
- ensuring the conduct of suppliers' performance survey on an annual basis to determine stakeholders' views on performance of the Bank's suppliers;
- ensuring that the Bank complies with all laws and regulations in respect of director-related party transactions;
- recommending the approval of all contracts with directors or related party of a director to the Board;
- reviewing and recommending the Group's organisation structure, remuneration policy, and the Group's policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues for approval by the Board;
- reviewing and recommending the Bank's human resource strategies for approval by the Board;
- reviewing and recommending the Group's Secondment and Mobility Policy and any proposed amendments for approval by the Board;
- reviewing and recommending the Group's succession plan for senior management staff and any proposed amendments for approval by the Board; and
- performing any other duties or responsibilities expressly delegated to the committee by the Board from time to time.

Composition and committee meeting attendance

Meetings held	1	2	3	4
Names	4 March 2011	26 May 2011	14 October 2011	7 December 2011
Ebenezer Jolaoso (Chairman)	✓	✓	✓	✓
Bisi Onasanya	✓	✗	✗	✓
Adebayo Adelabu[1] – In attendance	✗	✓	✓	✓
Ibiai Ani	✓	✓	✓	✗
Ibrahim Waziri	✓	✓	✓	✓
Ibukun Awosika	✓	✗	✓	✓
Kehinde Lawanson	✗	✗	✗	✓
Khadijah Alao-Straub	✓	✗	✓	✓
Lawal Ibrahim	✓	✓	✓	✓
Obafemi Otudeko	✓	✗	✓	✓
Remi Odunlami	✓	✗	✓	✓

1 Adebayo Adelabu is in attendance but not a member of the Board of Directors.

Board Audit & Risk Assessment Committee (BARAC)

The overall purpose of the Committee is to protect the interest of FirstBank shareholders and other stakeholders by overseeing on behalf of the Board the:

- integrity of financial reporting;
- adequacy of the control environment;
- management of risk;
- internal and external audit function; and
- compliance function.

Key responsibilities

The Committee discharges the following responsibilities:

- overseeing and appraising the coverage and quality of the audits conducted both by the Bank's internal and external auditors;
- maintaining open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm the auditors' respective authority and responsibilities;
- reviewing (on an independent and objective basis) the financial information to be presented by management to shareholders, regulators and the general public;
- reviewing the adequacy of internal controls of the Bank, recommending and reviewing the risk management practices adopted across all material aspects of the Bank's operations;
- complying with Prudential Guidelines by reporting:
  - the Bank's main corporate governance practices as may be required by the Central Bank of Nigeria
  - major outstanding contingent liabilities, including existing and potential legal actions against the Bank or the Board
  - significant transaction outside the Bank's ordinary course of business; and
- responding to complaints regarding accounting and auditing matters.

Composition and committee meeting attendance

Meetings held	1	2	3	4
Names	4 March 2011	13 July 2011	14 October 2011	7 December 2011
Ambrose Feese (Chairman)	✓	✓	✓	✓
Bisi Onasanya	✓	✓	✗	✓
Adebayo Adelabu[1] – In attendance	✗	✓	✓	✓
Bello Maccido	✓	✗	✓	✓
Ibrahim Waziri	✓	✗	✓	✓
Remi Odunlami – In attendance	✓	✓	✓	✓
Tunde Hassan-Odukale	✓	✓	✓	✓
Urum Eke[2]	N/A	✓	✗	✓

1 Adebayo Adelabu is in attendance but not a member of the Board of Directors.

2 3 Board Audit & Risk Assessment Committee meetings were held from the date of resumption.

Board Governance Committee (BGC)

The primary purpose of the Board Governance Committee is to oversee and advise the Group Board on its oversight responsibilities.

Key responsibilities

The responsibilities of the Committee are to:

- determine the composition of the Board and board committees, design and execute the process for appointment of new Board members and removal of non-performing Board members;
- develop and maintain an appropriate corporate governance framework for the Group;
- develop and maintain an appropriate policy on remuneration of directors, both executive and non-executive;
- ensure proper reporting and disclosure of the Group's corporate governance to stakeholders;
- evaluate the role of the Board Committees and Boards of subsidiary companies, and ratify the performance appraisals of the executive directors as presented by the Group MD/CEO;
- ensure proper succession planning for the Group; and
- ensure compliance with the CBN Code of Corporate Governance.

Composition and committee meeting attendance

Meetings held	1	2	3	4	5
Names	19 January 2011	23 March 2011	31 May 2011	27 July 2011	21 October 2011
Ambrose Feese (Chairman)	✓	✓	✓	✓	✓
Bisi Onasanya – In attendance	✓	✗	✓	✓	✓
Ebenezer Jolaoso	✓	✓	✓	✓	✓
Mahey Rasheed, OFR	✓	✓	✓	✓	✓

Corporate governance report

Board Credit Committee (BCC)

The purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Bank and subsidiary companies' credit exposure, management and lending practices, and provide strategic guidance for the development and achievement of the Bank and subsidiary companies' credit and lending objectives. In performing this oversight role, the committee shall work with management.

Key responsibilities

The Committee has the following responsibilities:

(a) review and approve credit facilities to be granted by the Bank that are within such monetary amounts as may from time to time be set by the Board and granted to Directors and other entities related to the Directors;

(b) recommend for approval the definition of risk and return preferences, target risk portfolio, credit portfolio quality plan for the year and level of exposure to domestic and foreign banks;

(c) recommend for approval credit risk appetite and credit portfolio strategy in line with the corporate strategy of the Bank;

(d) review, endorse and recommend for Board approval, as and when required, the establishment of or any material changes to:

- the credit policies and procedures
- the underwriting guidelines
- the credit concentration guidelines and limits
- the compliance programmes for credit-related matters
- the delegations of credit authority
- the provisions for loan losses methodology
- all other matters as required by regulation on the recommendation of the Management Credit Committee of FirstBank (MANCO Credit);

(e) approve new credit products and processes;

(f) approve changes to credit policy guidelines on the recommendation of the EXCO Credit; and

(g) such other matter relating to the credit operations of the Bank and subsidiary companies as may be specifically delegated to the committee by the Board.

Composition and committee meeting attendance

Meetings held	1	2	3	4	5	6	7
Names	**12 January 2011**	**4 March 2011**	**18 May 2011**	**13 July 2011**	**7 September 2011**	**14 October 2011**	**7 December 2011**
Mahey Rasheed, OFR (Chairman)	✓	✓	✓	✓	✓	✓	✓
Bisi Onasanya	✓	✓	✓	✓	✓	✓	✓
Bello Maccido[1]	N/A	✓	✓	✗	✓	✓	✓
Ebenezer Jolaoso	✓	✓	✓	✓	✓	✓	✓
Ibrahim Waziri	✗	✓	✓	✗	✓	✓	✓
Kehinde Lawanson	✓	✗	✗	✓	✓	✓	✓
Khadijah Alao-Straub	✗	✓	✓	✓	✓	✓	✓
Obafemi Otudeko	✗	✓	✓	✓	✓	✓	✓
Remi Odunlami	✓	✓	✓	✓	✓	✓	✓
Tunde Hassan-Odukale	✗	✓	✓	✓	✓	✓	✓
Urum Eke[1]	N/A	N/A	✓	✓	✓	✗	✓

1 The number of Board Credit Committee meetings held from the date of resumption are: Bello Maccido – 6 and Urum Eke – 5

Audit Committee

The Audit Committee is a statutory committee pursuant to Section 359(4) of the Companies and Allied Matters Act 1990 (CAMA). The Committee has oversight responsibility for the Group's financial statements. The Audit Committee is, however, not answerable to the Board. The Committee comprises six members (three are nominated by the shareholders and three are non-executive directors) whose tenure must be renewed annually.

The CBN requires that the tenure of a bank's external auditors shall be for a maximum period of 10 years, after which the audit firm shall not be reappointed in the bank until after a period of another 10 years. FirstBank makes use of the services of both PWC and PKF as joint auditors; both of whom have worked for the Bank for 2 and 8 years respectively.

Key responsibilities

Subject to such other additional powers that CAMA may stipulate, the roles and responsibilities of the Audit Committee are to:

- ascertain whether the accounting and reporting policies of the Group are in accordance with statutory requirements and agreed ethical practices;
- review the scope and planning of audit by the external auditors including identified risk areas, relevance of audit plan to audit approach, and reporting timetable;
- review the effectiveness of the Bank's system of accounting and internal controls;
- review and recommend the annual financial report for approval by the Board;
- review the statutory auditor's management letter and ensure adequacy of management's response;
- make recommendation to the Board with regard to the appointment, removal and remuneration of the statutory auditors of the Bank;
- recommend to the Chief Internal Auditor to carry out any investigations into any activities of the Bank that may be of concern to the Committee; and
- all such other matters as are reserved to the Audit Committee by CAMA and the articles of association of the Bank and the subsidiary companies.

Composition and committee meeting attendance

Meetings held	1	2	3	4
Names	3 February 2011	21 March 2011	4 May 2011	13 October 2011
Peter Asu (Chairman)	✓	✓	✓	✓
Adamu Kiyawa	✓	✓	✓	✗
Adebayo Adelabu[1] – In attendance	✓	✓	✓	✓
Chinwendu Achara[2]	✓	✓	✓	N/A
Ibiai Ani	✓	✓	✗	✓
Ibukun Awosika	✗	✓	✓	✓
Lawal Ibrahim	✓	✓	✓	✗
Raphael Attu[3]	N/A	N/A	N/A	✓
Remi Odunlami – In attendance	✓	✗	✓	✓

1 Adebayo Adelabu is in attendance but not a member of the Board of Directors.

2 Chinwendu Achara, former member and Chairman of the committee ceased to be a member at the last AGM on June 2, 2011.

3 Raphael Attu was elected a member of the committee at the last AGM.

Going concern

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

Corporate governance report

Executive Committee (EXCO)

The Executive Committee is the highest management body within the Bank. The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank. Its primary responsibility is to:

- ensure the implementation of the Bank's strategic and business plan approved by the Board;
- ensure efficient deployment and management of the Bank's resources; and
- provide leadership to the management team.

Key responsibilities

The responsibilities of the Executive Committee are to:

- develop and review on an ongoing basis the Bank's business focus and strategy subject to the approval of the Board;
- confirm alignment of the Bank's plan with the overall Group strategy;
- recommend proposals on the issue of shares, bonds, debentures and any other securities to the Board for approval;
- track and manage strategic and business performance against approved plans and budget of the Bank;
- make proposals to the Board and Board Committees on major policies and principles (e.g., recruitment, promotion and termination of senior management staff, disciplinary measures against erring senior management staff, compensation matters, major capital spending, organisational structure, etc.);
- track and monitor progress and accomplishments on major Bank initiatives and projects;
- recommend opening and closing of new branches to the Board;
- articulate appropriate response to environmental factors, regulation, government policies, competition, etc. affecting the Bank;
- develop high-level policies to assist in the successful achievement of the Bank's overall business objectives;
- make recommendations to the Board on dividends to be paid out to shareholders at year end; and
- make important decisions in all areas where delegation of authority is granted to the Bank's Executive Committee.

Following the delegation of its duties to the Management Committee, the Executive Committee did not meet over the period under review.

Management committees

FirstBank has the following management committees that are vital to the application of sound governance principles within the FirstBank Group:

Management Committee – General (MANCO General or MCG)

The Committee is responsible for steering the affairs of the Bank but shall not be responsible for any matters relating to the Board of Directors or Directors, including appointment of Directors, remuneration or termination of Directors and modifications to Board Committees.

Key responsibilities

These include all the responsibilities of the Executive Committee with the exception of all matters relating to the Board of Directors.

Management Committee – Credit (MANCO Credit or MCC)

The Management Credit Committee is the highest management credit approval body in FirstBank and performs the dual role of credit policy articulation and credit approval. The Committee reviews and recommends to the Board of Directors for approval, credit policy direction including articulation of risk and return preferences at corporate level and for individual asset-creating business units in the Bank. The Committee also, on an ongoing basis, ensures compliance of the credit environment in the Bank with approved policies and framework.

Key responsibilities

In the credit policy articulation and direction setting role, the Management Credit Committee:

- establishes and maintains effective risk management environment in the Bank;
- reviews proposals in respect of credit policies and standards and endorses to the Board of Directors for approval;
- defines Bank risk and return preferences and target risk portfolio;
- monitors on an ongoing basis the Bank's risk quality and performance, reviews periodic credit portfolio reports and assesses portfolio performance;
- defines credit approval framework and assigns credit approval limits in line with Bank policy;
- reviews defined credit product programmes on recommendation of the Head, Credit Analysis & Processing and endorses to the Board of Directors for approval;
- reviews credit policy changes initiated by Management and endorses to the Board of Directors for approval; and
- ensures compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities.

Group Management Committee (GMC)

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Group.

Key responsibilities

The Group Management Committee is responsible for the following:

- develop and review on an ongoing basis the Group's business focus and strategy subject to the approval of the Board;
- ensure efficient deployment and management of the Group's resources.
- confirm alignment of each subsidiary company's plan with overall Group strategy;
- recommend proposals on the issue of shares, bonds, debentures and any other securities to the Board for approval;
- track and manage strategic and business performance against approved plans and budget of the Group;
- track and monitor progress and accomplishments on major Group initiatives and projects at subsidiary level;
- articulate appropriate response to environmental factors, regulations, government policies, competition, etc. across the Group; and
- recommend high-level policies to assist in the successful achievement of the Group's overall business objectives.

Assets & Liabilities Management Committee (ALCO)

ALCO is the highest technical body responsible for market risk management.

Key responsibilities

The Committee is responsible for the following:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to foreign currency rates, interest rates and equity prices' risks;
- reviewing market risk strategy and recommending the same for Board approval;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks; and
- reviewing and recommending for approval market risk-related limits, i.e., position, concentration, currency, dealing gap, total portfolio and counterparty limits and approving appointment of dealers.

Relationship with shareholders

With a base in excess of 1.3 million, and with no single shareholder owning up to 5% of the issued ordinary shares of the Bank, FirstBank has arguably the largest number of shareholders of listed Nigerian companies as well as one of the most diversified ownership structures.

The shareholders' role is to, through representatives in the Audit Committee, ensure: adequate audit scope and planning, conformance of accounting and reporting policies with statutory requirements, effective monitoring of internal controls, satisfactory response to audit queries by management, satisfactory review of audit report on insider-related transactions. In addition, shareholders approve the appointments of the Board of Directors and the external auditors as well as grant approval for certain corporate actions that are by legislation or the Company's articles of association specifically reserved for shareholders. Their role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

The Bank has an Investor Relations function, which deals directly with enquiries from shareholders and investors, ensuring that investor/shareholders' views are escalated to Management and the Board. In addition, quarterly, half-yearly and annual financial results are published in widely read national newspapers. The Bank ensures that both local and international institutional investors, as well as holders of the global depositary receipts get regular updates on the Bank's progress via interactive conference calls, local and international investor presentations and meetings. These conference calls and investor meetings provide our investors with direct access to senior and executive management, thus building further transparency and confidence in the management of the organisation.

In addition to ongoing engagement facilitated by the Company Secretary and the Head of Investor Relations, the Group encourages shareholders to attend the Annual General Meeting and other shareholder meetings where interaction is welcomed. Shareholders meetings are duly convened and held in line with the Bank's Articles of Association and existing statutory and regulatory regimes in an open manner, for the purpose of deliberating on issues affecting the Bank's strategic direction. This occurs through a fair and transparent process and also serves as a medium for promoting interaction between the Board, Management and Shareholders. A separate resolution is proposed on each significant issue. Voting on resolutions at general meetings is determined by a show of hands unless a poll is, in line with the articles of association, demanded before or on the declaration of the result of a show of hands.

Attendance at the Annual General Meeting is open to shareholders or their proxies, while proceedings at such meetings are usually monitored by members of the press, representatives of The Nigerian Stock Exchange, Central Bank of Nigeria, the Securities and Exchange Commission and the Corporate Affairs Commission. The Board ensures that shareholders are provided with adequate notice of meetings. An Extraordinary General Meeting may also be convened at the request of the Board or of shareholders holding not less than 10% of the Bank's paid-up capital.

Corporate governance report

Social responsibility

The FirstBank Group has remained at the forefront of good corporate citizenship. To enhance our impact on the people and the society where we operate, we commissioned a review of the Bank's corporate social investment through an impact assessment exercise. This began a process of demonstrating exemplary levels of stakeholder engagement and responsiveness. Through partnerships with leading organisations, we focused on support for educational advancement, enterprise development, entrepreneurship, health and welfare. Our projects continue to improve lives directly through financing and indirectly through education and capacity building.

Going forward, we seek to better understand the impact of our business from three perspectives – economic, social and environmental and through stakeholder engagement, ensure we continue our tradition of carrying out our business activities in a responsible and sustainable fashion. Please see pages 106 to 112 of the annual report and accounts for a detailed write up on our corporate social responsibility.

Sustainability

Social and environmental responsibility remains an important part of the Group's culture. The monitoring and reporting of sustainability issues is still an evolving discipline within our organisation.

Corporate ethics and culture

The code of ethics rolled out in the Bank in 2007 remained in force during 2011.

Customer complaints and resolution

The Bank complied with the provisions of CBN Circular FPR/DIR/C IR/GEN/01/020 dated 16 August 2011 on handling consumer complaints.

Whistle blowing procedures

In line with the Bank's commitment to instil the best corporate governance practices, as well as in compliance with the CBN Code, FirstBank in the latter part of 2010, established whistle blowing procedures. The Bank's whistle blowing policy spans both internal whistle blowers (staff, contract employees, management or directors) and external whistle blowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders).

The dedicated phone lines are 0700-34778-2668228, 01-4485500 and 07080625000 while the dedicated email address is firstcontact@firstbanknigeria.com. In addition, whistle blowers can also log onto www.firstbanknigeria.com and click on the whistle blowing portal to report misconduct. Other avenues open to whistle blowers are through a letter to the Group Managing Director/Chief Executive or directly to the Chief Internal Auditor.

Statement of compliance

The Bank is a public limited liability and therefore subject to the jurisdiction of the SEC as well as the CBN Codes of Corporate Governance. Save for the breach of the Code stated below, we have complied with the relevant provisions of the SEC Code except that in the case of any conflict between the provisions of the two codes regarding any matter, the Bank will defer to the provisions of the CBN Code as its primary regulator.

Breaches of the code

With respect to the minimum number of independent directors, we are in compliance with the SEC Code, which requires a minimum of one independent director, but not yet in compliance with the CBN Code, which requires at least two independent directors on the Board.

Biography of the Board of Directors

Membership key

AC	Audit Committee	BCC	Board Credit Committee	BGCI	Board Governance Committee (in attendance)
ACI	Audit Committee (in attendance)	BFGPC	Board Finance and General Purpose Committee	EXCO	Executive Committee
BARAC	Board Audit & Risk Assessment Committee	BFGPCI	Board Finance and General Purpose Committee (in attendance)	MCC	Management Committee Credit
BARACI	Board Audit & Risk Assessment Committee (in attendance)	BGC	Board Governance Committee	MCG	Management Committee General

Prince Ajibola Afonja

Chairman

Age: 68
Duration on the Board: five years and four months as a Director and one year as the Chairman

Prince Ajibola Afonja holds a degree in Accountancy from Kingston University, Kingston-upon-Thames, Surrey, UK and is a Fellow of the Chartered Association of Certified Accountants (FCCA). He was an Audit Trainee with Akintola Williams & Co and with John Mowlem & Co Limited, UK. He established the first fibreglass manufacturing company in Nigeria, International Glass Fibre Limited, Ibadan and was the pioneer Managing Director. He was Chairman/CEO, Integrated Dimensional Systems Limited, Oyo, the largest sanitary ware manufacturing company in Nigeria. Prince Afonja has at various times held distinguished appointments with the Federal Government of Nigeria, including Federal Minister of Labour and Productivity, 1993. He has attended executive training programmes locally and in renowned institutions across the globe, including Kellogg School of Management, Chicago, USA, The Wharton School, Philadelphia, USA and London Business School. He has served on various committees of the FirstBank Board and was also the Chairman FBN Mortgages Limited and First Registrars Limited prior to becoming the Chairman of the Bank. He continues to provide invaluable leadership for the Bank from his extensive experience in business administration and executive management in both the private and public sectors of the economy.

Bisi Onasanya

BARAC BCC BFGPC BGCI MCC MCG

Group Managing Director/Chief Executive Officer (GMD/CEO)

Age: 50
Duration on the Board: five months as a Director and two years and six months as the GMD/CEO

Bisi Onasanya has over 26 years' post-qualification experience and until his appointment as GMD/CEO was Executive Director, Banking Operations and Services. Prior to joining the Board of FirstBank, he was the MD/CEO of First Pension Custodian Nigeria Limited, a subsidiary of FirstBank. Prior to this appointment, he worked at FirstBank. He coordinated the Century 2 Enterprise Transformation Project for the Bank and was also the Head, Finance and Performance Management. His varied experience in management and executive positions across the Bank gives him valuable insight into diverse issues affecting the Bank. An astute Chartered Accountant trained with Arthur Young Osindero & Co (Chartered Accountants), and Fellow of the Institute of Chartered Accountants of Nigeria, he holds an HND Upper Credit in Accountancy from Lagos State College of Science & Technology, Lagos and is an Associate Member of the Nigeria Institute of Taxation. He serves as the chairman of the Board of First Registrars Limited and a member of the Board of FBN Bank (UK) Limited. He is also the chairman of Kakawa Discount House Limited and member of the Board of African Finance Corporation.

Ambrose Feese

BARAC BGC

Non-Executive Director

Age: 67
Duration on the Board: one year and two months as a Director

Ambrose Feese is a graduate of Leeds College of Commerce, UK, Bradford University Project Planning Centre, UK and IMEDE-Laussane, Switzerland, where he studied accounting, project finance and management respectively. He has professional certificates in accounting and his work experience spans the Shell Company Nigeria Limited, Jos; New Nigeria Development Company Limited, Kaduna; Bank of the North Limited, Kano where he served as General Manager Operations and ICON Limited (Merchant Bankers), Lagos where he rose through the ranks to become the Managing Director/Chief Executive. He has also served as chairman and director in several quoted blue-chip companies and is a member of many government committees. His professional qualifications and experience are of profound relevance to the Board of the Bank.

Bello Maccido

BARAC BCC MCC MCG

Executive Director (Retail North)

Age: 50
Duration on the Board: one year as a Director

Bello Maccido has over 21 years' professional experience, which includes corporate and investment banking at Ecobank Nigeria Plc, New Africa Merchant Bank and FSB International Bank, where he rose through the ranks to become the Acting Managing Director. Until his present appointment, he was pioneer Managing Director of Legacy Pension Managers (PFA). Bello holds a degree in law from Ahmadu Bello University, Zaria and has been called to the Nigerian Bar. He holds an MBA (Managerial Finance) from Wayne State University, Detroit, USA and has attended Executive Programmes at Harvard Business School, The Wharton School in Pennsylvania, USA and IMD in Lausanne, Switzerland. He is an Associate of the Chartered Institute of Stockbrokers and a Council Member of The Nigerian Stock Exchange. Having excelled in corporate and investment banking as well as pension funds management, Bello's immense experience provides guidance for the Bank's Retail Banking Directorate and the Board.

Corporate governance report
Biography of the Board of Directors

Ebenezer Jolaoso
BCC BFGPC BGC

Non-Executive Director

Age: 68
Duration on the Board: one year and two months as a Director

Ebenezer Jolaoso attended Universita Commerciale Luigi, Baccon, Italy, where he obtained a Diploma in Economics of Banking with professional certifications in banking and management. He has a rich and varied experience in banking spanning over 22 years, with exposure to commercial banking, corporate banking, credit and risk management. He has also functioned as Head, Corporate Services & Administration at Nigerian Eagle Flour Mills Plc, with a wide range of responsibilities including corporate communications, branding, facilities management and human resource management. His experience has been vital in the administration of the Bank's business.

Ibiai Ani
AC BFGPC

Non-Executive Director

Age: 52
Duration on the Board: three years and four months as a Director

Ibiai Ani is a human resources professional with over 20 years of core HR experience at the senior management level. With a degree in law, she began her career in the Rivers State Ministry of Justice, and worked in the Federal Ministry of Justice and the Shell Petroleum Development Company of Nigeria where she gained experience in diverse human resource functions. Ibiai moved on to Citibank Nigeria where she was Country Head of Human Resources covering Nigeria and Ghana. Her extensive HR experience gives fillip to the Bank's human capital development. She is an accredited team-building trainer with the Team-Building Network in the UK, a member of the Chartered Institute of Personnel Development (CIPD) and sits on the Governing Council of the Chartered Institute of Personnel Management of Nigeria. She is the chairman of In-sourcing Limited.

Ibrahim Waziri
BARAC BFGPC BCC

Non-Executive Director

Age: 53
Duration on the Board: one year as a Director

Ibrahim Waziri holds a BSc in Accounting from the Ahmadu Bello University, Zaria and an MBA from the University of Lagos. A Fellow of the Institute of Directors (IOD), he has a combined 30 years' professional experience in banking, oil and gas businesses and politics. 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 Products Marketing Company Ltd, Deputy Managing Director, Nigeria LNG Limited and Managing Partner, Gulf of Guinea Petroleum Consulting Limited. His extensive experience across industries is brought to bear on his Board contributions. He is a member of the Board of Seawolf Limited.

Ibukun Awosika
AC BFGPC

Non-Executive Director

Age: 49
Duration on the Board: one year and two months as a Director

Ibukun Awosika holds a BSc in Chemistry from the University of Ife (now Obafemi Awolowo University), an MBA from IESE Business School, Barcelona, Spain and is an alumna of the Lagos Business School Chief Executive Programme. She is the CEO of the Chair Centre Limited and Sokoa Chair Centre. A fellow of the Aspen Global Leadership Network and a multiple award-winning entrepreneur, Ibukun is also the Chairperson and promoter of After School Graduate Development Centre (AGDC), a social enterprise set up to address employability and enterprise development among young Nigerians. She is on the Board of Trustees of Women in Management and Business, an NGO created to elevate the influence of women in business and she brings her managerial and entrepreneurial abilities to bear on the Board of the Bank. She is the chairman of FBN Life Assurance Limited.

Kehinde Lawanson
BCC BFGPC MCC MCG

Executive Director (Corporate Banking)

Age: 55
Duration on the Board: four years and four months as a Director

Kehinde Lawanson has over 25 years' banking experience in executive management positions in corporate, investment and commercial banking in several banks, which include the International Merchant Bank Plc, Peak Merchant Bank Limited as the Managing Director/CEO, and Intercontinental Bank Group. In 2006, he won the premier edition of the prestigious FirstBank CEO Merit Award as the Best Team/Group Leader for the year. In 2007, he anchored FirstBank's Big Offer, reputed as the most successful public offer in Nigeria. Kehinde's broad banking experience has influenced the Corporate Banking SBU. He holds a BSc in Estate Management from the University of Nigeria, Nsukka and an MBA in Finance from the University of Lagos. He is a Chartered Surveyor and the National Chairman of the Equipment Leasing Association of Nigeria (ELAN). He has attended training programmes in top-rated business schools including: University of Manchester, World Bank Institute, INSEAD-Fontainebleau, France, Stanford University, Oxford's Said Business School and Harvard Business School's Advanced Management Programme. He is a member of the Board of First Registrars Limited and Airtel Nigeria.

Khadijah Alao-Straub

BCC BFGPC

Non-Executive Director

Age: 38
Duration on the Board: one year as a Director

Khadijah Alao-Straub is a barrister who trained at Obafemi Awolowo University, Ile-Ife, Nigeria, and the University of Buckingham, UK. She holds a Master of Laws degree from Cornell University, New York, USA and has been admitted into the New York Bar. Her working career spans Lister Group of Companies, Nigeria and The Fantastic Corporation, Germany, where she led legal negotiations and supervised attorneys that worked for the firm. She also worked with EurotaxGlass International AG, Switzerland, where she managed litigation and advised executive management on business strategy and legal matters. Her diverse experience in the formulation of structure, business and legal strategy is particularly relevant to her role on the Board.

Lawal Ibrahim

AC BFGPC

Non-Executive Director

Age: 56
Duration on the Board: one year and two months as a Director

Lawal Ibrahim holds a BSc in Business Administration (with specialisation in Marketing) from Ahmadu Bello University, Zaria and Professional Certificates in Investment Banking and Management. He is an astute development banker, a strategic transformation manager and his working career spans the National Bank for Commerce and Industry and Northern Nigeria Development Company Limited, Kaduna where he rose through the ranks to become the Acting Group Managing Director. Lawal was a Director in over 15 companies spread all over Nigeria and in different sectors of the economy and he brings this immense experience to bear on the Bank's business. He served as a member of the Vision 20:20 Technical Working Group (SMEs Thematic Area) and is the author of the book, The Investment Decision (2007). He is widely published on economic issues.

Mahey Rasheed, OFR

BCC BGC

Non-Executive Director (Independent)

Age: 60
Duration on the Board: two years and five months as a Director

Mahey Rasheed, OFR, attended Ahmadu Bello University, Zaria and Harvard University, USA where he obtained a BSc in Economics and MPA Public Policy respectively. He is an Edward Mason Fellow, Harvard University. He started his career at New Nigeria Development Company, Kaduna and was Principal Investment Executive before joining the Central Bank of Nigeria as Assistant Director. He was Chairman of the CBN Audit Committee, CBN Budget Committee, and CBN's implementation of the Enterprise Management System Committee before he retired as a Director. Mahey Rasheed, OFR, has held several Federal Government appointments and sits on the board of various institutions in the country. He was conferred with the national honour of Officer of the Federal Republic (OFR) in 2004. He uses his in-depth experience across industries on the implementation of the Bank's strategic objectives. He is a member of the Board of Seawolf Limited.

Obafemi Otudeko

BCC BFGPC

Non-Executive Director

Age: 35
Duration on the Board: one year as a Director

Obafemi Otudeko is a graduate of Accounting from the University of Huddersfield, UK and an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN). His work experience spans the Honeywell Group, where as Executive Director he led the development of a Six Point Agenda for the comprehensive transformation of the group into a world-class company, and PricewaterhouseCoopers, where he led and managed various audit and consultancy engagements for major banks and non-bank financial institutions in Nigeria as well as other special projects. He also has wide experience of managing oil and gas projects. Obafemi impacts his wealth of experience in corporate finance and business development on the Board.

Corporate governance report
Biography of the Board of Directors

Remi Odunlami

ACI BARACI BCC BFGPC MCC MCG

Executive Director/Chief Risk Officer

Age: 49
Duration on the Board: two years and nine months as a Director

Remi Odunlami was, until her appointment to the Board of the Bank, Executive Director and Country Risk Manager at Citibank Nigeria Limited. She has over 25 years' experience in auditing and banking of which 22 years have been in banking with several general management positions in commercial banking and risk management. At Citibank, she was the first Sub-Saharan African female and first Nigerian to be appointed to the level of Senior Credit Officer and was also a member of various management committees. Remi's extensive experience in risk management enables the Bank to promote a sound business environment through the implementation of a robust enterprise risk management framework, enhance the risk culture across the Bank and avoid transactions/portfolios that are unfavourable to the system and industry at large. She holds a BSc in Mathematics from the University of Warwick, Coventry, England and is a Fellow of the Chartered Association of Certified Accountants (FCCA). She serves as the chairman of the Board of Banque Internationale de Crédit – our subsidiary in the Democratic Republic of Congo, and also a member of Board of FBN Bank (UK) Limited and FBN Capital Limited.

Tunde Hassan-Odukale

BARAC BCC

Non-Executive Director

Age: 46
Duration on the Board: one year as a Director

Tunde Hassan-Odukale holds a BSc in Mathematical Sciences from the University of London, and a post-graduate degree in Actuarial Science from City University, London. He has been Executive Director, Leadway Assurance Company Limited with responsibility for managing the company's assets, IT strategy, finance and general operations. Tunde has also been on the board of many blue-chip companies. He has a keen disposition to evaluating proposals as well as forming IT strategy and direction, which are beneficial to the Bank's Board. He has attended various professional executive courses at London Business School, Harvard Business School, Gordon Institute of Business Science and Lagos Business School.

Urum Eke

BARAC BCC MCC MCG

Executive Director (Public Sector South)

Age: 47
Duration on the Board: one year as a Director

Appointed as of 24 March 2011, Urum Eke was, until his present appointment, Executive Director, Regional Businesses, Lagos & West, Diamond Bank Plc. His work experience spans Deloitte Haskins & Sells International where he rose to Audit Senior and Diamond Bank Plc where he was Business Manager, Regional Manager and Divisional Head before he became Executive Director across diverse strategic business units. He has over 27 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 developed the Bank's businesses within the Public Sector South Directorate as well on the Board. Urum holds a degree in Political Science and an MBA in Project Management Technology. He has attended various executive programmes in top-rated business schools including Lagos Business School, Harvard University and Stanford University. He serves as a member of the Board of Rainbow Town Development Limited.

Biography of Executive Vice Presidents

Adebayo Adelabu

ACI BARACI BFGPCI MCC MCG

Executive Vice President/Chief Financial Officer (CFO)

Age: 41

Adebayo Adelabu, until his appointment as Chief Financial Officer (CFO), was the Financial Controller of the Bank. Prior to that, he was General Manager and the West African Regional Head of Finance and Strategy for Standard Chartered Bank, Nigeria. Bayo holds a first-class degree in Accounting from Obafemi Awolowo University, Ile-Ife and is a Fellow of the Institute of Chartered Accountants of Nigeria and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria. Bayo has 19 years' professional experience in banking, audit and management consulting and his extensive knowledge and industry exposure provides him with robust insight in financial services, which has helped place the Bank ahead of competitors in the industry. He had his professional training with PricewaterhouseCoopers where he rose to the position of an Audit Manager and Senior Consultant before joining the banking industry in the year 2000. He has attended many professional development courses in renowned institutions across the globe.

Bashirat Odunewu

MCC MCG

Executive Vice President (Institutional Banking)

Age: 49

Bashirat Odunewu, until her appointment as the Executive Vice President (Institutional Banking), was Group Head, Ikoyi/Victoria Island, in the Corporate Banking Directorate of the Bank. With over 20 years' experience across institutional banking, corporate banking, commercial banking, investment banking and treasury in various financial institutions, Bashirat brings her deep market-facing experience to bear on the Institutional Banking Group. She was recipient of The Best BDM award in FirstBank's CEO Annual Merit Awards 2010. Bashirat holds a BSc in Chemistry from the University of Manchester Institute of Science and Technology, UK and an MSc and DIC in Advanced Technology & Development from the University of London Imperial College of Science and Technology. She is a Fellow of the Institute of Chartered Accountants of Nigeria and has attended executive courses in various institutions including Harvard Business School, Boston and Columbia Business School, New York.

Bernadine Okeke

MCC MCG

Executive Vice President and Head of Private Banking

Age: 55

Bernadine Okeke, until her appointment as Executive Vice President and Head of Private Banking, was Business Development Manager (BDM), Lekki. Prior to this, she was Head, Human Capital Management & Development where she led major service quality and change management initiatives, which helped improve the overall service standard of the Bank. Her varied banking experience includes domestic banking operations, corporate banking, treasury, credit and marketing, branch development and roll out, in several banks. This integrated experience, including a brief stint in manufacturing as corporate treasurer, supports her function in facilitating the Bank's Private Banking business. Bernie holds a BSc degree in Accounting from Hampton University, Virginia, USA, an MBA Finance from Suffolk University, Boston, Massachusetts, USA and has over 26 years of diverse management and operational experience. She is the Chairman of the Board of FBN Microfinance Bank.

Dauda Lawal

MCC MCG

Executive Vice President (Public Sector North)

Age: 46

Dauda Lawal, until his appointment as Executive Vice President, Public Sector (North), was Business Development Manager (BDM), Maitama, Abuja, where his principal remit grew the Bank's business in the Abuja metropolis. He has over 24 years' post-qualification experience and has held other management positions within the Bank. Dauda's banking experience covers commercial and public sector banking and his dexterity has recorded strong achievements in his present function within the Public Sector group. He was the recipient of the FirstBank CEO Annual Merit Award for The Best BDM and The Most Enterprising Staff in 2006 and 2009 respectively. Dauda holds both BSc and MSc degrees in Political Science from the Ahmadu Bello University, Zaria and has attended professional development courses including Financial Services at the Harvard Business School, Boston, Massachusetts, USA.

Gbenga Shobo

MCC MCG

Executive Vice President (Retail South)

Age: 48

Gbenga Shobo, until his appointment as Executive Vice President (Retail South), was General Manager in charge of products and channel deployment in the Bank. He is a Chartered Accountant and has an outstanding career in banking, which spans over 21 years. His experience in business development, corporate banking, commercial banking, institutional banking and treasury is epitomised in his achievements within the Bank's Retail Banking South Directorate. He has held several management positions within the Bank and was the recipient of the 2007 FirstBank CEO Annual Merit Award. Gbenga holds a BSc in Political Science from the University of Ife, now Obafemi Awolowo University. He has attended many professional development courses in reputable business schools including Kelloggs Business School, USA, Stanford Graduate School of Business, USA and Wharton School of the University of Pennsylvania.

Tijjani Borodo

MCC MCG

Executive Vice President/Company Secretary

Age: 55

Tijjani Borodo, FIoD, was, until his appointment as Executive Vice President, a General Manager and the Company Secretary of the Bank. Before joining the Bank, he served with the Ministry of Justice, Kano State and rose to become the Director of Public Prosecutions. His banking career spans 23 years and he has occupied various managerial positions within the Bank. He is in charge of running the Bank's Secretariat, as well as Secretary to the Board of Directors and Annual General Meeting of the Bank. He applies his vast experience in the efficient management of the Company secretariat. Tijjani holds an LLB (Hons) from Ahmadu Bello University, Zaria, a BL from the Nigerian Law School and an LLM from the University of Essex, UK. He has attended numerous professional courses within the country and in various continents. Tijjani is a member of the Nigerian Bar Association, International Bar Association and a Fellow of the Institute of Directors.

Accountability and audit
Responsibility for annual financial statements

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

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

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

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

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

- Nigerian Accounting Standards;
- Prudential Guidelines for Licensed Banks;
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and Group and of the profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least 12 months from the date of this statement.

Adebayo Adelabu
Chief Financial Officer

Bisi Onasanya
GMD/CEO

Report of the External Consultants on the Appraisal of the Board of Directors

KPMG
cutting through complexity™

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"), First Bank of Nigeria Plc ("First Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2011. The CBN Code mandates an annual appraisal of the Board and Individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management, and investors to produce a sustainable corporation geared towards delivering long-term value.

Our approach to the appraisal of the Board involved a review of the Company's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed the Bank's corporate governance report prepared by the Board and included on pages 150 to 167 of the Annual Report for the year ended 31 December 2011, and assessed the level of compliance of the Board with the CBN Code.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for improving the Bank's governance practices have been articulated and included in our detailed report to the Board. The principal recommendations arising from our appraisal of the Board of the Bank, in accordance with the CBN Code, were in the following areas: Directors' remuneration, effectiveness of Board committees, independent Director and related party transactions.

Olumide Olayinka
Partner, KPMG Advisory Services
27 April 2012

Accountability and Audit

Report of the Independent Joint Auditors to the Members of First Bank Of Nigeria Plc

pwc

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Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of First Bank Nigeria Plc ("the Bank") and its subsidiaries (together, "the Group") which comprise the balance sheets as at 31 December 2011 and the profit and loss accounts and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nigerian Statements of Accounting Standards and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3, LFN 2004 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial position of First Bank of Nigeria Plc and its subsidiaries (together, "the Group") as at 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with Nigerian Statements of Accounting Standards, and in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3, LFN 2004.

Report on other legal requirements

The Companies and Allied Matters Act, CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3, LFN 2004 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books;

iii) the Bank's balance sheet and profit and loss account are in agreement with the books of account;

iv) our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria;

v) related party transactions and balances are disclosed in Note 41 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004;

vi) the Bank contravened certain regulations of the Banks and Other Financial Institutions Act during the year as explained in note 44 to the financial statements;

vii) except for the contraventions disclosed in note 44 to the financial statements, to the best of our information the Bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

PricewaterhouseCoopers

Chartered Accountants
Lagos, Nigeria
Date: 30 March 2012

PKF

Chartered Accountants
Lagos, Nigeria
Date: 30 March 2012

Audit Committee statement

In compliance with section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 31 December 2011 and hereby state as follows:

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

Peter Asu
Chairman, Audit Committee

27 March 2012

Members of the Committee
Peter Asu
Ibiai Ani
Lawal Ibrahim
Ibukun Awosika
Adamu Kiyawa
Raphael Attu

Directors and advisers

Directors

Prince Ajibola Afonja, Chairman

Bisi Onasanya, Group Managing Director/Chief Executive

Ambrose Feese

Bello Maccido

Ebenezer Jolaoso

Ibiai Ani

Ibrahim Waziri

Ibukun Awosika

Kehinde Lawanson

Khadijah Alao-Straub

Lawal Ibrahim

Mahey Rasheed, OFR

Obafemi Otudeko

Remi Odunlami

Tunde Hassan-Odukale

Urum Eke

Company secretary

Tijjani Borodo

Registered office

Samuel Asabia House
35 Marina, Lagos

Registrars

First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu, Lagos

Auditors

PricewaterhouseCoopers
(Chartered Accountants)
252E Muri Okunola Street
Off Ajose Adeogun Street
Victoria Island, Lagos

PKF Professional Services
(Chartered Accountants)
Toloye House, 362 Ikorodu Road
1A Okupe Estate
Maryland, Lagos

Financial statements

In this section

Statement of significant accounting policies

For the year ended 31 December 2011

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation

These financial statements are the consolidated financial statements of First Bank of Nigeria Plc, a company incorporated in Nigeria on 31 March 1969, and its subsidiaries (hereinafter collectively referred to as 'the Group'). The financial statements are prepared under the historical cost convention modified by the revaluation of certain investment securities, property, plant and equipment, and comply with the Statement of Accounting Standards issued by the Financial Reporting Council of Nigeria.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 Basis of consolidation

i. Subsidiaries

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise and has power to exercise control over their operations, have been consolidated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made for non-controlling interest.

The consolidated subsidiaries are: FBN Bank UK Limited, FBN Capital Limited, FBN Microfinance Bank Limited, First Trustees Limited, FBN Bureau De Change Limited, FBN Mortgages Limited, FBN Life Assurance Limited, FBN Insurance Brokers Limited, First Funds Limited, First Pension Custodian Limited and First Registrars Limited.

The acquisition method is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

ii. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii. Special purpose entities

The financial statements of special purpose entities are included in the consolidated financial statements where the substance of the relationship is that the Group controls the special purpose entity.

3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

Segment information is presented in respect of the Bank's and Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4 Foreign currency translation

i. Reporting currency

The consolidated financial statements are presented in Nigerian Naira, which is the Bank's reporting currency.

ii. Transactions and balances

Foreign currency transactions are recorded into the reporting currency using the exchange rates prevailing at the dates of the transactions (or, where appropriate, the rate of exchange in related forward exchange contracts). Monetary assets and liabilities denominated in foreign currencies are converted at the rates of exchange prevailing at the balance sheet date.

Any gain or loss arising from the settlement of such transactions and from translation of monetary assets and liabilities are included in the profit and loss account.

iii. Group companies

The results and financial position of all Group entities that have a currency different from the reporting currency are translated into the reporting currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each profit and loss are translated at the closing exchange rate. All resulting exchange differences are recognised as exchange difference reserve on the balance sheet.

On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

5 Income recognition

i. Interest income and interest expense

Interest is accrued on daily balances on all assets and liabilities to which interest is applicable. Interest overdue by more than 90 days is suspended and recognised only to the extent of cash received.

ii. Fees, commissions and other income

Fees and commissions, where material, are amortised over the life of the related service. Otherwise fees, commissions and other income are recognised as earned upon completion of the related service.

iii. Lease finance income

Income from advances under finance leases is recognised on a basis that provides a constant yield on the outstanding principal over the lease term.

iv. Dividends

Dividends are recognised in the income statement when the entity's right to receive payment is established.

v. Custody fee income

This is recognised on accrual basis when the service is rendered and is recorded net of taxes.

vi. Financial advisory

This is recognised over the period for which the service is provided.

6 Provision against credit risk

Loans and advances are stated after the deduction of provisions against debts considered doubtful of recovery. Loans are classified as performing and non-performing, and are considered non-performing when principal and/or interest repayment obligations are in arrears for over three months. Specific provisions are made on non-performing accounts as follows:

Interest and/or principal outstanding for:	Classification
Over 90 days but less than 180 days	Substandard
Over 180 days but less than 360 days	Doubtful
360 days and over	Lost

However, provisions for microfinance are made in line with the Central Bank of Nigeria's Regulatory and Supervisory Framework for Microfinance Banks in Nigeria, December 2005, from a specific assessment of each customer's account. Non-performing loans are classified as follows:

When a loan is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account.

Interest and/or principal outstanding for:	Classification
Between 1 and 30 days	Pass and watch
Between 31 and 60 days	Substandard
Between 61 and 90 days	Doubtful
91 or more days and for restructured loans	Lost

In addition, a provision of 1% minimum is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio (currently not mandatory).

When a loan is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account.

Risk assets in respect of which a previous provision was not made are written directly to the profit and loss account when they are deemed to be not collectible.

7 Advances under finance lease

Advances to customers under finance lease are stated net of unearned income. Lease finance is recognised in a manner that provides a constant yield on the outstanding net investment over the lease period.

Provisions are determined from a specific assessment of each customer's account and relate to advances considered doubtful in line with the Central Bank of Nigeria Prudential Guidelines for Licensed Banks. A general provision of 1% is made on advances that have not been specifically provided for.

Income arising there from is allocated to each year on the basis of the annual finance charges that are equivalent to implicit interest rate agreed on the facility.

Statement of significant accounting policies

For the year ended 31 December 2011

8 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

9 Investments

The Group categorises its investments into the following categories: short-term investments and long-term investments. Investment securities are initially recognised at cost and management determines the classification at initial investment.

i. Short-term investments

Short-term investments are investments held temporarily in place of cash and which can be converted into cash when current financing needs make such conversion desirable. In addition, management intends to hold such investment for not more than one year.

Short-term investments in marketable securities are stated at net realisable value. The gain/loss on revaluation is credited/charged to profit and loss account during the year/period. The amount by which cost exceeds market value (unrealised loss) is charged to the profit and loss account for the period.

ii. Long-term investments

Long-term investments are investments held by management over a long period of time to earn income. Long-term investments may include debt and equity securities.

Long-term investments are carried at cost less impairment. An investment is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the net realisable value.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

10 Managed funds

Managed fund relates to investments of funds received from third parties to be managed in accordance with mutually agreed terms on behalf of the clients. The fund represents investment held by management over a long period of time to earn income. These investments are carried at cost less impairment. An asset is impaired if it's carrying amount is greater than it's estimated recoverable amount.

11 Investments in subsidiaries

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the enterprise. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Group; an occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognise the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to owners' equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilised, it is charged against that revaluation surplus rather than the profit and loss account. An increase on revaluation, which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to the profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separately from the property and equipment used for the purposes of the business.

12 Property and equipment

All property and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as prepayments in other assets and upon delivery are reclassified as additions in the appropriate category of property and equipment. No depreciation is charged until the assets are put into use.

13 Depreciation

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

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33.13%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit and loss account for the year.

On revaluation of property and equipment, an increase in the net book value is credited to a revaluation surplus reserve. A decrease in the net book value is used to reduce the amount of any existing revaluation surplus on the same item before it is charged to the profit and loss account.

14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits denominated in naira and foreign currencies. Cash equivalents are short-term, highly liquid instruments that are:

i. readily convertible into cash, whether in local or foreign currency; and

ii. so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates.

15 Borrowed funds

Borrowed funds are recognised initially at their issue proceeds and subsequently stated at cost less repayment. Transaction costs, where immaterial, are recognised immediately in the profit and loss account. Where transaction costs are material they are capitalised and amortised over the life of the loan. Interest paid on borrowing is recognised in the profit and loss account for the period.

16 Provisions, contingent liabilities and contingent assets

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are normally made for restructuring costs and legal claims.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognised, rather they are disclosed in the financial statements when they arise.

17 Retirement benefits

The Group has both defined benefit and defined contribution plans.

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group makes contributions on behalf of qualifying employees to a mandatory scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Payments are made to PFA companies who are appointed by respective staff of the Group.

Statement of significant accounting policies

For the year ended 31 December 2011

18 Taxation

i. Income tax

Income tax is provided on taxable profit at the current statutory rate.

ii. Deferred taxation

Deferred income tax, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred income tax is provided using the liability method for all timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently, enacted tax rates are used to determine deferred income tax.

The principal timing differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits, provisions for loan losses and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the timing differences can be utilised.

19 Ordinary share capital

i. Share issue costs

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

ii. Dividends on ordinary shares

Dividends on ordinary shares are appropriated from the revenue reserve in the period they are approved by the Bank's shareholders.

Dividends for the period that are approved by the shareholders after the balance sheet date are dealt with in the subsequent events note.

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

20 Off balance sheet transactions

Transactions that are not currently recognised as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, and traderelated contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in the form of commission that is recognised as and when transactions are executed. Such commission is included in the commission income in the profit and loss account. It comprises:

i. Acceptances

Acceptances are undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers.

Acceptances are accounted for and disclosed as contingent liabilities. The income and expense relating to these acceptances are recognised and reported net in the financial statements.

ii. Guarantees and performance bonds

The Bank provides financial guarantees and bonds to third parties on the request of customers in the form of bid and performance bonds or advance payment guarantees.

These agreements have fixed limits and generally do not extend beyond the period stated in each contract. The amounts reflected in the financial statements as contingent liabilities for bonds and guarantees represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognised at the time the services or transactions are affected.

iii. Commitments

Commitments to deliver on sales or purchases on foreign exchange in future are recognised as contingent liabilities. Commissions and fees charged to customers for services rendered in respect of commitments are recognised at the time the services or transactions are affected.

21 Sale of loans or securities

A sale of loans or securities without recourse to the seller is accounted for as a disposal and the assets excluded from the balance sheet. Profits or losses on sale of loans or securities without recourse to the seller are recognised by the seller when the transaction is completed.

The Group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse:

- Control over the economic benefits of the asset must be passed on to the buyer.
- The seller can reasonably estimate any outstanding cost.
- There must not be any repurchase obligations.

A sale or transfer of loans or securities with recourse is when there is an obligation to, or an assumption of, repurchase and is not treated as a sale, and the asset remains in the Group's balance sheet, with any related cash received recognised as a liability. Profit arising from sale or transfer of a loan or securities with recourse to the seller is amortised over the remaining life. However, losses are recognised as soon as they can reasonably be estimated.

Where there is no obligation or assumption of repurchase, the sale should be treated as a disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

22 Fiduciary activities

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

23 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period.

24 Intangible assets

The Group recognises intangible assets if and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Computer software

The Group recognises computer software acquired as intangible asset.

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated as capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Software is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

25 Underwriting results

The Group conducts life assurance business through its subsidiary operations.

The underwriting profits for life assurance business are determined on a fund accounting basis. The incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- Premiums written relates to risks assumed during the year, and include estimates of premiums due but not yet received, less an allowance for estimated lapses.
- Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.
- Expenses and commissions are allocated to the life fund as incurred in the management of the life business.

The life assurance contracts (accounted for in the life fund) are assessed every three years by qualified consulting actuaries in accordance with Section 29 of the Insurance Act. Any resulting actuarial loss is made up by additional provisions charged to the Consolidated profit and loss account.

Actuarial surpluses are allocated between the shareholders and the policy holders. The Group allocates a maximum of 40% of surpluses arising on actuarial valuation to the shareholders by transfer to the profit and loss account. Any balance remaining is retained in the life fund and attributable to ‘with profit’ policyholders as the date of actuarial valuation.

In accordance with Section 22 (1) of the Insurance Act 2003, an additional reserve (contingency reserve) of not less than 25% of the net written premium is maintained between each valuation date.

26 Outstanding claims and provisions

Full provision is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, less reinsurance recoveries, using the best information available at that time.

Balance sheet
As at 31 December 2011

		The Group		The Bank	
	Note	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
ASSETS					
Cash and balances with CBN	11	**199,227**	75,517	**199,091**	74,894
Treasury bills	12	**187,457**	23,769	**186,626**	23,599
Due from other banks	13	**404,959**	550,414	**222,118**	383,893
Loans and advances	14	**1,235,615**	1,127,900	**1,128,851**	1,017,411
Advances under finance lease	16	**4,642**	7,581	**4,642**	7,581
Insurance receivables	17	**111**	-	**-**	-
Investment securities	18	**572,853**	337,181	**550,368**	309,292
Investment in associates	19	**8,209**	9,716	**12,599**	12,599
Investment in subsidiaries	20	**5,503**	1,000	**37,919**	31,416
Managed funds	22	**21**	37,917	**-**	-
Other assets	23	**141,274**	63,558	**56,366**	43,691
Investment property	24	**10,708**	10,326	**-**	-
Deferred tax asset	33	**10,617**	5,315	**8,877**	5,187
Intangible asset	25	**1,006**	494	**734**	265
Property and equipment	26	**57,171**	53,998	**55,352**	52,616
		2,839,373	2,304,686	**2,463,543**	1,962,444
LIABILITIES					
Customer deposits	27	**1,947,803**	1,450,095	**1,783,777**	1,330,771
Due to other banks	28	**181,892**	148,286	**51,251**	55,165
Liability on investment contracts	29	**39,104**	95,352	**-**	-
Liability on insurance contracts	30	**824**	-	**-**	-
Other borrowings	31	**93,284**	124,872	**93,102**	124,617
Current income tax	9	**23,844**	20,051	**21,354**	15,115
Other liabilities	32	**178,443**	121,026	**133,265**	86,309
Deferred income tax liabilities	33	**1,067**	901	**-**	-
Retirement benefit obligations	34	**7,627**	4,898	**7,222**	4,545
		2,473,888	1,965,481	**2,089,971**	1,616,522

	Note	The Group 31 Dec 2011 ₦ million	The Group 31 Dec 2010 ₦ million	The Bank 31 Dec 2011 ₦ million	The Bank 31 Dec 2010 ₦ million
EQUITY					
Ordinary share capital	35	**16,316**	16,316	**16,316**	16,316
Share premium	36	**254,524**	254,524	**254,524**	254,524
Statutory reserve	37	**35,804**	28,508	**35,413**	28,294
Exchange difference reserve	37	**4,203**	3,597	**2,836**	2,836
Contingency reserve	37	**13**	-	**-**	-
Retained earnings	37	**42,322**	23,540	**53,144**	32,380
Reserve for small scale industries	37	**8,960**	9,193	**8,960**	9,193
Revaluation reserve (property)	37	**2,379**	2,379	**2,379**	2,379
Attributable to equity holders of the Bank		**364,521**	338,057	**373,572**	345,922
Non-controlling interest	39	**964**	1,148	**-**	-
Total equity		**365,485**	339,205	**373,572**	345,922
Total equity and liabilities		**2,839,373**	2,304,686	**2,463,543**	1,962,444
Acceptances and guarantees	40	**1,546,197**	1,022,950	**567,374**	334,126

The financial statements on pages 173 to 244 were approved by the Board of Directors on 29 March 2012 and signed on its behalf by:

Prince Ajibola Afonja
Chairman

Bisi Onasanya
Group MD/CEO

Adebayo Adelabu
Chief Financial Officer

Profit and loss accounts

For the year ended 31 December 2011

		The Group		The Bank	
	Note	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million
GROSS EARNINGS		**296,329**	232,079	**275,629**	209,187
Interest and similar income	3	**220,397**	175,579	**208,843**	160,529
Interest and similar expense	4	**(36,950)**	(53,912)	**(30,772)**	(45,940)
Net interest income		**183,447**	121,667	**178,071**	114,589
Fee and commission income	5	**61,866**	45,094	**49,925**	35,580
Fee and commission expense		**(145)**	(105)	**(140)**	(105)
Net fee and commission income		**61,721**	44,989	**49,785**	35,475
Foreign exchange income	6	**7,549**	10,160	**7,502**	9,508
Income from investments	7	**2,705**	513	**6,234**	3,570
Other income		**3,812**	733	**3,125**	-
		14,066	11,406	**16,861**	13,078
OPERATING INCOME		**259,234**	178,062	**244,717**	163,142
Operating expenses	8	**(147,358)**	(119,274)	**(134,786)**	(107,392)
Group's share of associate's results	19	**(1,507)**	(3,657)	**-**	-
Provision for losses	15	**(44,814)**	(21,590)	**(41,902)**	(22,596)
Profit before exceptional item and taxation		**65,555**	33,541	**68,029**	33,154
Exceptional item	10	**(15,489)**	226	**(15,501)**	383
Profit before tax		**50,066**	33,767	**52,528**	33,537
Tax charge	9	**(5,281)**	(4,590)	**(5,066)**	(1,414)
Profit after tax		**44,785**	29,177	**47,462**	32,123
Non-controlling interest	39	**884**	1,933	**-**	-
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**45,669**	31,110	**47,462**	32,123
Appropriated as follows:					
Statutory reserve	37	**7,296**	4,848	**7,119**	4,818
Contingency reserve	37	**13**	-	**-**	-
Retained earnings reserve	37	**38,360**	26,262	**40,343**	27,305
		45,669	31,110	**47,462**	32,123
Earnings per share (basic) (kobo)	46	**140**	95	**145**	98
Earnings per share (diluted) (kobo)	46	**140**	95	**145**	98

The significant accounting policies on pages 174 to 179 together with the notes on pages 184 to 229 form part of these consolidated financial statements.

Cash flow statements

For the year ended 31 December 2011

	Note	The Group Year ended 31 Dec 2011 ₦ million	The Group Year ended 31 Dec 2010 ₦ million	The Bank Year ended 31 Dec 2011 ₦ million	The Bank Year ended 31 Dec 2010 ₦ million
OPERATING ACTIVITIES					
Cash generated from operations	43	**642,805**	29,691	**419,735**	101,442
Tax paid	9	**(6,614)**	(15,218)	**(2,517)**	(12,112)
Value added tax remitted		**(1,295)**	(1,029)	**(1,295)**	(1,029)
Gratuity payment to staff		**(4,705)**	(5,143)	**(3,688)**	(4,896)
Net cash from operating activities		**630,191**	8,301	**412,235**	83,405
FINANCING ACTIVITIES					
Dividend paid to shareholders	37	**(19,579)**	(2,902)	**(19,579)**	(2,902)
Proceeds of new borrowings		**16,139**	91,553	**16,139**	91,553
Repayment of borrowings		**(47,727)**	(2,409)	**(47,654)**	(2,409)
Net cash generated from/(used in) financing activities		**(51,167)**	86,242	**(51,094)**	86,242
INVESTING ACTIVITIES					
Purchase of investment securities		**(352,115)**	(16,467)	**(326,538)**	(24,501)
Proceeds from sale of investment securities		**492**	1,752	**488**	541
Investment income – dividend received		**4,950**	513	**5,801**	3,524
Additional investment in subsidiaries		**(4,503)**	(1,000)	**(6,503)**	(1,000)
Purchase of investment property		**(7,165)**	(2,599)	**-**	-
Proceeds on disposal of investment property		**8,345**	948	**-**	-
Purchase of property and equipment	26	**(12,465)**	(14,874)	**(11,525)**	(14,513)
Purchase of intangible assets	25	**(1,712)**	-	**(1,551)**	-
Proceeds from sale of property and equipment		**155**	538	**151**	308
Net cash used in investing activities		**(364,018)**	(31,189)	**(339,678)**	(35,641)
Increase in cash and cash equivalents		**215,006**	63,354	**21,463**	134,006
Changes in cash and cash equivalents					
At start of the year		**448,350**	384,996	**458,116**	324,110
At end of the year	45	**663,356**	448,350	**479,579**	458,116
Increase in cash and cash equivalents		**215,006**	63,354	**21,463**	134,006

Notes to the financial statements

For the year ended 31 December 2011

1 General information

1.1 Legal form

The Bank commenced operations in Nigeria on 31 March 1894 as a branch of Bank of British West Africa Limited (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. It was converted to a public company in 1970. The Bank's shares are quoted on the Nigerian Stock Exchange.

The Bank has 12 subsidiaries as listed below:

Name	% holding
FBN Bank (UK) Limited	100
FBN Capital Limited	100
First Pension Custodian Nigeria Limited	100
First Trustees Nigeria Limited	100
FBN Mortgages Limited	100
FBN Insurance Brokers Limited	100
First Registrars Nigeria Limited	100
FBN Bureau de Change Limited	100
FBN Microfinance Bank Limited	100
First Funds Limited	100
FBN Life Assurance	65
Banque Internationale de Crédit (BIC)	75

1.2 Principal activities

The Bank engages in the business of commercial banking whilst its subsidiaries carry on the business of commercial banking, registrars, trusteeship, capital market, pension fund custodian, mortgage financing, insurance brokerage, management of SMIEIS fund investments, small-scale banking and bureau de change activities respectively.

2 Segment analysis

(a) By geographical segment

The Group's business is organised along two main geographical areas:

- Nigeria; and
- United Kingdom.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to each segment on a reasonable basis.

	Nigeria ₦ million	United Kingdom ₦ million	Total ₦ million
i. At 31 December 2011			
External revenues	279,547	16,782	**296,329**
Operating income	**249,149**	**10,085**	**259,234**
Profit before tax	46,272	3,794	**50,066**
Income tax expense	(4,133)	(1,148)	**(5,281)**
Profit for the year	**42,139**	**2,646**	**44,785**
Total assets	2,396,171	443,202	**2,839,373**
Total liabilities	2,058,174	415,714	**2,473,888**
Depreciation	8,923	52	**8,975**
ii. At 31 December 2010			
External revenues	218,964	13,115	**232,079**
Operating income	**169,419**	**8,643**	**178,062**
Profit before tax	29,767	4,000	**33,767**
Income tax expense	(3,440)	(1,150)	**(4,590)**
Profit for the year	**26,327**	**2,850**	**29,177**
Total assets	1,974,394	330,292	**2,304,686**
Total liabilities	1,635,189	330,292	**1,965,481**
Depreciation	8,344	51	**8,395**

Notes to the financial statements

For the year ended 31 December 2011

(b) By business segment

The Group is divided into the following business units:

Retail and Corporate Banking: Offering a comprehensive range of retail, personal, commercial and corporate Banking services and products to individuals, small business customers, corporate, medium and large business customers.

Investment and Capital Market Operation: This provides Investment and Capital Market services to both individual and institutional investors. It also provides registrar services to both listed and private companies.

Asset Management and Trusteeship: This provides individuals and financial institution with assets management and advisory services.

Mortgage Banking: Offers mortgage and home ownership banking services to individuals and corporate institutions.

Others: Services under this include insurance brokerage functions, private equity and venture capital, and bureau de change business functions.

	Retail and Corporate Banking ₦ million	Investment and Capital Markets ₦ million	Asset Management ₦ million	Mortgage Management ₦ million	Others ₦ million	Total ₦ million
i. As at 31 December 2011						
External revenues	281,874	6,664	1,740	2,708	3,343	**296,329**
Operating income	246,928	6,558	855	1,995	2,898	**259,234**
Profit before tax	51,483	2,498	(4,401)	1,132	(645)	**50,066**
Income tax expense	(5,655)	(839)	2,016	(349)	(455)	**(5,281)**
Profit for the year	45,828	1,659	(2,385)	783	(1,100)	**44,785**
Total assets	**2,708,410**	**54,446**	**17,881**	**24,838**	**33,798**	**2,839,373**
Total liabilities	**2,346,121**	**43,911**	**19,086**	**22,159**	**42,611**	**2,473,888**
Depreciation	8,593	157	18	54	153	**8,975**
ii. As at 31 December 2010						
External revenues	220,647	7,507	535	861	2,529	**232,079**
Operating income	169,334	5,324	269	497	2,638	**178,062**
Profit before tax	27,156	2,688	2,898	62	963	**33,767**
Income tax expense	(2,558)	(830)	(785)	(23)	(394)	**(4,590)**
Profit for the year	**24,598**	**1,858**	**2,113**	**39**	**569**	**29,177**
Total assets	**2,125,208**	**94,480**	**60,675**	**15,538**	**8,785**	**2,304,686**
Total liabilities	**1,787,492**	**82,829**	**78,994**	**13,180**	**2,986**	**1,965,481**
Depreciation	8,056	148	35	55	100	**8,395**

3 Interest and similar income

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	**Year ended 31 Dec 2010 ₦ million**	**Year ended 31 Dec 2011 ₦ million**	**Year ended 31 Dec 2010 ₦ million**
Placements	**20,183**	22,404	**10,822**	9,745
Treasury Bills and investment securities	**41,926**	41,779	**40,361**	38,856
Loans and advances	**157,127**	109,830	**156,499**	110,362
Advances under finance leases	**1,161**	1,566	**1,161**	1,566
	220,397	**175,579**	**208,843**	**160,529**
Interest income earned in Nigeria	**195,993**	163,493	**190,807**	145,215
Interest income earned outside Nigeria	**24,404**	12,086	**18,036**	15,314
	220,397	**175,579**	**208,843**	**160,529**

4 Interest and similar expense

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	**Year ended 31 Dec 2010 ₦ million**	**Year ended 31 Dec 2011 ₦ million**	**Year ended 31 Dec 2010 ₦ million**
Current accounts	**7,665**	16,684	**10,604**	13,116
Savings accounts	**3,866**	4,928	**3,838**	4,897
Time deposits	**11,534**	21,660	**5,374**	19,809
Domiciliary deposits	**3,840**	1,354	**3,840**	1,354
Inter-bank takings	**5,514**	4,779	**3,996**	3,974
Borrowed funds	**4,531**	4,507	**3,120**	2,790
	36,950	**53,912**	**30,772**	**45,940**
Interest expense paid in Nigeria	**30,928**	46,679	**27,749**	43,179
Interest expense paid outside Nigeria	**6,022**	7,233	**3,023**	2,761
	36,950	**53,912**	**30,772**	**45,940**

Notes to the financial statements
For the year ended 31 December 2011

5 Fees and commission income

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	**Year ended 31 Dec 2010 ₦ million**	**Year ended 31 Dec 2011 ₦ million**	**Year ended 31 Dec 2010 ₦ million**
Credit-related fees	**12,422**	6,134	**9,264**	5,933
Commission on turnover	**18,477**	15,374	**18,477**	15,354
Remittance fees	**2,879**	1,880	**2,879**	1,547
Letters of credit commissions and fees	**5,719**	2,901	**4,547**	2,022
Financial advisory fees	**2,054**	3,213	**-**	-
Commission on insurance premium	**682**	511	**-**	-
Commission on western union transfers	**1,491**	1,116	**1,491**	1,116
Other fees and commissions	**18,142**	13,965	**13,267**	9,608
	61,866	**45,094**	**49,925**	**35,580**

6 Foreign exchange income

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	**Year ended 31 Dec 2010 ₦ million**	**Year ended 31 Dec 2011 ₦ million**	**Year ended 31 Dec 2010 ₦ million**
	7,549	10,160	**7,502**	9,508

7 Income from investments

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	**Year ended 31 Dec 2010 ₦ million**	**Year ended 31 Dec 2011 ₦ million**	**Year ended 31 Dec 2010 ₦ million**
Dividend income	**4,950**	2,195	**5,801**	3,524
(Loss)/Profit on sale of investments	**(2,245)**	(1,682)	**433**	46
	2,705	513	**6,234**	3,570

8 Operating expenses

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million
Staff costs (Note 42a)	**58,961**	52,138	**54,264**	47,313
Depreciation of property and equipment(Note 26)	**8,975**	8,395	**8,517**	7,972
Amortisation of intangible assets (Note 25)	**1,199**	480	**1,082**	369
Auditors' remuneration	**193**	193	**135**	135
Directors' emoluments (Note 42b)	**3,526**	3,669	**3,294**	3,509
Loss on disposal of property and equipment	**107**	67	**120**	81
Deposit insurance premium	**6,504**	7,498	**6,504**	7,497
Banking sector resolution cost (Note 32.2)	**5,872**	-	**5,872**	-
Other operating expenses	**62,022**	46,834	**54,998**	40,516
	147,358	**119,274**	**134,786**	**107,392**

9 Taxation

	The Group		The Bank	
	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million	Year ended 31 Dec 2011 ₦ million	Year ended 31 Dec 2010 ₦ million
Charge				
Current tax	**3,779**	4,323	**2,188**	1,997
Contingent tax	**5,644**	4,269	**5,644**	4,269
Education tax	**236**	109	**183**	-
Technology tax	**537**	335	**520**	335
Under provision in prior years (technology tax)	**221**	897	**221**	-
Income tax charge	**10,417**	9,933	**8,756**	6,601
Deferred tax (credit)/charge (Note 33)	**(5,136)**	(5,343)	**(3,690)**	(5,187)
Charge for the year	**5,281**	**4,590**	**5,066**	**1,414**
Payable				
At start of the year	**20,051**	19,663	**15,115**	14,948
Reclassifications (Note 33)	**-**	5,678	**-**	5,678
Tax paid	**(6,614)**	(15,218)	**(2,517)**	(12,112)
Witholding tax credit utilised	**(10)**	(5)	**-**	-
Income tax charge	**10,417**	9,933	**8,756**	6,601
At end of the year	**23,844**	**20,051**	**21,354**	**15,115**

Notes to the financial statements

For the year ended 31 December 2011

10 Exceptional item

Description	The Group Year ended 31 Dec 2011 ₦ million	The Group Year ended 31 Dec 2010 ₦ million	The Bank Year ended 31 Dec 2011 ₦ million	The Bank Year ended 31 Dec 2010 ₦ million
(Loss)/gain on AMCON loans (Note 10i)	**(15,501)**	383	**(15,501)**	383
Redundancy cost	**-**	(65)	**-**	-
Redundancy cost (Note 10ii)	**12**	(92)	**-**	-
	(15,489)	226	**(15,501)**	383

Bank

i. Asset Management Company of Nigeria

On 19 July 2010, the Federal Government signed a bill establishing the Asset Management Company of Nigeria (AMCON) with the objective of acquisition of toxic assets (loans) from the affected banks.

During the year, AMCON purchased Eligible bank assets (EBA) worth ₦176.33 billon (2010: ₦10.48 billion) from First Bank of Nigeria Plc and issued bonds at a discount in exchange for value. The EBA had provisions of ₦27.51 billion (2010: ₦4.87 billion) in the Bank's books. Of the EBAs sold, ₦99 billion was in respect of performing loans of Seawolf Oilfield Services with a discounted value of ₦88 billion, resulting in a loss of ₦11 billion.

Description	The Bank Year ended 31 Dec 2011 ₦ million	The Bank Year ended 31 Dec 2010 ₦ million
Face value of AMCON bonds (zero coupon)	**189,469**	7,046
Unearned income	**(56,145)**	(1,056)
Discounted value	**133,324**	5,990
Net value of loans sold	**(148,825)**	(5,607)
Total (loss)/gain on loan sold	**(15,501)**	383

Subsidiaries

ii. Compensation for loss of employment (₦92.43 million) – First Trustees Limited

In 2010, management identified staff who as a result of redundancy factors would be relieved of their positions. During the year, there was a write-back of excess provisions amounting to ₦12.044 million after payments were made in February 2011.

11 Cash and balances with the CBN

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Cash	**45,292**	33,155	**45,187**	32,533
Operating account with the CBN	**50,038**	31,231	**50,038**	31,231
Included in cash and cash equivalents (Note 45)	**95,330**	64,386	**95,225**	63,764
Mandatory reserve deposits with the Central Bank	**103,897**	11,131	**103,866**	11,130
	199,227	75,517	**199,091**	74,894

Mandatory reserve deposits are not available for use in the Group's day-to-day operations.

12 Treasury Bills

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Treasury Bills	**187,457**	**23,769**	**186,626**	**23,599**

Included in Treasury Bills are bills amounting to ₦24.39 billion (2010: ₦13.14 billion) held by third parties as collateral for clearing and collection services provided by the Bank.

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13 Due from other banks

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Current balances with banks within Nigeria	**8,872**	84,653	**9,746**	17,629
Current balances with banks outside Nigeria	**170,472**	108,990	**200,372**	109,887
Placements with banks and discount houses	**225,615**	356,775	**12,000**	256,377
	404,959	550,418	**222,118**	383,893
Provision for balances due from other banks	**-**	(4)	**-**	-
	404,959	**550,414**	**222,118**	**383,893**

13.1 Movement in provision for bank balances

At start of the year	**4**	1,509	**-**	-
Additional provision	**-**	-	**-**	-
Provision no longer required	**(4)**	(1)	**-**	-
Per profit and loss account (Note 15)	**(4)**	(1)	**-**	-
Amounts written off	**-**	(1,504)	**-**	-
	(4)	(1,505)	**-**	-
At end of the year	**-**	**4**	**-**	-

Balances with banks outside Nigeria include Group ₦61 billion (December 2010: Group ₦41.9 billion); which represents the naira value of foreign currency bank balances held on behalf of customers in respect of Letters of Credit transactions. The corresponding liability is included in other liabilities (see Note 32). The amount is not available for the day-to-day operations of the Bank.

Included in placements with banks and discount houses are placements with banks within Nigeria of Group ₦60 billion; Bank ₦17 billion (31 December 2010: Group ₦199 billion; Bank ₦163 billion).

Included in placements with banks and discount houses are placements with banks outside Nigeria of Group ₦220 billion; Bank ₦12 billion (31 December 2010: Group ₦177.1 billion; Bank Nil amount), which are non-current placements and do not qualify as cash and cash equivalents.

14 Loans and advances

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Overdrafts	**178,410**	169,370	**203,869**	143,384
Term loans	**863,862**	660,028	**712,743**	554,408
Staff loans	**9,262**	8,465	**8,670**	8,465
Commercial papers	**185,303**	114,522	**185,303**	114,522
Money market lines	**1,328**	148,231	**34,474**	164,951
Project finance	**12,555**	105,046	**12,681**	105,046
Others	**20,081**	1,586	**-**	-
	1,270,801	1,207,248	**1,157,740**	1,090,776
Loan loss provision (Note 14.4a)	**(30,699)**	(54,366)	**(26,358)**	(49,759)
Interest in suspense (Note 14.4b)	**(4,487)**	(24,982)	**(2,531)**	(23,606)
	1,235,615	**1,127,900**	**1,128,851**	**1,017,411**

Included in loans and advances is interest receivable amounting to Bank ₦12.49 billion (31 December 2010: Bank ₦28.86 billion), which have not been debited to customers at balance sheet date.

Deducted from loans and advances are interest received in advance of ₦219.9 million (31 December 2010: ₦259.7 million) from customers, which have been debited to the customers but have not been earned.

Cash collateral against advances is ₦13.86 billion (31 December 2010: ₦6.664 billion).

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
14.1 Analysis by security				
Secured against real estate	**254,451**	120,366	**252,347**	130,101
Secured by shares of quoted companies	**34,771**	34,807	**28,496**	27,938
Otherwise secured	**634,526**	785,635	**632,261**	661,887
Unsecured	**347,053**	266,440	**244,636**	270,850
	1,270,801	**1,207,248**	**1,157,740**	**1,090,776**
14.2 Analysis by performance				
Performing	**1,237,173**	1,114,672	**1,129,642**	1,001,073
Non-performing				
– substandard	**9,137**	30,794	**8,996**	30,737
– doubtful	**8,636**	31,672	**6,723**	29,648
– lost	**15,855**	30,110	**12,379**	29,318
	1,270,801	**1,207,248**	**1,157,740**	**1,090,776**

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	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
14.3 Analysis by maturity				
0–30 days	**414,458**	517,601	**311,815**	515,391
1–3 months	**229,161**	169,337	**224,318**	96,571
3–6 months	**54,656**	44,802	**53,387**	44,293
6–12 months	**126,398**	39,747	**126,384**	30,827
Over 12 months	**446,128**	435,761	**441,836**	403,694
	1,270,801	**1,207,248**	**1,157,740**	**1,090,776**
14.4 Loan loss provision and interest in suspense				
(a) Movement in loan loss provision				
At start of the year				
– non-performing	**43,003**	55,006	**39,748**	52,037
– performing	**11,363**	59	**10,011**	-
	54,366	**55,065**	**49,759**	**52,037**
Additional provision				
– non-performing	**32,699**	18,327	**30,555**	15,450
– performing	**1,009**	11,304	**1,286**	10,011
Provision no longer required	**(191)**	(7,866)	**-**	(5,375)
Charge for the year (Note 15)	**33,517**	21,765	**31,841**	20,086
Amounts written off	**(57,184)**	(22,464)	**(55,242)**	(22,364)
	(23,667)	**(699)**	**(23,401)**	**(2,278)**
At end of the year				
– non-performing	**18,327**	43,003	**15,062**	39,748
– performing	**12,372**	11,363	**11,296**	10,011
	30,699	**54,366**	**26,358**	**49,759**
(b) Movement in interest-in-suspense				
At start of the year	**24,982**	8,018	**23,606**	7,434
Suspended during the year	**10,387**	24,806	**9,687**	23,935
Amounts written back	**(24,357)**	(1,742)	**(24,237)**	(1,663)
Amounts written off	**(6,525)**	(6,100)	**(6,525)**	(6,100)
At end of the year	**4,487**	**24,982**	**2,531**	**23,606**

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
14.5 Insider-related credits				
Aggregated amount of insider-related credits outstanding at year end classified by quality:				
– performing	**74,381**	169,386	**74,381**	169,386
– non-performing	**-**	-	**-**	-
	74,381	**169,386**	**74,381**	**169,386**
14.6 On-lending facilities				
CBN/Bank of Industry	**5,864**	8,574	**5,864**	8,574
CBN/Commercial Agriculture Credit	**11,787**	8,735	**11,787**	8,735
	17,651	**17,309**	**17,651**	**17,309**

CBN/Bank Of Industry facilities

This represents outstanding balance on term loans granted to customers in line with Central Bank of Nigeria (CBN) ₦200 billion intervention fund for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agriculture Credit (CACS)

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

15 Provision for losses

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
The charge for the year is analysed as follows:				
Loans and advances (Note 14.4)	**33,517**	21,765	**31,841**	20,086
Provision on advances under finance lease (Note 16.3)	**(646)**	592	**(646)**	592
Provision/(write-back) for diminution in value of investments (Note 18.1)	**1,797**	(1,949)	**1,527**	1,072
Diminution in value of short-term investments	**6,454**	-	**6,454**	-
Provision for other assets (Note 23.1)	**3,696**	1,183	**2,726**	846
Write-back of provision for bank balances (Note 13.1)	**(4)**	(1)	**-**	-
	44,814	**21,590**	**41,902**	**22,596**

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16 Advances under finance lease

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Gross investment	**5,546**	10,262	**5,546**	10,262
Less: unearned income	**(849)**	(1,980)	**(849)**	(1,980)
Net investment	**4,697**	8,282	**4,697**	8,282
Less: provision (Note 16.3)	**(55)**	(701)	**(55)**	(701)
	4,642	**7,581**	**4,642**	**7,581**
16.1 Analysis by performance				
Performing	**4,680**	**6,585**	**4,680**	**6,585**
Non-performing				
– substandard	**10**	755	**10**	755
– doubtful	**2**	637	**2**	637
– lost	**5**	305	**5**	305
	4,697	**8,282**	**4,697**	**8,282**
16.2 Analysis by maturity				
0–30 days	**376**	1,613	**376**	1,613
1–3 months	**54**	82	**54**	82
3–6 months	**182**	346	**182**	346
6–12 months	**367**	851	**367**	851
Over 12 months	**3,718**	5,390	**3,718**	5,390
	4,697	**8,282**	**4,697**	**8,282**
16.3 Movement in provision for advances under finance lease				
At start of the year				
– performing	**635**	-	**635**	-
– non-performing	**66**	109	**66**	109
	701	109	**701**	109
Charge for the year/provision no longer required:				
– performing	**(19)**	66	**(19)**	66
– non-performing (Note 15)	**(627)**	526	**(627)**	526
	(646)	592	**(646)**	592
At end of the year				
– non-performing	**47**	635	**47**	635
– performing	**8**	66	**8**	66
	55	701	**55**	701

17 Insurance receivables

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Due from agents and brokers	**196**	-	**-**	-
Provision for doubtful premium receivable	**(85)**	-	**-**	-
	111	-	**-**	-

18 Investment securities

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Long-term investments				
Debt securities – at cost				
Listed (Note 18.5)	**372,203**	26,122	**341,352**	19,351
Unlisted				
– New Villa Properties Limited	**-**	-	**4,900**	4,900
– First Trustees Limited	**-**	-	**19,500**	15,000
– Others	**3,919**	1,825	**-**	-
Equity securities – at cost				
Listed	**1,441**	1,941	**-**	-
Unlisted (Note 18.2)	**30,545**	26,105	**22,282**	22,245
	408,108	55,993	**388,034**	61,496
Provisions for diminution in value	**(6,136)**	(2,411)	**(4,857)**	(4,862)
	401,972	53,582	**383,177**	56,634
Short-term investments				
Debt securities				
Listed (Note 18.5)	**163,205**	263,432	**163,205**	247,026
Equity securities				
Listed (Note 18.4)	**19,546**	45,680	**7,600**	7,714
	182,751	309,112	**170,805**	254,740
Provision for diminution in value	**(11,870)**	(25,513)	**(3,614)**	(2,082)
	170,881	283,599	**167,191**	252,658
	572,853	**337,181**	**550,368**	**309,292**

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For the year ended 31 December 2011

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
18.1 Provision balance is made up of the following:				
At start of the year	**27,924**	8,670	**6,944**	3,697
Charge during the year	**1,974**	5,005	**1,527**	2,062
Write-back of provision	**(177)**	(6,954)	**-**	(990)
	1,797	(1,949)	**1,527**	1,072
Per profit and loss account (Note 15)	**1,797**	(1,949)	**1,527**	1,072
Reclassification	**(11,715)**	21,203	**-**	2,175
At end of the year	**18,006**	**27,924**	**8,471**	**6,944**
18.2 Long-term investment: unlisted equity securities				
African Finance Corporation	**12,728**	12,728	**12,728**	12,728
Zain Nigeria Limited	**2,909**	2,909	**2,909**	2,909
Banque Internationale Du Benin, Cotonou	**155**	155	**155**	155
Nigeria Interbank Settlement System Plc	**52**	52	**52**	52
African Export-Import Bank, Cairo	**10**	10	**10**	10
Consolidated Discounts Limited	**15**	15	**15**	15
ValuCard Nigeria Plc	**186**	186	**186**	186
ATM Consortium Limited	**386**	390	**386**	390
NITEL Plc	**2,175**	2,175	**2,175**	2,175
Capital Alliance Property Investment Company (CAPIC)	**3,054**	710	**1,117**	710
Niger Delta Exploration Production Plc	**32**	32	**-**	-
Food Concepts Plc	**183**	183	**-**	-
Interswitch limited	**21**	31	**21**	31
Radisson Hotels Limited	**299**	299	**-**	-
Main One Cable Company	**2,258**	2,258	**-**	-
Premium Farms	**230**	-	**-**	-
Lekki Budget II	**316**	-	**-**	-
MP Budget	**75**	-	**-**	-
VT Leasing Ltd	**400**	-	**-**	-
Touchdown Travels Limited	**400**	-	**-**	-
Resourcery Plc	**1,519**	-	**-**	-
JDI Investment Company Limited	**94**	-	**-**	-
Others	**520**	1,088	**-**	-
	28,017	**23,221**	**19,754**	**19,361**

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
18.3 SMIEIS Investments:				
SME Managers Limited	**846**	969	**846**	969
First Funds Limited	**1,915**	2,702	**1,915**	2,702
	2,761	3,671	**2,761**	3,671
SMIEIS investments written-off	**(233)**	(787)	**(233)**	(787)
	2,528	2,884	**2,528**	2,884
	30,545	**26,105**	**22,282**	**22,245**

i. The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) per the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). Included in unlisted long-term investments are the Bank's investment under the Small and Medium Industries Equity Investment Scheme (SMIEIS). A total of ₦2.8 billion (31 December 2010: ₦3.7 billion) have so far been invested under the scheme. During the period, the Bank wrote off part of its investments in SMEEIS companies. This provision has been charged against the SMEEIS reserve. Due to the effective percentage holding of the Bank in these companies, some of them qualify as associates. However, they are not consolidated as the Bank is not expected to exercise influence, and control is temporary as the investments are expected to be realised within five years.

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
18.4 Short-term investments: listed equity securities				
Guaranty Trust Bank Plc	**1,360**	1,360	**1,360**	1,360
FBN Heritage Fund	**1,500**	1,500	**1,500**	1,500
SCOA Plc	**32**	32	**32**	32
Honeywell Flour Mills Plc	**4,708**	4,822	**4,708**	4,822
Other companies	**11,946**	37,966	**-**	-
	19,546	45,680	**7,600**	7,714

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	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
18.5 Debt securities				
i. Long-term investments				
Listed debt securities – at cost				
AMCON bonds	**117,179**	4,444	**116,429**	4,444
Bonds – held to maturity	**255,024**	21,678	**224,923**	14,907
	372,203	26,122	**341,352**	19,351
ii. Short-term investments				
Listed debt securities				
AMCON bonds	**30,467**	8,842	**30,467**	8,842
Bonds – held for trading	**242**	-	**242**	-
Bonds – available for sale	**132,496**	254,590	**132,496**	238,184
	163,205	263,432	**163,205**	247,026

(a) Debt securities relates to investment in various Federal Government of Nigeria Bonds and State Government of Nigeria Bonds. The maturity dates of these bonds range from December 2011 to July 2030 with interest rates ranging from 4% to 16%.

(b) Included in debt securities are pledged bonds amounting to Group ₦47.77 billion (2010: ₦105.571 billion) held by third parties as collateral.

19 Investment in associates

a. The Group's investments in associates have been accounted for using the equity method as follows:

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Opening cost of investments	**9,716**	13,373	**12,599**	12,599
Changes in valuation		(24)	**-**	-
Share of associates result	**(1,507)**	(3,633)	**-**	-
At end of the year	**8,209**	9,716	**12,599**	12,599

b. The Group's interest in its principal associates, which are unlisted, are as follows:

Name	Principal activity	% interest held	2011 cost ₦ million	2010 cost ₦ million
Parent company investment in associate:				
– Kakawa Discount House Limited	Discount house	40	**2,224**	2,224
– Seawolf	Oil and gas	42	**10,375**	10,375
			12,599	12,599
Subsidiary companies investment in associate:				
– Kakawa Discount House Limited	Discount house	6	**660**	660
			13,259	13,259

c. The summarised financial information of the Group's associates for the year are as follows:

	Total assets ₦ million	Total liabilities ₦ million	Net assets/ (liabilities) ₦ million	Gross earnings ₦ million	Profit/(loss) before tax ₦ million
Kakawa Discount House Limited	121,995	108,338	13,657	10,876	2,618
Seawolf	185,847	207,464	(21,617)	11,454	(4,639)

20 Investment in subsidiaries

		The Group		The Bank	
	%	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
FBN Bank (UK) Limited (Note 20i)	100	**-**	-	**18,441**	18,441
FBN Capital Limited (Note 20ii)	100	**-**	-	**4,300**	4,300
First Pension Custodian Limited (Note 20iii)	100	**-**	-	**2,000**	2,000
First Trustees Nigeria Limited (Note 20iv)	100	**-**	-	**23**	23
FBN Mortgages Limited (Note 20v)	100	**-**	-	**2,100**	2,100
FBN Insurance Brokers Limited (Note 20vi)	100	**-**	-	**15**	15
First Registrars Nigeria Limited (Note 20vii)	100	**-**	-	**10**	10
FBN Bureau de Change Limited (Note 20viii)	100	**-**	-	**500**	500
FBN Microfinance Bank Limited (Note 20ix)	100	**-**	-	**1,000**	1,000
First Funds Limited (Note 20x)	100	**-**	-	**2,050**	2,050
FBN Life Assurance (Note 20xi)	65	**-**	1,000	**2,000**	1,000
Banque Internationale de Crédit (Note 20 xii)	75	**5,503**	-	**5,503**	-
		5,503	**1,000**	**37,942**	**31,439**
Diminution of investments – subsidiaries		**-**	**-**	**(23)**	**(23)**
Total investments – subsidiaries		**5,503**	**1,000**	**37,919**	**31,416**

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i. FBN Bank (UK) Limited

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

ii. FBN Capital Limited

FBN Capital Limited is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the Securities and Exchange Commission to undertake issuing house business. It is also involved in the business of asset management and financial advisory. FBN Capital LImited has seven wholly owned subsidiaries as follows: FBN Securities Limited, FBN Capital Partners Limited, 40th Century Limited, FRED Fund, IDF Fund, Twin Peaks and New Villa Properties Limited and a 55% holding in Rainbow Town Development Limited. The results of these entities are included in the condensed results of FBN Capital Limited.

iii. First Pension Custodian Limited

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

iv. First Trustees Nigeria Limited

First Trustees Nigeria Limited was incorporated in Nigeria as a private limited liability company on 8 August 1979 and commenced business on 3 September 1979. The Company was established to engage in the business of trusteeship as well as portfolio management, financial/investment advisory services and loan syndication.

v. FBN Mortgages Limited

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

vi. FBN Insurance Brokers Limited

The company was incorporated under the Companies and Allied Matters Act CAP C20 LFN 2004, as a limited liability company on 31 March 1994 with the name 'Trust Link Insurance Brokers Limited'. The company prepared financial statements up to 31 March 1998 after which it became dormant. The company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the company is insurance brokerage business.

vii. First Registrars Nigeria Limited

First Registrars Nigeria Limited was incorporated on 19 May 1999 and commenced operations on 1 April 2000. The company was established to provide share register administration and custodian services. This includes administration and maintenance of company's share registers, share registration, verification of share transfers, transmission, payment of dividend and organisation of annual general meetings. .

viii. FBN Bureau de Change Limited

This represents the Bank's 100% holding in FBN Bureau de Change Limited. The Bank obtained approval from the Central Bank of Nigeria to operate a bureau de change on 8 August 2006. During the year, Central Bank of Nigeria withdrew the license of all class 'A' Bureau De Change and advised them to apply for class 'B' in order to continue in business. The Company has applied for the class 'B' licence but this is yet to be issued.

ix. FBN Microfinance Bank Limited

The Bank was incorporated in Nigeria on 18 March 2008 under the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 with Registration Number RC 736874. The Bank was licensed to carry on the business of microfinance banking on 25 August 2008 by the Central Bank of Nigeria. It commenced microfinance banking business on 19 January 2009.

x. First Funds Limited

First Funds Limited was incorporated on 14 November 2002. It commenced operations on 1 April 2003. It is a wholly owned subsidiary of First Bank of Nigeria Plc. Its principal activities is to carry on venture capital and private equity business.

xi. FBN Life Assurance Limited

In February 2010, NAICOM granted an operating licence to First Bank Nigeria PLC (FirstBank) to establish a life Insurance business in partnership with Sanlam Group of South Africa. Consequently, FirstBank incorporated a subsidiary, FBN Life Assurance Company Ltd to tap into the huge potential of life assurance business in Nigeria, which presently is untapped. First Bank of Nigeria Plc has a holding of 65% in the equity of FBN Life Assurance Company Ltd. The requisite approval was obtained from Central Bank of Nigeria in September 2010.

xii. Banque Internationale de Crédit

The Bank in October 2011 announced the acquisition of a 75% interest in Thorens Limited, which owns a 99.9% interest in Banque Internationale de Crédit (BIC), Democratic Republic of Congo (DRC). The transaction was approved by the Central Banks in Nigeria and the DRC, subject to a subsequent restructuring of the investment by FirstBank to achieve direct ownership of BIC. This restructuring is expected to be completed by the end of June 2012. It is expected that the restructuring will translate into the Bank taking effective control of BIC.

21 Condensed results of consolidated entities

31 December 2011	FBN Capital Limited ₦ million	First Pension Custodian Nig. Ltd ₦ million	First Trustees Limited ₦ million	FBN Micro-finance Bank Limited ₦ million	FBN Insurance Brokers Limited ₦ million	First Registrars Limited ₦ million	FBN Mortgages Limited ₦ million	First Funds Limited ₦ million	FBN Bureau de Change Limited ₦ million	FBN Bank (UK) Limited ₦ million	FBN Life Assurance Limited ₦ million
Condensed profit and loss											
Operating income	3,316	1,702	(3,961)	1,004	771	2,998	1,995	643	224	10,085	126
Operating expenses	(2,852)	(942)	(453)	(702)	(391)	(1,599)	(841)	(472)	(135)	(3,981)	(527)
Provision expense/Write back	(502)	(4)	-	1	(104)	(413)	(10)	(115)	-	(2,049)	(85)
(Loss)/profit before exceptional item and tax	(38)	756	(4,414)	303	276	986	1,144	56	89	4,055	(486)
Exceptional item	-	-	12	-	-	-	-	-	-	-	-
Tax	(184)	(313)	2,016	(88)	(78)	-	(360)	(13)	(31)	(1,148)	(16)
(Loss)/Profit for the period	**(222)**	**443**	**(2,386)**	**215**	**198**	**986**	**784**	**43**	**58**	**2,907**	**(502)**
Condensed financial position											
Assets											
Cash and balances with central bank	270	-	-	58	-	-	1	-	31	-	46
Treasury Bills	686	-	-	50	-	-	-	-	95	-	-
Due from other banks	12,674	2,948	943	6,127	596	23,013	6,367	1,818	100	232,491	2,727
Loans and advances	92	-	1,714	1,318	-	-	2,633	38	21	138,226	-
Insurance receivables	-	-	-	-	-	-	-	-	-	-	111
Investment securities	8,825	-	5,937	-	244	2,155	44	3,114	-	27,225	-
Managed funds	-	-	-	-	-	-	-	21	-	-	-
Other assets	19,769	374	7,635	171	186	1,008	9,041	183	512	45,171	325
Investment property	4,055	-	-	-	-	-	6,653	-	-	-	-
Deferred tax	-	-	1,613	-	53	63	-	-	-	11	-
Intangible assets	12	24	-	31	-	-	-	-	-	156	49
Property and equipment	356	177	40	272	51	497	99	36	12	185	81
	46,739	**3,523**	**17,882**	**8,027**	**1,130**	**26,736**	**24,838**	**5,210**	**771**	**443,465**	**3,339**

Notes to the financial statements

For the year ended 31 December 2011

31 December 2011	FBN Capital Limited ₦ million	First Pension Custodian Nig. Ltd ₦ million	First Trustees Limited ₦ million	FBN Micro-finance Bank Limited ₦ million	FBN Insurance Brokers Limited ₦ million	First Registrars Limited ₦ million	FBN Mortgages Limited ₦ million	First Funds Limited ₦ million	FBN Bureau de Change Limited ₦ million	FBN Bank (UK) Limited ₦ million	FBN Life Assurance Limited ₦ million
Financed by											
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	844	-	21,411	13,799	-	-	208,595	-
Due to other banks	-	-	17,673	5,890	-	-	-	20	79	172,694	10
Borrowed funds	27,951	-	-	-	-	-	-	2,666	-	12,078	-
Tax payable	217	450	6	56	296	876	447	88	39	-	16
Other liabilities	13,225	404	1,408	64	148	929	7,906	109	20	22,349	294
Staff pension	400	-	-	4	-	-	3	-	-	-	-
Provisions on insurance contracts	-	-	-	-	-	-	-	-	-	-	822
Deferred income tax liabilities	1,008	4	-	47	-	-	4	2	2	-	-
Equity and reserves	3,938	2,665	(1,205)	1,122	686	3,520	2,679	2,325	631	27,749	2,197
	46,739	**3,523**	**17,882**	**8,027**	**1,130**	**26,736**	**24,838**	**5,210**	**771**	**443,465**	**3,339**
Condensed cash flows											
Net cash from operating activities	(12,145)	561	(3,395)	168	213	4,497	2,237	319	(240)	1,773	950
Net cash from financing activities	(18,952)	(242)	3,615	(112)	(115)	(1,972)	-	2,500	(46)	(1,448)	1,700
Net cash from investing activities	(25,460)	(159)	(246)	(58)	(14)	(122)	(22)	(1,347)	(0)	(128)	50
Increase/(Decrease) in cash and cash equivalents	(56,557)	161	(26)	(2)	84	2,403	2,215	1,472	(286)	197	2,700
At year start	64,666	2,787	66	346	512	20,610	4,151	346	482	3,935	-
Movement in cash and cash equivalent	(56,557)	161	(26)	(2)	84	2,403	2,215	1,472	(286)	197	2,700
At year end	**8,109**	**2,948**	**40**	**344**	**596**	**23,013**	**6,367**	**1,818**	**196**	**4,132**	**2,700**

31 December 2010	FBN Capital Limited ₦ million	First Pension Custodian Nig. Ltd ₦ million	First Trustees Limited ₦ million	FBN Micro-finance Bank Limited ₦ million	FBN Insurance Brokers Limited ₦ million	First Registrars Limited ₦ million	FBN Mortgages Limited ₦ million	First Funds Limited ₦ million	FBN Bureau de Change Limited ₦ million	FBN Bank (UK) Limited ₦ million	FBN Life Assurance Limited ₦ million
Condensed profit and loss											
Operating income	2,827	1,348	269	535	720	2,473	496	415	240	9,133	-
Operating expenses	(1,972)	(895)	(734)	(473)	(302)	(1,652)	(504)	(307)	(127)	(3,314)	-
Provision expense	1,195		3,456	(13)	(29)	(153)	71	(115)	-	(2,922)	-
(Loss)/profit before exceptional item and tax	2,050	453	2,991	49	389	668	63	(7)	113	2,897	-
Exceptional Item	-	-	(92)	-	-	-	-	(65)	-	-	
Tax	(391)	(158)	(785)	(17)	(146)	(416)	(25)	(47)	(42)	(1,150)	-
(Loss)/profit for the period	**1,659**	**295**	**2,114**	**32**	**243**	**252**	**38**	**(119)**	**71**	**1,747**	**-**
Condensed financial position											
Assets											
Cash and balances with Central Bank	414	21	-	33	169	-	46	8	-	45	-
Treasury Bills	-	-	-	50	-	-	-	-	-	-	-
Due from other banks	64,274	2,764	66	30,094	532	41,109	4,526	337	482	180,969	-
Loans and advances	806	-	1,892	924	-	-	1,552	-	-	133,239	-
Insurance receivables	-	-	-	-	515	-		-	-	-	-
Investment securities	4,203	-	21,150	-	321	2,432	45	1,934	-	13,660	-
Managed funds	-	-	37,091	-	811	-		16	-	-	-
Other assets	425	229	435	172	70	519	1,343	195	269	663	-
Investment property	1,204	-	-	-	-	-	7,886	-	-	-	-
Deferred tax	-	41	7	-	-	63	-	-	-	17	-
Property and equipment	163	101	34	331	54	450	133	41	17	106	-
	71,489	**3,156**	**60,675**	**31,604**	**2,472**	**44,573**	**15,531**	**2,531**	**768**	**328,699**	**-**

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For the year ended 31 December 2010

31 December 2010	FBN Capital Limited ₦ million	First Pension Custodian Nig. Ltd ₦ million	First Trustees Limited ₦ million	FBN Micro-finance Bank Limited ₦ million	FBN Insurance Brokers Limited ₦ million	First Registrars Limited ₦ million	FBN Mortgages Limited ₦ million	First Funds Limited ₦ million	FBN Bureau de Change Limited ₦ million	FBN Bank (UK) Limited ₦ million	FBN Life Assurance Limited ₦ million
Financed by											
Bank overdraft	80	-	-	34	-	-	420	-	-	-	-
Customer deposits	-	-	-	690	-	-	11,615	-	-	138,229	-
Due to other banks	27,301	-	62,576	29,797	-	20,500	-	-	-	142,576	-
Borrowed funds	31,961	-	-	-	-	-	-	16	-	11,710	-
Tax payable	598	379	862	15	248	1,701	88	151	42	811	-
Other liabilities	2,197	315	556	39	121	17,866	1,032	79	126	10,988	-
Staff pension	225	-	-	-	811	-	-	-	-	-	-
Provisions on insurance contracts	-	-	-	-	685	-	-	-	-	-	-
Deferred income tax liabilities	846	-	-	16	7	-	27	3	3	-	-
Equity and reserves	8,281	2,462	(3,319)	1,013	600	4,506	2,349	2,282	597	24,384	-
	71,489	**3,156**	**60,675**	**31,604**	**2,472**	**44,573**	**15,531**	**2,531**	**768**	**328,698**	**-**
Condensed cash flows											
Net cash from operating activities	(22,478)	257	(11,621)	(235)	361	(2,367)	1,861	(114)	(63)	3,527	-
Net cash from financing activities	-	(163)	14,936	(11)	(100)	(401)	(48)	(32)	(95)	(1,171)	-
Net cash from investing activities	(1,465)	(18)	(3,280)	(68)	(159)	(168)	(0)	(1,324)	(6)	(92)	-
(Decrease)/increase in cash and cash equivalents	(23,943)	76	35	(314)	102	(2,936)	1,813	(1,470)	(164)	2,264	-
At year start	88,137	2,709	31	660	599	23,545	2,338	1,815	646	1,671	-
Movement in cash and cash equivalent	(23,943)	76	35	(314)	102	(2,936)	1,813	(1,470)	(164)	2,264	-
At year end	**64,194**	**2,785**	**66**	**346**	**701**	**20,609**	**4,151**	**345**	**482**	**3,935**	**-**

22 Managed funds

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Bank balances	-	23	-	-
Quoted investments:				
FBN Sinking Fund (market value; 31 Dec 2010: ₦154 billion)	-	66	-	-
FBNI/UNIPORT Sinking Fund (market value; 31 Dec 2010: ₦6.04 million)	-	10	-	-
Others (market value; 31 Dec 2010: ₦6.11 billion)	-	5,404	-	-
Treasury Bills	-	4,000	-	-
Bankers' acceptance	-	26,600	-	-
Government bonds	-	6	-	-
Managed real estate investments	-	1,080	-	-
Others	**21**	728	-	-
	21	37,917	-	-
Provision for diminution in value of investments	-	-	-	-
	21	37,917	-	**-**

Managed funds represents investment made using funds and deposits received from corporate and individual clients for their investments, under mutually agreed terms.

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
22.1 Movement in provision for diminution in value of investments				
At start of the year	-	19,028	-	-
Write-back/provision no longer required	-	(19,028)	-	-
At end of the year	-	-	-	-

Notes to the financial statements
For the year ended 31 December 2011

23 Other assets

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Fraud and loss suspense	**2,852**	2,084	**2,852**	2,084
Interest and fee receivable	**18,487**	2,069	**9,739**	1,679
Prepayments	**50,850**	4,865	**4,422**	4,075
Premium debtors and receivable from underwriters	**-**	579	**-**	-
Accounts receivable	**33,352**	22,022	**21,705**	17,540
Deferred acquisition expenses	**11,169**	12,365	**11,158**	12,345
Inventory – consumables	**1,975**	1,868	**1,856**	1,814
Inventory – construction work in progress	**18,957**	15,195	**-**	-
BDC trading stock	**49**	184	**-**	-
Other receivables	**10,618**	6,262	**10,858**	7,601
Deposit for investment by subsidiaries	**-**	15	**-**	-
Deposit with the Nigerian Stock Exchange	**-**	1	**-**	-
Mandatory deposit with CBN	**-**	30	**-**	-
	148,309	67,539	**62,590**	47,138
Provision for doubtful receivables (Note 23.1)	**(7,035)**	(3,981)	**(6,224)**	(3,447)
	141,274	63,558	**56,366**	43,691

23.1 Movement in provision for doubtful receivables

	The Group 31 Dec 2011	The Group 31 Dec 2010	The Bank 31 Dec 2011	The Bank 31 Dec 2010
At start of the year	**3,981**	2,798	**3,447**	2,601
Additional provision	**3,696**	1,256	**2,726**	846
Recoveries	**-**	(73)	**-**	-
Per profit and loss account (Note 15)	**3,696**	1,183	**2,726**	846
Amounts written off	**(693)**	-	**-**	-
Reclassification	**51**	-	**51**	-
At end of the year	**7,035**	3,981	**6,224**	3,447

24 Investment property

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Opening net book amount	**10,326**	8,466	**-**	-
Additions and capital improvements	**7,165**	2,599	**-**	-
Disposal of investment property	**(6,783)**	(739)	**-**	-
Closing net book amount	**10,708**	10,326	**-**	-

Investment property is not subjected to periodic charges for depreciation.

25 Intangible assets – software

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Cost				
At start of the year	**1,925**	1,314	**1,229**	783
Additions	**1,712**	612	**1,551**	446
Exchange differences	**(1)**	(1)	**-**	-
At end of the year	**3,636**	1,925	**2,780**	1,229
Accumulated amortisation				
At start of the year	**1,431**	951	**964**	595
Amortisation charge	**1,199**	480	**1,082**	369
At end of the year	**2,630**	1,431	**2,046**	964
Net book value				
At end of the year	**1,006**	494	**734**	265

The Nigerian Accounting Standards Board (NASB), now The Financial Reporting Council of Nigeria, on 15 March 2011 issued a Statement of Accounting Standard (SAS) 31 – Intangible Assets operative for periods beginning on or after 1 January 2011.

The Impact of the new standard on the Company and Group is the reclassification of certain software from fixed assets to intangible assets on the balance sheet and required disclosures by way of note.

Notes to the financial statements

For the year ended 31 December 2011

26 Property and equipment

Group	At year start ₦ million	Reclassification ₦ million	Additions ₦ million	Disposals/ write-offs ₦ million	Exchange difference ₦ million	At year end ₦ million
Cost/revalued amount						
Leasehold improvements	1,336	(1)	51	(2)	(1)	1,383
Leasehold land and buildings	35,528	(34)	4,007	(1)	-	39,500
Motor vehicles	9,134	-	1,992	(1,100)	-	10,026
Office equipment	26,267	(2)	3,582	(974)	-	28,873
Computer hardware	12,181	3	2,028	(93)	-	14,119
Plant and machinery	22	-	2	-	-	24
Furniture and fittings	5,247	37	805	(459)	-	5,630
Work in progress	11	(3)	-	-	-	8
	89,726	**-**	**12,466**	**(2,629)**	**(1)**	**99,563**

	At year start ₦ million	Reclassification ₦ million	Depreciation charge ₦ million	Disposals/ write-offs ₦ million	Exchange difference ₦ million	At year end ₦ million
Accumulated depreciation						
Leasehold improvements	378	(1)	55	-	(1)	431
Leasehold land and buildings	2,367	(26)	543	-	-	2,884
Motor vehicles	6,024	-	1,521	(789)	-	6,756
Office equipment	13,884	-	4,547	(971)	-	17,460
Computer hardware	9,716	-	1,618	(92)	-	11,242
Plant and machinery	17	-	2	-	-	19
Furniture and fittings	3,342	27	689	(458)	-	3,600
	35,728	**-**	**8,975**	**(2,310)**	**(1)**	**42,392**
Net book value						
Leasehold improvements	958					952
Leasehold land and buildings	33,161					36,616
Motor vehicles	3,110					3,270
Office equipment	12,383					11,413
Computer hardware	2,465					2,877
Plant and machinery	5					5
Furniture and fittings	1,905					2,030
Work in progress	11					8
	53,998					**57,171**

Bank	At year start ₦ million	Reclassification ₦ million	Additions ₦ million	Disposals/ write-offs ₦ million	At year end ₦ million
Cost/revalued amount					
Leasehold improvements	1,101	(1)	-	(2)	1,098
Leasehold land and buildings	35,033	(34)	3,892	(1)	38,891
Motor vehicles	8,323	-	1,584	(875)	9,032
Office equipment	26,031	-	3,491	(969)	28,553
Computer hardware	11,454	-	1,796	(80)	13,170
Plant and machinery	-	-	-	-	-
Furniture and fittings	4,775	35	761	(455)	5,116
Work in progress	-	-	-	-	-
	86,717	**-**	**11,524**	**(2,382)**	**95,859**

	At year start ₦ million	Reclassification ₦ million	Depreciation charge ₦ million	Disposals/ write-offs ₦ million	At year end ₦ million
Accumulated depreciation					
Leasehold improvements	225	(1)	21	(0)	245
Leasehold land and buildings	2,361	(26)	540	(0)	2,875
Motor vehicles	5,595	-	1,325	(609)	6,310
Office equipment	13,742	-	4,497	(967)	17,273
Computer hardware	9,135	-	1,506	(80)	10,561
Plant and machinery	-	-	-	-	-
Furniture and fittings	3,043	27	628	(455)	3,244
	34,101	**0.20**	**8,517**	**(2,111)**	**40,508**
Net book value					
Leasehold improvements	876				853
Leasehold land and buildings	32,672				36,017
Motor vehicles	2,728				2,721
Office equipment	12,288				11,281
Computer hardware	2,319				2,608
Plant and machinery	-				-
Furniture and fittings	1,733				1,871
	52,616				**55,352**

Certain land and buildings (own premises only) with a net book value of ₦187.7 million were professionally valued at ₦1.18 billion on 31 December 1990 by Messrs Jide Taiwo & Co. and Diya Fatimilehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. The sum of ₦448.152 million was then recognised as revaluation reserve in the consolidated financial statements.

During the year ended 31 December 1995, selected land and buildings (own premises only), including those revalued at 31 December 1990, were professionally re-valued at ₦5,056.4 million by Messrs Jide Taiwo & Co. and Diya Fatimilehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. In compliance with the Central Bank of Nigeria's guidelines on recognition of revaluation reserve on own premises, the sum of ₦1,931 million was then incorporated in the account. This represents the revaluation surplus of ₦4,291.4 million discounted by 55%.

Revaluation of land and buildings is carried out at the discretion of the directors and it is considered as and when necessary.

Notes to the financial statements
For the year ended 31 December 2011

27 Customer deposits

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Current deposits	**743,925**	607,252	**703,350**	574,415
Savings deposits	**495,777**	387,808	**495,075**	386,913
Term deposits	**287,739**	276,250	**164,990**	190,658
Domiciliary deposits	**417,715**	177,497	**417,715**	177,497
Electronic purse	**2,647**	1,288	**2,647**	1,288
	1,947,803	1,450,095	**1,783,777**	1,330,771
27.1 Analysis by maturity				
0–30 days	**1,702,510**	1,227,658	**1,626,513**	1,170,136
1–3 months	**158,930**	83,653	**111,026**	68,762
3–6 months	**69,967**	37,273	**37,459**	24,674
6–12 months	**16,066**	33,849	**8,602**	22,407
Over 12 months	**330**	67,662	**177**	44,792
	1,947,803	1,450,095	**1,783,777**	1,330,771

28 Due to other banks

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
In Nigeria				
Inter-bank takings	**96,053**	148,049	**50,533**	54,928
Outside Nigeria				
Due to banks outside Nigeria	**85,839**	237	**718**	237
	181,892	148,286	**51,251**	55,165

29 Liability on investment contracts

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Managed funds	**39,104**	95,352	**-**	-
Details of other managed funds				
Long-term clients	**38,304**	20,804	**-**	-
Short-term clients	**796**	42,599	**-**	-
Guaranteed fixed income	**4**	31,949	**-**	-
Guaranteed principal liabilities		-	**-**	-
At end of the year	**39,104**	95,352	**-**	-

Managed funds represent monies administered by the Group under trust contracts. Some of the investors in the trust product are guaranteed principal and interest.

30 Liability on insurance contracts

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Life insurance fund	**824**	-	**-**	-

31 Other borrowings

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
FBN Capital Finance Company, Cayman Island (Note 31.2)	**27,335**	**26,352**	**27,335**	26,352
European Investment Bank (Note 31.3)	**4,639**	**6,991**	**4,639**	6,991
Standard Chartered Bank (Note 31.4)	**31,631**	**52,703**	**31,631**	52,704
On-lending facilities from financial institutions (Note 31.5)	**24,196**	**25,906**	**24,196**	25,905
Borrowings from correspondence banks	**5,483**	**12,920**	**5,301**	12,665
	93,284	**124,872**	**93,102**	124,617

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For the year ended 31 December 2011

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
31.1 Analysis by maturity				
Within 12 months	**44,140**	20,013	**43,958**	20,012
Over 12 months	**49,144**	104,859	**49,144**	104,605
	93,284	124,872	**93,102**	124,617

31.2

Facility represents dollar notes issued by FBN Capital Finance Company, Cayman Island on 30 March 2007 for a period of 10 years. Interest on the notes is payable at 9.75% per annum. The loan is repayable at six monthly intervals over a period of five years commencing from 29 March 2012. The loan is a subordinated debt and is non-callable in the first five years.

31.3

Facility represents medium-term loan (callable notes) secured from European Investment Bank. The loan is divided into tranche A of euro 35 million for a tenure of five years and tranche B of euro 15 million for a tenure of eight years, which qualifies it as tier II capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The facility was secured by negative pledge.

31.4

Facility represents medium-term loan (dollar notes) secured from Standard Chartered Bank in February 2010 for a period of three years with a moratorium of 18 months. The interest on the loan is payable half yearly at 4.25% above LIBOR rate. The loan is secured by the ₦27 billion worth of FGN bonds investment as at year end.

31.5

Included in on-lending facilities from financial institutions are disbursements from banks within Nigeria of ₦18.807 billion guaranteed by FBN for specific customers. These facilities include the BOI funds and CACS intervention funds.

i. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved (CBN guideline of 16 April 2010) the investment of the sum of ₦200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of banks' loans to the manufacturing sector.

During the year, the Bank of Industry (BOI) disbursed an additional ₦1.13 billion (2010: ₦9.75 billion) to First Bank of Nigeria Plc (the Bank) under the ₦200 billion CBN Intervention Fund.

The fund disbursed is for a period of 15 years effective from disbursement date and subject to 1% p.a management fee. The Bank (FBN) had disbursed the sum of ₦8.574 billion to its customers, which was included in the loans and advances, while ₦82 million has been repaid by customers at year end.

ii. CBN/CACS intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agriculture Credit Scheme (CACS).

Under the scheme, the Bank signed a participation agreement dated April 29, 2010 wherein the CBN shall release through the Bank to various State Government and Federal Capital Territory (FCT) for on-lending to Farmer Cooperative Societies in their respective states and other local investment areas as specified by the guidelines.

During the year, First Bank received ₦ 7.64 billion (2010: ₦9.135 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for seven years period at an interest rate of 9% per annum. The amount disbursed under the scheme was included in the loan and advance in the consolidated financial statement.

32 Other liabilities

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Provision for fraud and losses	**2,853**	2,084	**2,853**	2,084
Customers' deposit for letters of credit	**61,102**	41,885	**44,552**	41,885
Deposit for foreign currency	**1,741**	1,780	**1,741**	1,780
Interest payable	**6,240**	266	**2,552**	197
Account payables	**26,471**	18,920	**15,323**	13,552
Unearned discounts	**14,997**	2,270	**14,501**	2,270
Proceeds from public offers	**516**	806	**20**	5
Provision and accruals	**11,489**	6,014	**9,813**	4,014
Bank cheques	**13,112**	14,268	**13,112**	14,267
Provision on losses for off balance sheet items	**39**	39	**39**	39
Collection on behalf of third parties	**4,375**	4,193	**4,375**	4,193
Premium payable	**-**	685	**-**	-
Banking sector resolution cost (Note 32.2)	**5,872**	-	**5,872**	-
Trade creditors	**969**	8,208	**-**	-
Clients' dividend (Note 32.1)	**-**	17,027	**-**	-
Sundry creditors	**28,667**	2,581	**18,512**	2,023
	178,443	121,026	**133,265**	86,309

32.1 Clients' dividend

This represents dividend due to shareholders of the various clients of First Registrars Nigeria Limited as at the balance sheet date.

32.2 Banking sector resolution cost

The Bank has made a provision of 0.3% of its total assets in accordance with the requirements of the banking sector resolution cost fund.

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33 Deferred taxes

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
33.1 Deferred tax liabilities	**1,067**	901	**-**	-
Movement in deferred taxes				
At start of the year	**901**	10,612	**-**	10,144
Reclassification to obligations due	**-**	(4,005)	**-**	(4,466)
Reclassification to tax payable (Note 9)	**-**	(5,678)	**-**	(5,678)
Charge/(credit)	**166**	(28)	**-**	-
At end of the year	**1,067**	901	**-**	-
33.2 Deferred tax assets	**10,617**	5,315	**8,877**	5,187
Movement in deferred taxes				
At start of the year	**5,315**	-	**5,187**	-
Charge/(credit) (Note 9)	**5,302**	5,315	**3,690**	5,187
At end of the year	**10,617**	5,315	**8,877**	5,187

33.3 Reclassifications to tax payable

This represents reclassification to income tax payable for tax liability that has crystallised during the year.

34 Retirement benefit obligations

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Defined contribution scheme	**391**	225	**1**	171
Gratuity scheme (i)	**5,836**	4,673	**5,820**	4,374
Defined benefit scheme (ii)	**1,401**	-	**1,401**	-
	7,628	4,898	**7,222**	4,545
Movement in the defined contribution liability recognised				
At start of the year	**225**	333	**171**	153
Charge to profit and loss	**3,737**	1,899	**3,356**	1,824
Contributions remitted	**(3,571)**	(2,007)	**(3,526)**	(1,806)
At end of the year	**391**	225	**1**	171

The Group and its employees make a joint percentage of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated Pension Fund Administrators.

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Movement in the defined benefit liability recognised in the balance sheet				
i. Gratuity scheme				
At start of the year	**4,673**	392	**4,374**	391
Charge to profit and loss	**4,668**	7,417	**3,934**	7,073
Payments in the year	**(3,505)**	(3,136)	**(2,488)**	(3,090)
At end of the year	**5,836**	4,673	**5,820**	4,374

The Group operates a gratuity scheme where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period of five years and gross salary on date of retirement.

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
ii. Defined benefit scheme				
At start of the year	**-**	-	**-**	-
Charge to profit and loss	**2,601**	1,200	**2,601**	1,200
Remittance to PFAs	**(1,200)**	(1,200)	**(1,200)**	(1,200)
At end of the year	**1,401**	-	**1,401**	-

An actuarial valuation of the old Defined Benefit scheme, discontinued in 2001, was conducted by HR Nigeria Limited. A shortfall of ₦5.2 billion was established. The deficit arose from the meltdown in the capital market. The Bank is under obligation to fund the deficit, and has elected to do this over the next five years commencing January 2010 with an annual contribution of ₦1.2 billion.

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
The principal actuarial assumptions used were as follows:				
– discount rate			11%	10%
– average rate of inflation			10%	10%
– future salary increases			Nil	Nil

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35 Share capital

		The Group		The Bank	
		31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Authorised					
50 billion ordinary shares of 50k each (2010: 50 billion)		**25,000**	25,000	**25,000**	25,000
Issued and fully paid:	**Number millions**				
At start of the year	**32,632**	**16,316**	16,316	**16,316**	16,316
Transfer from bonus issue reserve	**-**	**-**	-	**-**	-
At end of the year	**32,632**	**16,316**	**16,316**	**16,316**	**16,316**

36 Share premium

	The Group	The Bank
	₦ million	₦ million
At 31 December	**254,524**	**254,524**

The share premium was as a result of the 2007 hybrid offer by the Bank and all necessary charges and deductions have been made in arriving at the balance.

37 Reserves

Group – 2011	Statutory reserve ₦ million	Contingency reserve ₦ million	Exchange difference reserve ₦ million	Retained earnings ₦ million	SMIEIS reserve ₦ million	Revaluation reserve (property) ₦ million	Total ₦ million
At start of year –							
as previously reported	27,730		3,597	26,887	9,193	2,379	69,786
Restatement	778	-	-	(3,347)	-	-	(2,569)
Adjusted opening reserves	**28,508**	**-**	**3,597**	**23,540**	**9,193**	**2,379**	**67,217**
Dividend paid	-	-	-	(19,578)	-	-	(19,578)
Net change due to exchange rate movement	-	-	606	-	-	-	606
SMEEIS investments written off	-	-	-	-	(233)	-	(233)
Transfer from profit and loss account	7,296	13	-	38,360	-	-	45,669
At end of year	**35,804**	**13**	**4,203**	**42,322**	**8,960**	**2,379**	93,681

In respect of the current year, the directors propose that a dividend of 80 kobo (2010: 60 kobo) per ordinary share be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividend to shareholders is now accounted for on the date of declaration as they do not meet criteria of present obligation in Statement of Accounting Standard 23. The proposed dividend is subject to withholding tax at the appropriate tax rate and is payable to shareholders whose names appear in the Register of Members at closure date. The total estimated dividend to be paid is ₦26.105 billion (2010: ₦19.58 billion).

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For the year ended 31 December 2011

Group – 2010	Statutory reserve ₦ million	Contingency reserve ₦ million	Exchange difference reserve ₦ million	Retained earnings ₦ million	SMIEIS reserve ₦ million	Revaluation reserve (property) ₦ million	Total ₦ million
At start of year – as previously reported	23,660	-	3,962	2,261	9,980	2,379	42,242
Restatement	-	-	-	(269)	-	-	(269)
At 1 January 2010 – as restated	**23,660**	**-**	**3,962**	**1,992**	**9,980**	**2,379**	**41,973**
Transfer to share capital	-	-	-	(1,812)	-	-	(1,812)
Dividend paid	-	-	-	(2,902)	-	-	(2,902)
Net change due to exchange rate movement	-	-	(365)	-	-	-	(365)
SMEEIS investments written off	-	-	-	-	(787)	-	(786)
Transfer from profit and loss account	4,848	-	-	26,262	-	-	31,110
At end of year	**28,508**	**-**	**3,597**	**23,540**	**9,194**	**2,379**	**67,218**

Bank	Statutory reserve ₦ million	Contingency reserve ₦ million	Exchange difference reserve ₦ million	Retained earnings ₦ million	SMIEIS reserve ₦ million	Revaluation reserve (property) ₦ million	Total ₦ million
At start of year – as previously reported	27,516		2,836	27,971	9,193	2,379	69,895
Adjustment to opening reserves (Note 38 – deferred tax adjustment)	778	-	-	4,409	-	-	5,187
Adjusted opening balance	28,294	-	2,836	32,380	9,193	2,379	75,082
Dividend paid	-		-	(19,579)	-	-	(19,579)
Provision for doubtful SMEEIS investments			-		(233)		(233)
Transfer from profit and loss account	7,119	-	-	40,343		-	47,462
At end of year	**35,413**	**-**	**2,836**	**53,144**	**8,960**	**2,379**	**102,732**

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

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

38 Restatement Group

We have consolidated the financial results of some indirect subsidiary entities of the Bank and also accounted for the equity of the Group's investment in two associated companies. This resulted in a material misstatement of the Group financial position and performance presented in the annual reports for the financial years 2009 and 2010; the financial results of the year ended 31 December 2010 has been restated. The effect of this restatement on the consolidated financial statements for the year ended 31 December 2010 is summarised below. Opening retained earnings for 2010 have been reduced by ₦269 million, which is the amount of the adjustment relating to the year ended 31 December 2009.

	31 December 2010		
EFFECT ON BALANCE SHEET	**As previously stated ₦ million**	**As restated ₦ million**	**Restatement ₦ million**
ASSETS			
Loans and advances	1,143,614	1,127,900	15,714
Investment securities	345,157	337,181	7,976
Investment in associates	6,456	9,716	(3,260)
Other assets	51,299	63,558	(12,259)
Investment property	8,420	10,326	(1,906)
Deferred tax asset	128	5,315	(5,187)
Intangible asset	-	494	(494)
Property and equipment	53,986	53,998	(12)
			572
LIABILITIES			
Customer deposits	1,450,567	1,450,095	472
Other borrowings	124,617	124,872	(255)
Current income tax	9,136	20,051	(10,915)
Other liabilities	119,998	121,026	(1,028)
Deferred tax liabilities	11,778	901	10,877
			(849)
Net assets			1,421
EFFECT ON EQUITY			
Retained earnings	26,887	23,540	3,347
Statutory reserves	27,730	28,508	(778)
Minority interest	-	1,148	(1,148)
			1,421
EFFECT ON PROFIT AND LOSS ACCOUNT			
Gross earnings	230,607	232,079	(1,472)
Operating income	177,924	178,062	(138)
Interest and similar income	174,040	175,579	(1,539)
Interest and similar expense	(52,578)	(53,912)	1,334
Fees and commission income	45,160	45,094	66
Operating expenses	(116,530)	(119,274)	2,744
Group's share of associate's results	1,496	(3,657)	5,153

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	31 December 2010		
EFFECT ON PROFIT AND LOSS	As previously stated ₦ million	As restated ₦ million	Restatement ₦ million
Profit before exceptional item and taxation			7,758
Exceptional item	1,889	226	1,663
Profit before taxation			9,421
Taxation	(9,777)	(4,590)	(5,187)
Profit after taxation			4,234
Non-controlling interest	-	1,933	(1,933)
			2,301

There was no cashflow impact as a result of the restatement other than the consequential adjustments arising as a result of the restatement of the comparative Profit and Loss as at 31 December 2010.

39 Non-controlling interest

a. The analysis of non-controlling interest is shown below:

	The Group	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
FBN Life Assurance	**520**	-
Rainbow Town Development Limited	**444**	1,148
	964	**1,148**

b. The movement in the non-controlling interest account during the year is shown below:

	The Group	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
At start of year	**1,148**	3,081
Issue of new shares	**700**	-
Transfer from profit and loss (share of loss)	**(884)**	(1,933)
At end of year	**964**	**1,148**

40 Contingent liabilities and commitments

(a) Legal proceedings

The Group in the ordinary course of business is presently involved in litigation suits amounting to ₦3.024 billion (31 December 2010; ₦4.117 billion) none of which may give rise to any material contingent liability.

The directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the balance sheet date, the Bank had capital commitments amounting to ₦2.6 billion (31 December 2010; ₦3.30 billion) in respect of authorised and contracted capital projects.

(c) Operating lease commitments

As at 31 December 2011, the Group was committed to making the following future repayments in respect of an operating lease for land and buildings. The lease is expected to expire in June 2016.

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Within one year	**216**	168	**-**	-
Between one year and five years	**721**	594	**-**	-
More than five years	**8**	165	**-**	-
	945	927	**-**	**-**

(d) Off balance sheet engagements

In the normal course of business, the Group is party to financial instruments with off-balance sheet risk. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Performance bonds and guarantees	**230,200**	184,657	**228,357**	181,387
Letters of credit	**228,880**	155,888	**153,695**	151,337
Forward and swap contract	**10,059**	1,402	**10,059**	1,402
Bankers' acceptances	**-**	166,146	**-**	-
Guaranteed commercial papers	**-**	-	**-**	-
Treasury Bills intermediation and others	**1,077,058**	514,857	**175,263**	-
	1,546,197	1,022,950	**567,374**	334,126

41 Related party transactions

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

(a) Risk assets outstanding as at 31 December 2011

i. Direct credit assets

Included in loans and advances is an amount of ₦74.387 billion (December 2010: ₦169.386 billion), representing credit facilities to companies in which certain directors and shareholders have interests. The balances as at 31 December 2011 are as follows:

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Name of company/individual	Relationship	Facility type	₦ million	Status	Security status
Honeywell Group	Ex-Chairman/Non-Executive Director	Term loan	41,929	Performing	Legal mortgage on property, cross guarantee, lien on assets
Airtel Networks Ltd	Ex-Chairman/Non-Executive Director	Term loan	13,037	Performing	Trust deed managed by First Trustees Ltd
Lister Flour Mills (Nigeria) Ltd	Non-Executive Director	Term loan	5,849	Performing	Legal mortgage on property, personal and cross guarantee, domiciliation
Incar Nigeria Plc	Ex-Chairman	Term loan	3,848	Performing	Legal mortgage on property
Anchorage Leisure Ltd	Ex-Chairman	Term loan	3,300	Performing	Debenture on fixed and floating assets
Pivot Engineering Ltd	Ex-Chairman/Non-Executive Director	Term loan	3,213	Performing	Cross guarantee, debenture
Fan Milk Plc	Ex-Chairman/Non-Executive Director	Term loan	1,331	Performing	Mortgage debenture
Seatrucks Nigeria Ltd	Ex-Chairman	Term loan	630	Performing	Legal mortgage, cross guarantee
Deanshanger Projects Ltd	Ex-Chairman	Term loan	447	Performing	Mortgage debenture
Premium Poultry Farms Ltd	Non-Executive Director	Term loan	215	Performing	All assets debenture
Khalil & Dibbo Transport Ltd	Ex-Chairman/Non-Executive Director	Term loan	143	Performing	Mortgage debenture
PGN Limited	Ex-Chairman	Term loan	6	Performing	Mortgage debenture
Kehinde Lawanson	Executive Director	Term loan	108	Performing	Legal mortgage on property, domiciliation of salary
Remi Odunlami	Executive Director	Term loan	74	Performing	Legal mortgage on property, domiciliation of salary
Bisi Onasanya	Group Managing Director	Term loan	82	Performing	Legal mortgage on property
Bola Adesola	Ex-Executive Director	Term loan	112	Performing	Legal mortgage on property
Arisekola Alao	Non-Executive Director	Term loan	46	Performing	Mortgage debenture
Lawal Ibrahim	Non-Executive Director	Term loan	11	Performing	Legal mortgage on property
			74,381		

ii. Off balance sheet engagements

Included in off balance sheet engagements is an amount of ₦ 23.75 billion (December 2010:₦30.58 billion) representing bonds and guarantees to companies in which certain directors and shareholders have interests. The balances as at 31 December 2011 are as follows:

Name of company/individual	Relationship	₦ million	Status	Security status
Broadview Engineering Ltd	Ex-Chairman/ Non-Executive Director	7	Performing	Cross guarantee, counter indemnity
Honeywell Group	Ex-Chairman/ Non-Executive Director	822	Performing	Cross guarantee, lien on assets
Pivot Engineering Ltd	Ex-Chairman/ Non-Executive Director	4,147	Performing	Cross guarantee, debenture
P. W. Nig. Ltd	Non-Executive Director	10,515	Performing	All assets debenture
Seawolf Oilfield Services	Non-Executive Director	8,267	Performing	Charge over asset financed
		23,758		

42 Employees and directors

	The Group		The Bank	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
(a) Employees				
The average number of persons employed by the Group during the year was as follows:	**Number**	**Number**	**Number**	**Number**
Executive directors	**5**	5	**5**	5
Management	**219**	128	**58**	58
Non-management	**8,202**	8,021	**7,738**	7,540
	8,426	8,154	**7,801**	7,603
Compensation for the above staff (excluding executive directors):	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Salaries and wages	**46,554**	40,675	**44,372**	38,324
Pension costs				
– defined contribution plans	**3,737**	1,883	**3,356**	1,770
– defined benefit plans	**8,670**	9,567	**6,536**	7,219
Other retirement benefit costs	**-**	13	**-**	-
	58,961	52,138	**54,264**	47,313
The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions) were:	**Number**	**Number**	**Number**	**Number**
₦300,001–₦2,000,000	**393**	531	**47**	65
₦2,000,001–₦2,800,000	**664**	1,711	**568**	1,699
₦2,800,001–₦3,500,000	**202**	1,564	**146**	1,546
₦3,500,001–₦4,000,000	**39**	1,253	**1**	1,253
₦4,000,001–₦5,500,000	**2,629**	1,917	**2,610**	1,903
₦5,500,001–₦6,500,000	**1,327**	26	**1,307**	-
₦6,500,001–₦7,800,000	**209**	518	**192**	506
₦7,800,001–₦9,000,000	**871**	3	**857**	-
₦9,000,001 and above	**2,087**	626	**2,068**	626
	8,421	8,149	**7,796**	7,598

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	The Group	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**
(b) Directors		
Remuneration paid to the Group's directors was:		
Fees and sitting allowances	**162**	169
Executive compensation	**520**	545
Compensation for loss of office	**316**	450
Retirement benefit costs	**1,326**	1,604
Other director expenses and benefits	**1,202**	901
	3,526	3,669
Fees and other emoluments disclosed above include amounts paid to:		
The Chairman	**5**	5
The highest paid director	**71**	67
The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:	**Number**	**Number**
Below ₦1,000,000	**3**	3
₦1,000,000–₦2,000,000	**-**	16
₦2,000,001–₦3,000,000	**16**	11
₦5,500,001 and above	**36**	18
	55	48

43 Cash generated from operations

	The Group		The Bank	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**	**31 Dec 2011 ₦ million**	**31 Dec 2010 ₦ million**
Reconciliation of profit before tax to cash generated from operations				
Operating profit	**50,066**	33,767	**52,528**	33,536
Provision for loan loss	**33,541**	29,631	**31,841**	25,461
Amounts written back on previously provisioned accounts	**(191)**	(7,866)	**-**	(5,375)
Provision/(write-back) for leases	**(646)**	592	**(646)**	592
Interest in suspense	**(20,495)**	16,964	**(21,075)**	16,172
Loans written off	**(57,017)**	(22,464)	**(55,242)**	(22,364)
Investment in SMEEIS written off	**233**	(787)	**233**	(787)
Provision for doubtful bank balances	**(4)**	(1,505)	**-**	-
Provision for doubtful receivable	**3,054**	1,183	**2,777**	846
Provision for diminution in investments	**1,797**	(1,949)	**1,527**	3,247
Loss on revaluation of trading bonds	**6,454**	-	**6,454**	-
(Gain)/loss on sale of loans and advances	**15,489**	(226)	**15,501**	(383)
(Gain)/loss on disposal of property and equipment	**107**	67	**120**	(81)
(Gain)/loss on sale of equity securities	**2,245**	-	**(433)**	-
(Gain)/loss on disposal of investment property	**(1,562)**	(209)	**-**	-
Depreciation of property and equipment	**8,975**	8,395	**8,517**	7,972
Amortisation of intangible assets	**1,200**	480	**1,084**	369
Dividend income from investments	**(4,950)**	(2,195)	**(5,801)**	(3,524)
Provision for retirement benefit obligations	**11,006**	9,316	**9,891**	8,897
Provision for value added tax	**1,372**	1,064	**1,372**	1,064
Adjustment for the carrying amount of investment and reserves of associates	**-**	(1,496)	**-**	-
Provision for doubtful premium receivable	**85**	-	**-**	-
Provision for banking sector resolution cost	**5,872**	-	**5,872**	-
Operating profit before changes in operating assets and liabilities	**56,631**	62,762	**54,520**	65,641
(Increase)/decrease in operating assets				
Cash reserve balances	**(92,766)**	(822)	**(92,737)**	(822)
Loans to customers, net of loans in acquiree	**53,756**	(46,294)	**58,743**	(8,820)
Advances under finance leases	**3,585**	2,662	**3,585**	2,662
Insurance receivables	**(196)**	-	**-**	-
Short-term investments	**126,361**	(63,097)	**(84,970)**	(25,094)
Interest receivable and prepayment	**(62,403)**	12,211	**(8,407)**	12,292
Accounts receivable	**(11,701)**	(8,011)	**(4,166)**	(8,034)
Managed funds	**37,896**	-	**-**	-
Other receivables, net of sundry receivables in acquiree	**(4,035)**	55,824	**(2,880)**	(10,271)
	50,497	(47,527)	**(130,832)**	(38,087)

Notes to the financial statements
For the year ended 31 December 2011

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Increase/(decrease) in operating liabilities				
Customer deposits, net of deposits in acquiree	**497,708**	104,644	**453,006**	86,741
Due to other banks	**33,606**	(24,994)	**(3,914)**	(9,922)
Customers' deposit for foreign currency denominated obligations	**19,217**	18,157	**2,667**	18,157
Liability on investment contracts	**(56,248)**	(52,872)	**-**	-
Insurance contract liabilities	**824**	-	**-**	-
Interest payable and unearned income	**18,701**	(8,327)	**14,586**	(7,915)
Accounts payable	**21,869**	(22,153)	**29,702**	(13,174)
	535,677	14,455	**496,047**	73,887
Total adjustments	**642,805**	29,691	**419,735**	101,442
Cash generated from/used in operations	**642,805**	29,691	**419,735**	101,442

44 Compliance with banking regulations

i The Bank contravened section 20(2) of BOFIA 1991 due to its restructuring of its ₦30 billion investment in First Trustees as long-term convertible loan without the approval of the CBN. The Bank paid a penalty of ₦2 million for this contravention.

ii The Bank contravened section 60(1) of BOFIA 1991 for misreporting of placements with other banks as loans to subsidiaries. The Bank paid a penalty of ₦2 million for the contravention.

iii The Bank contravened section 20(2) of BOFIA 1991 for investing in Rainbow Town Development Limited and Seawolf without prior written approval of the CBN. The Bank also paid a penalty of ₦2 million for the contravention.

45 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with the Central Bank, Treasury Bills and other eligible bills, operating account balances with other banks, amounts due from other banks and short-term government securities.

	The Group		The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Cash and balances with the Central Bank (less restricted balances)	**95,330**	64,386	**95,225**	63,764
Treasury Bills and eligible bills (less pledged bills)	**163,067**	10,629	**162,236**	10,459
Due from other banks (less non-current placements)	**404,959**	373,335	**222,118**	383,893
	663,356	448,350	**479,579**	458,116

46 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The adjusted EPS is calculated using the number of shares in issue at the balance sheet date. Where a stock split has occurred, the number of shares in issue in the prior year is adjusted to achieve comparability.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potential dilutive shares in 2011 (2010: nil).

	The Group		The Bank	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
Net profit attributable to shareholders (₦ million)	**45,669**	31,110	**47,462**	32,123
	45,669	31,110	**47,462**	32,123
Number of ordinary shares in issue as at period end (million)	**32,632**	32,632	**32,632**	32,632
Time weighted average number of ordinary shares in issue (million)	**32,632**	32,632	**32,632**	32,632
Adjusted number of ordinary shares in issue (million)	**32,632**	32,632	**32,632**	32,632
Basic earnings per share (kobo)	**140**	95	**145**	98
Diluted earnings per share (kobo)	**140**	95	**145**	98

47 Events after the balance sheet date

The Bank has no events after the balance sheet date.

48 Comparatives

The financial statements are being presented in line with the format prescribed for all banks in Nigeria by the Central Bank of Nigeria with effect from year ended 31 December 2010.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Financial risk analysis

For the year ended 31 December 2011

Performing but past due loans

Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing were as follows:

At 31 Dec 2011	Retail ₦ million	Corporate ₦ million	SME ₦ million	Financial institutions ₦ million	Total ₦ million
Past due up to 30 days	31,821	115,644	1,815	2,046	151,326
Past due 30–60 days	7,653	20,725	255	3	28,636
Past due 60–90 days	3,886	9,224	775	0	13,885
	43,360	**145,593**	**2,845**	**2,049**	**193,847**
At 31 Dec 2010					
Past due up to 30 days	23,799	39,366	256	15,836	79,257
Past due 30–60 days	7,853	4,614	560	449	13,476
Past due 60–90 days	16,570	2,181	176	631	19,558
	48,222	**46,161**	**992**	**16,916**	**112,291**

Non-performing loans by industry

	The Group	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Oil and gas services	**6,282**	10,005
Retail – others	**5,706**	16,132
Owner occupier	**4,619**	1,644
Personal and professional	**3,678**	9,041
Oil and Gas – marketing	**2,319**	4,228
Distributive trade (general commerce)	**767**	4,579
Asset management	**546**	767
Construction	**170**	1,247
Education	**113**	285
Other financial institutions	**37**	5,073
Commercial – residential	**3**	22,044
Commercial – non-residential	**-**	5,204
Manufacturing – basic metal	**-**	2
Manufacturing – paper and paper products	**-**	1,143
Utility – private	**-**	124
Others	**9,388**	11,058
	33,628	**92,576**

Non-performing portfolio by Strategic Business Units

	The Bank	
	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
Retail Banking	**18,952**	35,592
Corporate Banking	**8,690**	10,527
Institutional Banking	**427**	43,481
Public Sector	**30**	103
	28,099	89,703

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2010. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

At 31 Dec 2011	Due from banks ₦ million	Loans ₦ million	Advances under finance lease ₦ million	Debt instruments ₦ million	Total ₦ million
Lagos	-	523,726	2,779	174,221	700,726
South	-	181,532	915	2,864	185,311
West	-	75,149	491	3,334	78,974
North	-	76,841	512	4,884	82,237
Europe	-	228,249	-	-	228,249
	-	**1,085,497**	**4,697**	**185,303**	**1,275,497**
At 31 Dec 2010					
Lagos	-	727,031	4,280	118,100	849,411
South	-	152,364	2,721	5,658	160,743
West	-	30,072	647	1,806	32,525
North	-	67,843	635	3,139	71,617
Europe	-	101,235	-	-	101,235
	-	**1,078,545**	**8,283**	**128,703**	**1,215,531**

Financial risk analysis
For the year ended 31 December 2011

(b) Industry sectors

At 31 Dec 2011	Due from banks ₦ million	Loans ₦ million	Advances under finance lease ₦ million	Debt instruments ₦ million	Total ₦ million
Agriculture	-	19,038	-	2,019	21,057
Oil and gas		342,221	68	44,637	386,926
Consumer credit	-	226,745	33	-	226,777
Manufacturing	-	76,423	389	58,641	135,453
Real estate		49,250	-	373	49,622
Construction	-	7,178	-	983	8,162
Finance and insurance		50,635	383	-	51,018
Transportation	-	5,175	94	20	5,288
Communication	-	67,711	-	-	67,711
General commerce	-	32,431	413	59,360	92,204
Utilities	-	-	-	-	-
Retail services	-	106,493	3,311	19,270	129,074
Public sector	-	102,197	6	-	102,203
	-	**1,085,497**	**4,696**	**185,303**	**1,275,497**
At 31 Dec 2010					
Agriculture	-	12,546	-	-	12,546
Oil and gas		245,192	1,356	20,074	266,622
Consumer credit	-	70,970	-	-	70,970
Manufacturing	-	71,086	386	17,360	88,832
Real estate		106,543	-	4,900	111,443
Construction	-	5,877	301	2,496	8,674
Finance and insurance		209,155	527	1,500	211,182
Transportation	-	919	885		1,804
Communication	-	59,914	-	11,869	71,783
General commerce	-	167,214	857	19,952	188,023
Utilities	-	156	1,118	-	1,274
Retail services	-	64,302	2,853	50,552	117,707
Public sector	-	64,671	-	-	64,671
	-	**1,108,440**	**8,283**	**128,703**	**1,215,531**

Analysis by portfolio distribution and risk rating

	AAA to AA ₦ million	A+ to A- ₦ million	BBB+ to BB- ₦ million	Below BB- ₦ million	Unrated ₦ million
At 31 Dec 2011	**98,174**	**17,553**	**584,362**	**575,409**	**-**
At 31 Dec 2010	119,718	16,578	417,010	662,226	-

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity risk management process

The Group's liquidity management process is primarily the responsibility of the Assets and Liabilities Committee (ALCO). Treasury is the executory arm of ALCO and its functions include:

a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen.
b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
c. Monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with financial control unit).
d. Managing the concentration and profile of debt maturities.

Funding approach

Sources of liquidity are regularly reviewed by Treasury to maintain a wide diversification by currency, geography, provider, product and term.

Financial risk analysis

For the year ended 31 December 2011

Maturity profile: on balance sheet – Group

At 31 Dec 2011	Up to 1 month ₦ million	1–3 months ₦ million	3–6 months ₦ million	6–12 months ₦ million	1–5 years ₦ million	Over 5 years ₦ million	Total ₦ million
Liabilities							
Customer deposits	174,947	294,984	250,541	283,833	943,497	-	1,947,802
Due to other banks	-	181,892	-	-	-	-	181,892
Liability on investment contracts	-	39,104	-	-	-	-	39,104
Liability on insurance contracts	-	824	-	-	-	-	824
Borrowings	-	-	4,639	5,420	83,225	-	93,284
Current income tax	-	-	23,844	-	-	-	23,844
Other liabilities	42,230	99,390	30,220	6,603	-	-	178,443
Deferred income tax liabilities	-	-	-	-	1,067	-	1,067
Retirement benefit obligations	76	137	381	1,236	5,797	-	7,627
Equity	-	-	-	-	-	365,484	365,484
Total liabilities	**217,253**	**616,331**	**309,625**	**297,091**	**1,033,585**	**365,484**	**2,839,373**
Assets							
Cash and balances with the Central Bank	199,227	-	-	-	-	-	199,227
Treasury Bills and other eligible bills	16,618	21,723	53,152	95,964	-	-	187,457
Due from other banks	291,311	113,648	-	-	-	-	404,959
Loans and advances to customers	116,607	182,557	78,897	130,338	550,775	176,441	1,235,615
Advances under finance lease	189	36	290	350	3,778	-	4,642
Insurance receivables	-	111	-	-	-	-	111
Investment securities	-	17,404	30,260	4,997	357,868	162,323	572,853
Investment in subsidiaries	-	-	-	-	-	8,209	8,209
Investment in associates	-	-	-	-	-	5,503	5,503
Managed funds	-	-	-	21	-	-	21
Other assets	103,739	11,169	26,367	-	-	-	141,275
Investment property						10,708	10,708
Deferred tax asset	10,617	-	-	-	-	-	10,617
Intangible assets	-	-	-	-	-	1,006	1,006
Property and equipment	-	-	-	-	-	57,170	57,170
Total assets	**738,308**	**346,648**	**188,966**	**231,670**	**912,421**	**421,360**	**2,839,373**
Gap	**521,055**	**(269,683)**	**(120,660)**	**(65,422)**	**(121,165)**	**55,876**	**-**

Maturity profile: on balance sheet – Bank

At 31 Dec 2011	Up to 1 month ₦ million	1–3 months ₦ million	3–6 months ₦ million	6–12 months ₦ million	1–5 years ₦ million	Over 5 years ₦ million	Total ₦ million
Liabilities							
Customer deposits	138,321	243,694	213,601	270,187	917,974	-	1,783,777
Due to other banks	-	51,251	-	-	-	-	51,251
Borrowings	-	-	4,639	5,238	83,225	-	93,102
Current income tax	-	-	21,353	-	-	-	21,353
Other liabilities	35,277	72,561	18,948	6,478	-	-	133,265
Deferred income tax liabilities	-	-	-	-	-	-	-
Retirement benefit obligations	72	130	361	1,170	5,489	-	7,222
Equity	-	-	-	-	-	373,573	373,573
Total liabilities	**173,670**	**367,636**	**258,902**	**283,073**	**1,006,688**	**373,573**	**2,463,543**
Assets							
Cash and balances with the Central Bank	199,091	-	-	-	-	-	199,091
Treasury Bills and other eligible bills	16,544	21,627	52,916	95,538	-	-	186,626
Due from other banks	88,537	133,581	-	-	-	-	222,118
Loans and advances to customers	107,293	196,432	55,829	116,314	476,542	176,441	1,128,851
Advances under finance lease	189	36	290	350	3,778	-	4,642
Investment and trading securities	-	17,404	30,260	4,997	335,383	162,323	550,368
Investment in subsidiaries	-	-	-	-	-	37,919	37,919
Investment in associates	-	-	-	-	-	12,599	12,599
Other assets	29,726	11,158	15,482	-	-	-	56,367
Deferred tax asset	8,877	-	-	-	-	-	8,877
Intangible asset	733	-	-	-	-	-	733
Property and equipment	-	-	-	-	-	55,353	55,353
Total assets	**450,990**	**380,240**	**154,777**	**217,199**	**815,703**	**444,635**	**2,463,543**
Gap	**277,320**	**12,604**	**(104,126)**	**(65,875)**	**(190,985)**	**71,063**	**-**

Financial risk analysis

For the year ended 31 December 2011

Maturity profile – off balance sheet

(a) Financial guarantees and other financial facilities

Performance Bonds and financial guarantees (Note 40), are also included below based on the earliest contractual maturity date.

(b) Contingent letters of credit

Unfunded letters of credit (Note 40) are also included below based on the earliest contractual payment date.

(c) Operating lease commitments

Where a Group company is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note 40, are summarised in the table below.

(d) Capital commitments

Capital commitments for the acquisition of buildings and equipment (Note 40) are summarised in the table below.

At 31 Dec 2011	Up to 1 month ₦ million	1–3 months ₦ million	3–6 months ₦ million	6–12 months ₦ million	1–5 years ₦ million	Over 5 years ₦ million	Total ₦ million
Acceptances, guarantees and indemnities	51	98,262	48,270	7,112	-	-	153,695
Bonds and performance guarantees	10,601	19,255	18,462	69,822	49,171	61,046	228,357
Forward and swap contract	-	10,059	-	-	-	-	10,059
Guaranteed commercial papers	-	-	-	-	-	-	-
Treasury Bills intermediation	31,628	53,863	51,929	37,400	443	-	175,263
	42,280	**181,439**	**118,661**	**114,334**	**49,614**	**61,046**	**567,374**
At 31 Dec 2010							
Acceptances, guarantees and indemnities	13,799	65,853	101,735	-	-	-	181,387
Bonds and performance guarantees	2,034	9,866	18,682	57,466	45,345	17,944	151,337
Forward and swap contract	1,402						1,402
Guaranteed commercial papers	-	-	-	-	-	-	-
Treasury Bills intermediation	-	-	-	-	-	-	-
	17,235	**75,719**	**120,417**	**57,466**	**45,345**	**17,944**	**334,126**

Capital adequacy

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	The Group	
	31 Dec 2011 ₦ million	**31 Dec 2010 ₦ million**
Tier 1 capital		
Share capital	**16,316**	16,316
Share premium	**254,524**	254,524
Statutory reserves	**35,804**	27,730
Contingency reserve	**-**	-
SMIEIS reserve	**8,960**	9,193
Bonus issue reserve	**-**	-
Retained earnings	**42,321**	26,887
Less: goodwill and intangible assets	**-**	-
Total qualifying tier 1 capital	**357,925**	**334,650**
Tier 2 capital		
Preference shares	**-**	-
Minority interest	**-**	-
Convertible bonds	**-**	-
Revaluation reserve – fixed assets	**2,379**	2,379
Revaluation reserve – investment securities	**-**	-
Translation reserve	**4,203**	3,597
Other borrowings	**27,335**	33,343
General provision	**12,380**	11,363
Total qualifying tier 2 capital	**46,297**	**50,682**
Total regulatory capital	**404,222**	**385,332**
Risk-weighted assets		
On balance sheet	**1,588,094**	**1,499,264**
Off balance sheet	**386,347**	**394,025**
Total risk-weighted assets	**1,974,441**	**1,893,289**
Risk-weighted Capital Adequacy Ratio (CAR)	**20.47%**	**20.40%**

Concentrations of currency risk: on and off balance sheet financial instruments

At 31 Dec 2011	₦ million	USD million	GBP million	€ million	Others million	Total million
Assets						
Cash and balances with the Central Bank	182,118	14,531	1,490	947	5	199,091
Treasury Bills	186,626	-	-	-	0	186,626
Due from other banks	34,232	157,232	13,846	16,807	-	222,118
Loans and advances to customers	860,448	259,981	18	-	8,404	1,128,851
Advances under finance lease	4,642	-	-	-	-	4,642
Investment securities	550,367	-	-	-	-	550,367
Other assets	128,667	42,605	215	166	9	171,662
Total financial assets	**1,947,100**	**474,349**	**15,569**	**17,920**	**8,418**	**2,463,357**
Liabilities						
Customer deposits	1,360,315	404,866	5,840	12,756	-	1,783,777
Due to other banks	52,432	(1,181)	-	-	-	51,251
Claims payable	-	-	-	-	-	-
Other borrowings	23,000	66,136	-	3,966	-	93,102
Current income tax	21,369	-	-	-	-	21,369
Other liabilities	428,943	78,844	717	3,407	1,947	513,858
	1,886,059	**548,665**	**6,557**	**20,129**	**1,947**	**2,463,357**
Net on balance sheet financial position	**61,041**	**(74,316)**	**9,012**	**(2,208)**	**6,471**	**-**
Off balance sheet						
Total financial assets	281,666	373,653	783	10,411	7,229	673,743
Total financial liabilities	281,666	373,653	783	10,411	7,229	673,743
Net off balance sheet financial position	**-**	**-**	**-**	**-**	**-**	**-**

Group statement of value added

For the year ended 31 December 2011

	31 Dec 2011 ₦ million	%	31 Dec 2010 ₦ million	%
Gross income	**296,329**		232,080	
Interest paid	**(32,419)**		(50,967)	
Interest on long-term borrowings	**(4,531)**		(2,945)	
	259,379		**178,168**	
Administrative overheads:				
– local	**(92,065)**		(56,739)	
– foreign	**(1,793)**		(1,473)	
Value added	**165,520**	**100**	**119,956**	**100**
Distribution				
Employees				
– salaries and benefits	**59,581**	**36**	52,138	43
Government				
– company income tax	**10,417**	**6**	9,933	8
The future				
– asset replacement (depreciation)				
– local	**8,923**	**5**	8,345	7
– foreign	**52**	**-**	50	0
– asset replacement (amortisation)				
– local	**1,131**	**1**	421	0
– foreign	**69**	**-**	59	0
– asset replacement (provision for losses)	**38,360**	**23**	21,590	18
– asset replacement (revaluation losses)	**6,454**	**4**	-	-
– asset replacement (deferred taxation)	**(5,136)**	**(3)**	(3,690)	(2)
– expansion (transfers to reserves)	**45,669**	**28**	31,110	26
	165,520	**100**	**119,956**	**100**

Bank statement of value added

For the year ended 31 December 2011

	31 Dec 2011 ₦ million	%	31 Dec 2010 ₦ million	%
Gross income	**275,629**		209,186	
Interest paid	**(27,652)**		(42,996)	
Interest on long-term borrowings	**(3,120)**		(2,945)	
	244,857		**163,245**	
Administrative overheads:	**(86,562)**		**(51,460)**	
Value added	**158,295**	**100**	**111,785**	**100**
Distribution				
Employees – salaries and benefits	**54,264**	**34**	47,313	42
Government – company income tax	**8,756**	**6**	6,601	6
The future				
– asset replacement (depreciation)	**8,517**	**5**	7,972	7
– asset replacement (amortisation)	**1,084**	**1**	369	-
– asset replacement (deferred taxation)	**(3,690)**	**(2)**	(5,188)	(4)
– asset replacement (provision for losses)	**35,448**	**22**	22,596	20
– asset replacement (revaluation losses)	**6,454**	**4**	0	0
– expansion (transfers to reserves and minority interest)	**47,462**	**30**	32,122	29
	158,295	**100**	**111,785**	**100**

Group five-year financial summary

For the year ended 31 December 2011

Balance sheet

	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2009 ₦ million	31 Mar 2009 ₦ million	31 Mar 2008 ₦ million
Assets					
Cash and balances with Central Bank	**199,227**	75,517	70,332	140,403	88,351
Treasury Bills	**187,457**	23,769	14,219	17,697	115,480
Due from other banks	**404,959**	550,414	514,193	764,048	560,879
Loans and advances to customers	**1,235,615**	1,127,900	1,061,805	740,397	466,096
Advances under finance lease	**4,642**	7,581	10,835	11,769	10,297
Insurance receivables	**111**	-	-	-	-
Investment and trading securities	**572,853**	337,181	278,624	196,635	154,376
Investment in associates	**8,209**	9,716	13,373	2,884	371
Investment in subsidiaries	**5,503**	1,000	-	1,510	60
Managed funds	**21**	37,917	84,630	36,894	56,021
Other assets	**141,274**	63,558	69,286	51,884	44,275
Investment property	**10,708**	10,326	8,466	6,098	1,974
Deferred tax asset	**10,617**	5,315	-	-	-
Intangible asset	**1,006**	494	-		
Property and equipment	**57,171**	53,998	47,987	39,695	30,054
	2,839,373	**2,304,686**	**2,173,750**	**2,009,914**	**1,528,234**
Financed by					
Share capital	**16,316**	16,316	14,504	12,432	9,945
Reserves	**348,205**	321,741	296,497	324,973	341,909
Non-controlling interest	**964**	1,148	3,081	-	-
Customer deposits	**1,947,803**	1,450,095	1,342,704	1,194,455	700,182
Due to other banks	**181,892**	148,286	173,280	170,410	155,109
Liability on investment contracts	**39,104**	95,352	148,224	93,296	62,514
Liability on insurance contracts	**824**	-	-	-	-
Borrowings	**93,284**	124,872	35,729	35,042	29,414
Current income tax	**23,844**	20,051	19,635	11,283	8,986
Other liabilities	**178,443**	121,026	128,760	154,057	213,432
Deferred income tax liabilities	**1,067**	901	10,612	13,634	6,743
Retirement benefit obligations	**7,627**	4,898	724	332	-
	2,839,373	**2,304,686**	**2,173,750**	**2,009,914**	**1,528,234**
Acceptances and guarantees	**1,546,197**	**1,022,950**	**972,601**	**696,378**	**544,959**

Group five-year financial summary

For the year ended 31 December 2011

	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	9 months ended 31 Dec 2009	12 months ended 31 Mar 2009	12 months ended 31 Mar 2008
Profit and loss account					
Gross earnings	**296,329**	**232,079**	**193,932**	**218,287**	**155,725**
Net operating income	**259,234**	178,062	127,662	160,730	124,156
Operating expenses	**(147,358)**	(119,274)	(77,574)	(90,141)	(70,222)
Group's share of associate's results	**(1,507)**	(3,657)	114	-	-
Diminution in asset values	**-**	-	-	-	-
Provision for losses	**(44,814)**	(21,590)	(38,174)	(16,790)	(6,028)
Profit before taxation	**65,555**	33,541	12,028	53,799	47,906
Exceptional items	**(15,489)**	226	-	(26,113)	-
Taxation	**(5,281)**	(4,590)	(8,406)	(15,117)	(11,227)
	44,785	29,177	3,622	12,569	36,679
Non-controlling interest	**884**	**1,933**	**1,010**	**-**	**-**
To shareholders	**45,669**	**31,110**	**4,632**	**12,569**	**36,679**
Earnings per share (basic) – kobo	**140**	**95**	**16**	**51**	**184**

Bank five-year financial summary

For the year ended 31 December 2011

Balance sheet

	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2009 ₦ million	31 Mar 2009 ₦ million	31 Mar 2008 ₦ million
Assets					
Cash and balances with the Central Bank	**199,091**	74,894	67,576	140,353	89,076
Treasury Bills	**186,626**	23,599	14,219	17,697	147,680
Due from other banks	**222,118**	383,893	255,903	510,722	247,059
Loans and advances to customers	**1,128,851**	1,017,411	1,022,486	684,107	437,768
Advances under finance lease	**4,642**	7,581	10,835	11,769	10,297
Investment and trading securities	**550,368**	309,292	271,250	185,774	137,905
Investment in associates	**12,599**	12,599	2,224	2,224	74
Investment in subsidiaries	**37,919**	31,416	30,416	28,449	26,949
Other assets	**56,366**	43,691	51,245	48,007	39,498
Deferred tax assets	**8,877**	5,187	-	-	-
Intangible assets	**734**	265	-	-	-
Property and equipment	**55,352**	52,616	46,302	38,320	29,155
	2,463,543	**1,962,444**	**1,772,456**	**1,667,422**	**1,165,461**
Financed by					
Share capital	**16,316**	16,316	14,504	12,432	9,945
Share premium	**254,524**	254,524	254,524	254,524	254,524
Reserves	**102,732**	75,082	48,460	84,098	75,378
Customer deposits	**1,783,777**	1,330,771	1,244,030	1,071,836	661,624
Due to other banks	**51,251**	55,165	65,087	78,980	44,281
Borrowings	**93,102**	124,617	35,473	35,042	29,414
Current income tax	**21,354**	15,115	14,948	7,238	5,091
Other liabilities	**133,265**	86,309	84,742	109,796	78,492
Deferred income tax liabilities	**-**	-	10,144	12,758	6,712
Retirement benefit obligations	**7,222**	4,545	544	718	-
	2,463,543	**1,962,444**	**1,772,456**	**1,667,422**	**1,165,461**
Acceptances and guarantees	**567,374**	**334,126**	**431,316**	**314,973**	**198,239**

Bank five-year financial summary

For the year ended 31 December 2011

	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	9 months ended 31 Dec 2009	12 months ended 31 Mar 2009	12 months ended 31 Mar 2008
Profit and loss account					
Gross earnings	**275,629**	**209,189**	**175,390**	**184,536**	**130,600**
Net operating income	**244,717**	163,142	119,167	140,949	108,317
Operating expenses	**(134,786)**	(107,392)	(70,016)	(80,880)	(76,116)
Provision for losses	**(41,902)**	(22,596)	(41,462)	(13,959)	(5,819)
Profit before taxation	**68,029**	33,154	7,689	46,110	26,382
Exceptional item	**(15,501)**	383	-	-	-
Taxation	**(5,066)**	(1,414)	(6,414)	(11,036)	(7,547)
Profit after taxation	**47,462**	32,123	1,275	35,074	18,835
Proposed dividend					
Earnings per share (basic)	**145**	98	4	141	95

Company information

In this section

Group and department heads

S/No	Full name	Title
GROUP HEADS		
1	Abdulhamid, Umar	Group Head Retail (North West)
2	Abdulkadir, Suleiman	Group Head Retail (North East)
3	Abdullahi, Ahmed	Group Head Public Sector (Jos)
4	Abubakar, Suleiman	Group Head Public Sector (Kwara)
5	Adaghe, Lucky	Group Head Institutional Banking (Financial Institution/Multilateral Fund)
6	Agbiriogu, Ejike	Group Head Public Sector (Yenegoa)
7	Ajose-Adeogun, Oluremi	Group Head Corporate Banking (Ikeja I)
8	Akinpelu, Sunday	Group Head Retail (South-West)
9	Alabi, Adewuyi	Group Head Corporate Banking (Ikoyi/Vi II)
10	Arowoogun, Timothy	Group Head Public Sector (Ibadan)
11	Asiegbu, Rosemary	Group Head Retail (South-South)
12	Ayuba, Bulus	Regional Operations Manager North Central Operations
13	Baffale, Umar	Group Head Public Sector (Abuja Maitama)
14	Bakare, Oladele	Group Head Public Sector (Akure)
15	Barua, Muazu	Group Head Public Sector (Sokoto)
16	Bello, Aisha	Group Head Corporate Banking (Kano)
17	Bintube, Waziri	Group Head Institutional Banking (Construction/Infrastructures)
18	David-Etim, Rosemary	Group Head Institutional Banking (Telecoms/Transport)
19	Dibiaezue, Obiora	Group Head Corporate Banking (Port Harcourt North)
20	Ezeokana, Ikechukwu	Group Head Retail (South-East)
21	Fajobi, Joseph	Regional Operations Managers Lagos Operations
22	Garba, Khalid	Group Head Retail (North Central II)
23	Habeeb, Doctor Yaqeen Abdullah	Group Head Public Sector (Abuja Garki)
24	Hamza, Umar	Regional Operations Manager Far North Operations
25	Harris-Eze, Nkiruka	Group Head Public Sector (Port Harcourt)

S/No	Full name	Title
26	Ibrahim, Abdullahi	Group Head Institutional Banking (Manufacturing)
27	Igwenagu, Vincent	Group Head Corporate Banking (Apapa)
28	Iyoha, John	Group Head Public Sector (Calabar)
29	Jones, Nwakaego Adannaya	Regional Operations Manager South-South Operations
30	Madojutimi, Philip	Group Head Corporate Banking (Warri)
31	Maje, Mohammed	Group Head Retail (North Central I)
32	Majekodunmi, Cecilia	Group Head Institutional Banking (Services/ Conglomerates)
33	Mohammed, Abdullahi	Group Head Corporate Banking (Abuja II)
34	Njoku, Emmanuel	Group Head Public Sector (Owerri)
35	Nwankwo, Chinedu	Group Head Public Sector (Benin)
36	Odeyemi, Oluwagbenga	Group Head Corporate Banking (Ibadan)
37	Okereke, Ogbonnia	Group Head Public Sector (Uyo)
38	Okolo, Nwanneka	Group Head Public Sector (Enugu)
39	Okpanachi, Ivie	Group Head Corporate Banking (Ikeja II)
40	Oladimeji, Sunday	Regional Operations Manager West Operations
41	Olatifede, Oluremi	Group Head Corporate Banking (Lagos Island)
42	Omoniyi, Sherifat	Group Head Public Sector (Lagos)
43	Owolabi, Babatunde	Group Head Retail (Lagos Island)
44	Oyefeso, Popoola	Group Head Retail (Lagos Mainland)
45	Rafindadi, Lawal	Group Head Retail (Abuja)
46	Sada, Yusufl	Gruop Head Public Sector (Katsina)
47	Ukiwe, Ndiya	Regional Operations Manager South-East Operations
48	Wada Mohammed	Group Head Public Sector (Kano)
49	Wakil, Buwati	Group Head Public Sector (Maiduguri)
50	Yayaji, Ahmed	Group Head Public Sector (Adamawa)
51	Zubairu, Muntari	Group Head Public Sector (Abuja Central)

S/No	Full name	Title
HEAD OFFICE DEPARTMENT HEADS		
1	Adegoke, Rasheed	Group Head, Information Technology
2	Aderinto, Mojisola	Chief Compliance Officer
3	St. Matthew-Daniel, Eyitope	Head, Corporate Transformation
4	Ani-Mumuney, Folake	Head, Marketing and Corporate Communication
5	Bammeke, Morohunke	Group Head, Operations
6	Bolade, Timothy	Head, General Services
7	Chadi, Dahiru	Head, Specialised Lending
8	Ebong, Ini	Treasurer
9	Ezirim, Chukwuma	Head, E-Business and Card Products
10	Jaiyesimi, Ayodele	Head, Human Capital Management and Development
11	Kazeem, Muhyi-Deen	Head, Financial Control
12	Lanre-Philips, Oluyemisi	Head, Investor Relations
13	Mgbeokwere, Raymond	Head, Legal Services
14	Miller-Lawson, Tekena	Head, Market and Liquidity Risk Management
15	Nwokedi, Omolara	Head, Information Security Management
16	Obikile, Ezinne	Head, Products Marketing Support Group
17	Odubola, Abiodun	Head, Credit Analysis and Processing
18	Ogunmodede, Richard	Head, Business Performance Monitoring
19	Ogunmoyela, Adeyemi	Chief Internal Auditor
20	Okodabi, Mufutau	Acting Head, Remedial Management
21	Olawore, Omolade	Head, Credit Risk Management
22	Omoboye, Innocent	Acting Head, Operational Risk Management
23	Onyeguke, Collins	Head, Internal Control and Reconciliation
24	Ugbabe, Onche	Chief Strategist
25	Yahaya, Olayiwola	Deputy Company Secretary
26	Yusuff, Rasaq	Head, Classified Asset Management

Contact information

Key locations

SUBSIDIARIES	Business address	Telephone/fax
SUBSIDIARIES		
FBN Bank (UK) Ltd	28 Finsbury Circus, London EC2M 7DT, UK	Tel: +44 (0) 207 920 4920 Fax: +44 (0) 207 920 4970
FBN Bureau de Change Ltd	Niger House Building, 1/5 Odunlami Street, Lagos	Tel: +234 (0) 808 237 2870, +234 (0) 816 579 5792
FBN Capital Ltd	16 Keffi Street, Ikoyi, Lagos	Tel: +234 (1) 2707180-9
FBN Insurance Brokers Ltd	9/11 Macarthy Street, Onikan, Lagos	Tel: +234 (1) 4622181-5 Fax: +234 (1) 2660140
FBN Life Assurance Ltd	9/11 Macarthy Street, Onikan, Lagos	Tel: +234 (1) 4622181-5 Fax: +234 (1) 2660140
FBN Microfinance Bank Ltd	305 Herbert Macaulay Way, Yaba	Tel: +234 (1) 8501505
FBN Mortgages Ltd	76 Awolowo Road, Ikoyi, Lagos	Tel: +234 (1) 4615860-2, +234 (1) 2694583, +234 (1) 2693993
First Funds Ltd	90 Awolowo Road, South-West, Ikoyi, Lagos	Tel: +234 (1) 2793910-3, Fax: +234 (1) 2793919
First Pension Custodian Ltd	124 Awolowo Road, Ikoyi, Lagos	Tel: +234 (1) 2713220-1, +234 (1) 2694787, +234 (1) 2692839
First Registrars Nigeria Ltd	Plot 2 Abebe Village Road, Iganmu, Lagos	Tel: +234 (1) 7743309, +234 (1) 5465142, Fax: +234 (1) 2701078-9
First Trustees Nigeria Ltd	A.G. Leventis Building, 2nd Floor, 42/43 Marina, Lagos	Tel: +234 (1) 4622673, +234 (1) 4710322, +234 (1) 4749684, Fax: +234 (1) 4622672
Banque Internationale de Crédit SARL	191, Avenue de L'Equateur, Kinshasa/Gombe, DRC	Tel: +243 (0) 9 92 90 81 16, +243 (0) 9 99 17 97 11, +243 (0) 8 18 99 66 25
FIRSTBANK REPRESENTATIVE OFFICES		
South Africa Representative Office	10th Floor, The Forum Sandton Square Building, 2, Maude Street, P.O. Box 784796, Sandton 2146, Johannesburg South Africa	Tel: +27 11 7849922, +27 11 7849925 Fax: +27 11 7849806
China Representative Office	Unit 1431, TowerB, Beijing COFCO Plaza, 8 Jianguomennei Street, Dongcheng District, Beijing 100005, China	Tel: +86 (10) 65286820 Mobile: +86 (13) 439280782
UAE Representative Office	11th Floor, Room 1103, Al Salam HQ Building, Opposite the Municipality Office, Beside Emirates NBD, Abu Dhabi	Tel: +971509277394

Branch network

Abia State

1. Aba Alaoji Layout Branch.
544 P/Harcourt Road, Alaoji Layout
Tel: 082-308865
GSM: 08059108890, 08033479293

2. Aba Abayi Branch.
206 Aba Owerri Road, Abayi, P.M.B. 7580, Aba, Abia State
Tel: 082290141, 290142

3. Aba Ariara Branch.
117 Faulks Road, P.M.B. 7315, Aba
Tel: 082-224692
Fax: 082-225508
GSM: 08056007670, 08038011395, 08088456082

4. Aba Ariara Cash Centre.
A-Line 235/236 Ariara Market, Aba
GSM: 08059108900

5. Aba Azikiwe Road Branch.
73–75 Azikiwe Road, Aba
Tel: 082290631,082290630

6. Aba Factory Road Branch.
Factory Road, P.M.B. 7521, Aba
Tel: 082-220327, 227590, 221857, 220243
GSM: 08033276536

7. Aba Main Branch.
2 Asa Road, P.M.B. 7103 Aba
Tel: 082-227120, 220866, 223870, 227130, 220755, 228862
Fax: 082-227210, 228370
GSM: 08057109600, 08037576904

8. Aba Ogbor Hill Branch.
161, Ikot Ekpene Road, Ogbor Hill, Aba
Tel: 082-226127, 227810
Fax: 082-226127
GSM: 08051767505, 08066178115

9. Aba Okigwe Road Branch.
28 Okigwe Road, Aba
Tel: 082-234374, 082-872245
Fax: 082-234319

10. Aba Osisioma Branch.
302 Old Aba Owerri Road,
Osisioma Industrial Layout, P.M.B. 7209 Aba
Tel: 082-351399, 350470-1
GSM: 08037143328, 08037110227

11. Abia State Teaching Hospital Cash Centre.
1 Hospital Road, Aba
GSM: 08056325696

12. Abiriba Branch.
24 Court Road, Abiriba
GSM: 08022141714

13. Aba Town Branch.
122 Ehi Road, P.M.B. 7128, Aba
Tel: O82-220325, 220285, 230285
GSM: 08039626833, 08046110544

14. Amaokwe Item Branch.
Amaba Square, Amaokwe Item, c/o Bende L.G.A., P.M.B. 1 Item
Tel: 082-440966
GSM: 08032298324, 08037465156

15. Aba Asa Road 2 Branch.
94 Asa Road, Aba, Abia State
Tel: 082-232799, 232794, 232792, 232802, 232808
Fax: 082-232799
GSM: 08055259662

16. Aba Ngwa Branch.
51 Ngwa Road, Aba
Tel: 082-233149, 233212, 233079

17. Ahaba Imenyi Branch.
1 Aba-Alayi Road from Uzuakoli, near Akara Junction, P.M.B. 001, Ahaba Imenyi.
GSM: 07043499868

18. Arochukwu Branch.
Opposite Eze Aro's Palace, Oror Arochukwu
P.M.B. 1002, Arochukwu
GSM: 08033470688

19. Nkwoagu Isouchi Branch.
Umunneochi Local Government Secretariat,
P.M.B 1020, Ngodo, Isouchi, Okigwe L.G.A
Tel: 082-447837
GSM: 08089857618

20. Umuahia Branch.
1 Mayne Road, P.M.B. 7017, Umuahia
Tel:088-222986, 220465, 220319
GSM: 08033100242, 07023077604

21. Umuahia Uzuokoli Branch.
41 Uyo Street/30 Palm Lane by Uzuakoli Road, Umuahia
Tel: 088-290153, 290154
GSM: 08038979995

22. Umuahia Market Branch.
No. 1 Okwulehie Avenue, P.M.B 7301, Umuahia
Tel: 088-224000, 223332, 223335
GSM: 08037262639

Adamawa State

23. Dumne Agency.
c/o Yola Main Branch

24. Fufore Branch.
Beside Fufore Local Government Secretariat,
c/o Yola Main, P.M.B. 2050, Yola
GSM: 08036400621

25. Ganye Branch.
Opposite G.R.A. by Gangaraso Road,
P.O. Box 55, Ganye
Tel: 075-900187
GSM: 08020683139

26. Garkida Branch.
Near Main Market, Hospital Road,
P.O. Box 100, Garkida
GSM: 08085534401

27. Gombi Branch.
Mubi/Maiduguri Road
GSM: 08025498538

28. Gulak Branch.
Place Road, Opposite Police Station, Gulak,
P.M.B. 1001, Michika
GSM: 08081080366

29. Hong Branch.
No. 1 Emir Road Beside Nigeria Police Divisional Head Quarters, Hong, P.M.B. 1002, Hong
Tel: 081-31640533
GSM: 08026976336

30. Mayoine Agency.
c/o Mayo Belwa Branch
P.O. Box 06, Mayo Belwa

31. Mubi Branch.
18, Ahmadu Bello Way, Mubi
GSM: 08034908127

32. Mayo Belwa Branch.
P.O. Box 06, Mayo-Belwa
Tel: 075-626552
GSM: 08023077013

Branch network

33. Michika Branch.
Along Maiduguri-Bama Road, Opposite Local Government Secretariat, Michika
P.M.B. 1001, Michika
GSM: 08054883793

34. Numan Branch.
47, Gombe Road, Numan
GSM: 08034503162

35. Yola Main Branch.
42, Galadima Aminu Way, Jimeta, Yola
Tel: 075-627603, 626582, 626073
GSM: 08036798767
Fax: 075-625198

36. Yola Market Branch.
109, Mubi Road, P.M.B. 2282 Jimeta
Tel: 075-624370
GSM: 08053471876, 0805400000

Akwa Ibom State

37. Efa Branch.
Near Efa Junction, P.M.B. 1053, Etinan
Tel: 085-556554
GSM: 08034273337, 08027591186

38. Abak Branch.
6A Market Road, P.M.B. 1150 Abak
GSM: 08021060725, 08023117356

39. Akwa Ibom State Polytechnic Cash Centre.

40. Eket Branch.
No. 1 Ekpene Ukpa Road Eket, Akwa Ibom State
Tel: 085-701273, 701124

41. Essene Branch.
Ikot Abasi L.G.A, P.M.B. 1012, Ikot Abasi
Tel: 087-771560

42. Etinan Branch.
83 Uyo Road, P.M.B. 1042 Etinan
Tel: 085-341123, 341052, 084-552207

43. Ikot Abasi Branch.
1 Ikot Obong Road, P.M.B. 1021, Ikot Abasi
Tel: 085-801124, 087-771561

44. Ikot Ekpene Branch.
2 Old Stadium Road, P.M.B. 34, Ikot Ekpene
Tel: 085-400202, 400723, 200088

45. Ikot Ekpene Market Branch.
P.M.B. 1074, Ikot Ekpene, Awka Ibom.
Tel: D/L: 087-480211, 08088323704

46. Oron Branch.
105 Oron Road, P.M.B. 1040, Oron
Tel: 087-776938, 776028, 3053752
GSM: 08035292340, 08028285345

47. Maritime Academy Cash Centre.
Oron, c/o Maritime Academy of Nigeria Oron, Akwa Ibom State

48. Ukam Branch.
Mkpat Enie L.G.A. P.M.B. 5001, Ukam
Tel: 087-771400

49. Utu Etim Ekpo Branch.
13 Urua Inyang Road, Utu Etim Ekpo L.G.A.
P.M.B. 1029, Utu Etim Ekpo L.G.A.
Tel: 084-552404
GSM: 08029724036

50. Uyo CBD Branch.
Plot 2, Block A, banking & Other Offices Layout, Udo Udoma Avenue, Uyo P.M.B. 1230
GSM: 08023076663, 08035734956, 08055660007, 08023327991, 08035882366, 08023653094, 08023574405, 07031177721

51. Uyo Branch.
1 Oron Road, P.M.B. 1001 Uyo
Tel: 085-200531, 200082
Fax: 085-200594

52. Uyo Abak Road Branch.
Plot 4, Federal Housing Estate, Olusegun Obasanjo Way, Uyo
Tel: 085-201561, 201552, 201527

Anambra State

53. Abba Branch.
Iruokplala Village Hall, Ire Village, Abba P.M.B. 2008, Abagana, Njikoka L.G.A
Tel: 048-571106; 571147
Fax: 048-571037
GSM: 08066757216, 08063270137

54. Awka Branch.
6, Nnamdi Azikiwe Avenue, P.M.B. 5034, Awka
Tel: 046-320726; 048-550015, 554327, 554342, 310265
Fax: 048-552247
GSM: 08033516430

55. Awka Aroma Branch.
KM 43 Enugu Onitsha Expressway, Awka, Anambra, P.M.B. 6037 Awka, Anambra
GSM: 08033516430

56. Awka Timber Market.
No. 3 Court Road, Awka

57. Ekwulobia Branch.
2 Catholic Mission Road, Ekwulobia – Aguata L.G.A.
Tel: 046-911449, 463410, 082-307213
GSM: 08023328475

58. Ihiala Branch.
Onitsha Owerri Road, Ihiala
GSM: 08023015989, 07083059236, 08034282592

59. Nimo Branch.
Near Oye-Nimo Market, Agilo Road, Nimo, P.M.B. 1002, Nimo
GSM: 08036247893, 08033943526

60. Nkpor Branch.
40, New Market Road, P.M.B. 1626, Nkpor
Tel: 046-250690, 250506
GSM: 08023287644, 08033667143

61. Nkpor Limca Road.
79/80 Limca Road, Nkpor
GSM: 08035440947

62. Nkwele Ezunaka Branch.
3-3 Junction Opp. Federal Government Girls College, Onitsha Otuocha Highway, Nkwerre Ezunaka, Anambra State P.O. Box 85, Oyi L.G.A.
Tel: 048-880311, 3038772
GSM: 08023283722

63. Nnewi Branch.
13A Onitsha Road, P.M.B. 5015, Nnewi
Tel: 046-460086, 462005, 462007, 461125, 461877, 463237
Fax: 046-461004
GSM: 08033216737

64. Nnewi Bank Road Branch.
9/11 Edo Ezemewi Road
GSM: 08033236553

65. Nnewi Building Material Market Branch.
20 Muodile Street, Nnewi
Tel: 08032328800, 08035421285

66. Nnewi Cash Centre.
Nkwo Market, c/o Nnewi Branch

67. Ogbunike Branch.
KM 10, Old Onitsha-Awka Road, Near Oye-Olisa Market, Ogbunike, P.M.B. 7, Ogbunike
Tel: 046-6115599, 307030, 550246, 550204
Fax: 046-311704
GSM: 08039442936, 08038970071

68. Ogidi Building Material Market Branch.
Ogidi Building Material Market, Ogidi
P.M.B. 1582 Enugu Osha Express Way
Tel: 0-46840629, 0-46497870
GSM: 08033169198

69. Onitsha Bridge Head Branch.
1 Port Harcourt Road/Nkrumah Street, Fegge,
P.M.B. 1603, Onitsha Tel: 01-9053672
GSM: 08023602353

70. Onitsha Electronic Market Branch.
Electronic Market, Along Onitsha Express, Onitsha
Tel: 046-871157, 306174

71. Onitsha Iweka Branch.
40 Iweka Road, P.M.B. 1750, Onitsha
Tel: 046-210113, 211534
Fax: 046-218053
GSM: 08035523712

72. Onitsha Upper Iweka Road Branch.
95A Upper Iweka Road, Onitsha
GSM: 08035485393

73. Onitsha Nwobodo Avenue Branch.
1 Nwobodo Avenue, P.M.B. 1524, Onitsha
Tel: 046-217420, 210212, 411420, 481451, 410865
Fax: 046-410865, 411420, 300278
GSM: 08063731373

74. Onitsha Main Branch.
19 New Market Road, P.M.B. 1519, Onitsha
Tel: 046- 210244, 211062, 210245-8, 215081, 411062, 410243, 216058, 414327
Fax: 046-215088, 211176, 411717, 411062, 718062, 412957, 218062
GSM: 08055382006

75. Onitsha Uga Street Cash Centre.
59 Uga Street, C/o Bridge Head Branch Onitsha

76. Otuocha Branch.
Otuocha L.G.A. P.O. Box 82, Otuocha
Tel: 046-460804, 324616
GSM: 07035112272

77. Onitsha Ogbaru Market Branch.
233B Obodo-Ukwu Road, Ogbaru Main Market,
(Near Bournvita House) Okpoko, Ogbaru,
PMB 1834, Onitsha
GSM: 08035428256

78. Onitsha Owerri Road Branch.
68, Onitsha Owerri Road, P.M.B. 1832 Onitsha
Tel: 046-270786-7, 271307
Fax: 046-271307
GSM: 08023331218

79. Onitsha Upper New Market Road Branch.
88A, Upper New Market, P.M.B 1569, Onitsha
Tel: 046-412325, 413981, 413271
Fax: 046-410415, 416271
GSM: 08033153086

80. Umunze Branch.
Umunze, Orumba South Local Government Area.
GSM: 08034265895

81. UNIZIK Branch.
Nnamdi Azikiwe University, Banking Plaza, Awka
GSM: 08088950075, 08036726096

82. Ugwuagba-Obosi Market Branch.
15, Pope John Paul Avenue,
Ugwuagba-Obosi, Onitsha
Tel: 046-270795, 2707874
Fax: 046-270795
GSM: 08023317983

Bauchi State

83. Azare Branch.
Plot 25/27 Jama'Are Road, Azare
GSM: 08034929635

84. Bauchi Branch.
Nassarawa Road G.R.A. P.M.B. 53, Bauchi
Tel: 077-542024, 543680, 540618, 540085, 543979, 546390
GSM: 08023235013, 08058040993
Fax: 077-543680

85. Bauchi Central Market Branch.
Bauchi Central Market, 1 Illelah Street, Bauchi
Tel: 077-542024
GSM: 07032307662, 08060259594

86. Burra Branch.
Ningi L.G.A. P.M.B. 53, Bauchi
GSM: 08036921822

87. Darazo Branch.
Maiduguri Road, P.O. Box 2, Darazo L.G.A.
GSM: 08036191591

88. Gamawa Branch.
Near Gamawa Central Market,
P.O. Box 4, Gamawa
GSM: 08069244099, 08069774525

89. Itas Agency.
c/o Yana Branch, P.M.B. 6, Yana

90. Katagum Agency.
c/o Gamawa Branch, P.O. Box 4, Gamawa

91. Misau Branch.
Kano/Kari Road, Near Misau L.G.A., Misau
GSM: 08095005337

92. Toro Branch.
Near L.G. Secretariat, P.M.B. 3, Toro
GSM: 08036277419

93. Tafawa Balewa Branch.
Bununu Road, P.M.B. 1, Tafawa Balewa
GSM: 08050200513

94. Yana Branch.
Kano Road, P.M.B. 6, Yana
GSM: 08034929635

Bayelsa State

95. Odi Branch.
44 College Road Odi, Kolokuma/Opokuma L.G.A. Odi. c/o P.M.B. 5007, P/H (Main)
GSM:08085829806, 07037613927, 08032551276

96. Mbiama Yenagoa Branch.
KM 8, Mbiama Yenagoa Road, Yenezue-gene, Yenagoa
GSM: 08050957024, 08033093199

97. Yenegoa Branch.
Amarata Road
Tel/Fax: 084-490391, 490392,
GSM: 08029990471, 08058826412

Benue State

98. Gboko Branch.
1, Captain Downes Road, Gboko
GSM: 08050475116, 07035610739
08026690961

Branch network

99. BCC Gboko Agency.
KM 72, Gboko-Makurdi Road

100. Katsina-Ala Branch.
No. 1 FirstBank Street, Opposite Main Market, Katsina-Ala. c/o Postal Agency, Katsina-Ala
Tel: 044-90299, 90080, 90269, 90296
GSM: 07036792835, 0808659632, 08036225193

101. Makurdi Branch.
New Bridge Road, P.M.B. 2076, Makurdi
Tel. 044-532156, 533542, 532296, 543131, 532041
Fax. 044-532798
GSM: 07036022127, 08035806478

102. Makurdi Modern Market Branch.
Main Admin Building, Makurdi Modern Market, P.M.B. 102176 Makurdi
Tel: 044-534567, 534679, 534678
GSM: 08024235836

103. Makurdi North Bank Road Branch.
Plot No BNA 7852 Lafia Road, P.M.B. 102076 Makurdi, Benue State
GSM: 07038159388, 08036123214

104. Otukpo Branch.
No. 9 Federal Road, Opposite Police Station P.M.B. 2210, Otukpo
Tel: 044-661265, 660165, 661165, 661638
GSM 08062525604
Fax: 044-661229

105. Otukpo Modern Market Branch.
Jerico Road, Hamdala, Otukpo
Tel: 044-662953, 662954, 662952, 662991
GSM: 07039248900, 08057155485, 08036925903, 08052723020, 08054091758, 08062525604, 08037020413, 08057055485

106. Otukpa Cash Centre.
Enugu Road, Otukpa, Ogbadibo L.G.A.

107. Vandeikya Branch.
Joe Akaham Way, P.M.B. 5, Vandeikya, Gboko
GSM: 08054528854, 08087336587, 08038637955, 08059026920

108. Naka Branch.
c/o Makurdi Branch, P.M.B. 2076, Makurdi

Borno State

109. Bama Branch.
Along Mubi Road, Bama
GSM: 07054439101

110. Damboa Branch.
Maiduguri/Biu Road, P. O. Box 1005, Maiduguri
GSM: 08065777585

111. Damasak Branch.
Opposite Mobbar L.G.A. Secretariat, Zari Road, Damasak Town

112. Bolori Store Cash Agency.
Bolori Store, West End, Maiduguri
Tel: 08137641718
GSM: 08036528460

113. Konduga Agency.
c/o Maiduguri (Main) Branch, P.M.B. 1005, Maiduguri
Tel.: 076-232417, 231055
Fax: 076-342396

114. Kwajafa Cash Centre.
Main Street, P.O. Box 1005, Maiduguri

115. Maiduguri Branch.
Sir K. Ibrahim Road, P. O. Box 1005, Maiduguri
Tel: O76-232417, 231055, 235322, 235319, 342017
GSM: 0802325035
Fax: 076-342396

116. Maiduguri Baga Road Branch.
New Baga Road, Near Baga Fish Market
GSM: 07042828109

117. Maiduguri Kano Road Branch.
c/o Maiduguri Main Branch, P.O. Box 1005, Maiduguri
Tel: 076-371371, 372372
GSM: 08054303409, 08061552769

118. Maiduguri Monday Market Branch.
Monday Market, Ahmadu Bello Way, Maiduguri
GSM: 08065777585, 07086552010

119. Ngandu Agency.
c/o Damaturu Branch, P.O. Box 1009, Damaturu
Tel: 076-522980
Fax: 076-522545

120. Uba-Kumagum Branch.
Mubi–Yola Road, P.O. Box 1005
GSM: 08051350998, 08026911128

Cross River State

121. Calabar Main Branch.
17 Calabar Road, P.M.B. 1020, Calabar
Tel: 087-232049, 233300, 557093, 230276, 232622, 233562, 233864, 230403, 234400, 082-557093
Fax: 087-230403
GSM: 08037079517

122. Calabar Free Trade Zone Branch.
FTZ Calabar, P.M.B. 3001 Calabar
Tel: 087-210045-6, 210667
Fax: 087-210046
GSM: 08037502298

123. Calabar II Branch.
126, Ndidem Usang Iso Road, Calabar
Tel: 087-239660-2, 239661
GSM: 08023157551

124. Calabar Bacocco Cash Centre.
Within Etudom Nya's Estate (adjacent to Aka Residential Estate Calabar)
GSM: 08037502298

125. Calabar Crutech Cash Centre.
Cross River State University of Technology, Calabar
GSM: 08056154831

126. Calabar Marina Resort Cash Centre.
Marina Resort, Calabar
GSM: 08059717116, 08033217499

127. Calabar IMAN Junction Branch.
67 Mbukpa Road, Calabar
Tel: 087821208
GSM: 08035516094

128. Calabar 8 Mile Branch.
Murtala Mohammed Highway, Intergro Junction, Ikot Omim, Calabar

129. Akamkpa Branch.
Ikom-Calabar Highway, Akamkpa Town
GSM: 08061241321

130. Ekori Branch.
Ekori, Yakurr L.G.A. P.O. Box 90, Ekori
GSM: 08067263529, 08028963597, 08062638818

131. Ikom Branch.
19 Okim Osabor Street, P.M.B. 1030, Ikom.
Tel: 045-670577
GSM: 08023287357

132. Obudu Branch.
22 Calabar Road, Obudu
GSM: 08063459764, 07064216189

133. Obubra Branch.
c/o Calabar Branch, P.M.B. 1025, Obubra
Tel: 087-560035
GSM: 0805400405-6, 08077636445

134. Ogoja Branch.
General Hospital Road, Igoli, Ogoja, Cross River
Tel. 08023287357, 08023572988

135. Calabar Mayne Avenue Branch.
104 Mayne Avenue Road Branch
Tel: 087845082
GSM: 08036154831, 08054486280, 08053241110

136. NNPC Calabar Cash Centre.
NNPC Depot, Along Esuk-Utan Road, Calabar
GSM: 08030893637, 08088865381

137. Netim Akankpa.
Cash Centre, Along Calabar Ikom Highway
GSM: 08037502298

138. Ugep Branch.
6 Ikom-Calabar Highway, Ugep
GSM: 08066922265

139. Tinapa Branch.
Tinapa Bus Resort, Line Shop 11b, Calabar
Tel: 048-880091, 082-557097
GSM: 08037137058, 08051123437

Delta State

140. Agbarho Branch.
142 Old Ughelli Road, P.M.B. 50, Agbarho
GSM: 08023283662

141. Agbor Branch.
31 Old Lagos/Asaba Road
Tel: 052-290738
GSM: 08023009797

142. Asaba Branch.
Nnebisi Road, P.M.B. 1004, Asaba
Tel: 056-280210, 282092, 281196
GSM: 08023065184
Fax: 056-281195, 282043

143. Asaba II Branch.
52, Illah Road, Asaba
Tel: 046-666616, 056-282736, 282739, 282962
GSM: 08058473522

144. Effurun Branch.
4 Warri/Sapele Road, P.M.B. 8, Effurun
Tel: 053-252801, 250676
GSM: 08057166205

145. Effurun PTI Branch.
122, PTI Road, Effurun
GSM: 08028718312

146. Ekpan Branch.
60, NNPC Housing Estate Road, Ekpan
Tel: 053-253011, 320435, 320484
GSM: 08077612624

147. Evwreni Branch.
Uvwreni Quarters, Evwreni, c/o P.M.B. 30, Ughelli

148. Igbudu Market Branch.
222 Warri/Sapele Road, Warri
GSM: 08023564598

149. Ogwashi-Uku Branch.
2 Old Mission Road, P.M.B. 1055, Ogwashi-Uku
GSM: 08059143149, 08023159043

150. Ozoro Branch.
Along Ozoro Kwale Express Road
GSM: 08023065184, 08037115909

151. Patani Branch.
1 Local Government Council Road, Ekise Quarters, Patani, Delta State
GSM: 08028718312, 08056812682

152. Sapele Boyo Road Branch.
2A Boyo Road, P.M.B. 4062, Sapele
Tel: 054-341681, 341541
GSM: 08056165773

153. Sapele Main Branch.
Chichester Road, P.M.B. 4004, Sapele
Tel: 054-322094, 342111
Fax: 054-341534
GSM: 08051599324

154. Udu Road Branch.
75 Udu Road, Ovwian, Warri.
Tel: 08160096811

155. Ughelli Branch.
5 Isoko Road, P.M.B. 30, Ughelli
Tel: 054-600008, 600328
GSM: 08052359526

156. Ughelli Patani Road Branch.
240 Ughelli Patani Road, Ughelli
GSM: 08035725772

157. Warri Airport Road Branch.
115 Airport Road Warri
Tel: 053-252029, 252030
GSM: 08036683358, 08033749003, 08033331951

158. Warri Branch.
41 Warri/Sapele Road, P.M.B. 1020, Warri
Tel: 053-253011, 252905
Fax: 053-253042

159. Effurun Airport Road Junction Branch.
124, Sapele/Effurun Road, Warri
Tel: 053-254063, 250063

160. WRPC Agency.
NNPC Warri Refinery & Petrochemical, Warri

161. Warri Shell-Ogunnu Branch.
Shell Complex, Warri
Tel: 053-256333, 256416,
Fax: 053-256415

Ebonyi State

162. Abakaliki Branch.
4 Sudan United Close, Off Ogoja Road, P.M.B. 105, Abakaliki
Tel: 043-211573, 220760
Fax: 043-211573
GSM: 08035909664, 08059795989

163. Abakaliki II Branch.
36 Afikpo Road, Abakaliki
GSM: 08035969893, 08037029375, 07065856436

164. Afikpo Branch.
18 Eke Market, P.M.B. 1005, Afikpo
Tel. 088-521636
GSM: 08054989003

165. Akanu Ibiam Federal Poly Cash Centre.
Akanu Ibiam Federal Poly, Abakaliki

166. Ezzamgbo Branch.
135 Ezzamgbo Junction, Ohaukwu L.G.A.
P.M.B. 219, Abakaliki
Tel: 043-300560
GSM: 07030585963

Edo State

167. Agbede Branch.
60 Unity Road, c/o Agbede Post Office
GSM: 08058549299, 08037756813

Branch network

168. Ambrose Alli University Cash Centre.
Ekpoma. c/o Ekpoma Branch
GSM: 08034315892, 08056735231

169. Auchi Branch.
40 B Auchi Road
GSM: 08074882133

170. Benin Aduwawa Branch.
Beside Big Joe Motors Ltd Benin/Auchi Road,
Aduwawa, Benin City
GSM: 08038996600

171. Benin Airport Road Branch.
30 Oko/Airport Road, Benin City
GSM: 08023158212

172. Benin, Akpakpava Road Branch.
67, Akpakpava Road, Benin City
Tel: 052-256397
GSM: 08033862255

173. Benin Ekehuan Branch.
76, Ekehuan Road, Benin City
Tel: 052-885712, 885713
GSM: 08025239921, 052-885713, 07029548102

174. Benin First East Circular Branch.
165 1st East Circular Road, Benin City
GSM: 07086455179

175. Benin Iyaro Branch.
29 Urubi Street, Iyaro, Benin City
GSM: 08023398346

176. Benin King's Square Branch.
No. 2 King's Square (Ring Road)
P.M.B. 1026, Benin City
Tel: 052-251080, 256184, 25865
Fax: 052-259741
GSM: 08033042111, 08022920267

177. Benin M.M. Way Branch.
169 M.M.Way, Benin City
Tel: 052-259739, 250298
GSM: 08023158802

178. Benin Mission Road Branch.
59 Mission Road, P.M.B. 1138, Benin City
Tel: 052-258065, 253752, 253916
Fax: 052- 258067, 256472
GSM: 08023158917

179. Benin NNPC Agency.
c/o Benin King's Square Branch
P.M.B 1026, Benin City

180. Benin Oregbeni Branch.
10 Benin/Agbor Road, P.M.B. 1002, Benin City
Tel: 052-254708
Fax: 052-253975
GSM: 08023158322

181. Benin Oregbeni II Branch.
107 Benin Agbor Road, Beside Doris Dey Hotel
Tel: 052-258593

182. Benin Sakponba Branch.
43, Sakponba Road, Benin City,
P.M.B. 1133, Benin City
Tel/Fax: 052-450777, 259527
GSM: 08055650464

183. Benin Sapele Road Branch.
155 Sapele Road, Benin City
Tel: 052-258356
GSM: 08035501110, 08023159046

184. Benin Siluko Branch.
128, Siluko Road, P.M.B. 1053, Benin City
Tel: 052-256965, 600899-900, 258923
Fax: 254416
GSM: 08037148809

185. Benin Upper Sakponba Branch.
43 Upper Sakponba Road, P.M.B. 1106, Benin City
Tel: 052-256987, 251661
GSM: 08023322182

186. Benin Uselu Branch.
24, Uselu Lagos Road, P.M.B. 1027, Benin City
Tel: 052-250794
GSM: 08023294715

187. Benin, Ugbowo Branch.
189, Ugbowo Road, Benin City
Tel: 052-600301, 600305
Fax: 052-600301
GSM: 08023158825, 0803744647

188. Benin Uwelu Branch.
200 Uwelu Road, Benin City
GSM: 08023562404

189. Ekpoma Branch.
Market Road, Eguare, P.O. Box 7, Ekpoma
Tel: 053-256812,98394,98439
GSM: 08052570237, 08034315892

190. IPMAN Cash Centre, Benin.
c/o Benin Oregbeni Branch
GSM: 08023158202

191. New Benin Market Branch.
No. 30 New Lagos Road, Benin City
Tel: 052-259150
GSM: 08033987085, 08023157464

192. Sabongida-Ora Branch.
64, Obe Street, P.M.B. 102, Sabongida-Ora
Tel: 057-54093
GSM: 08023158785

193. Uniben Branch.
Benin Lagos Road, Ugbowo Campus
University of Benin
GSM: 08034073592, 052-885851, 052-885852

194. Uromi Branch.
No. 9 Ubiaja Road, Uromi
GSM: 08053145438

Ekiti State

195. Ado Ekiti Branch.
Orereowu Street, P.M.B. 5363, Ado Ekiti
Tel: 030-256561, 240725, 240561, 33523089,
250561, 251836, 251526, 250725
GSM: 08034224731, 08033523089
Fax: 030-251725

196. Ado Ekiti Opopogboro Branch.
91, Opopogboro Road, Opp. Federal Housing
Junction, P.M.B 5452 Ado-Ekiti
Tel: 30200574
GSM: 08036972260

197. Efon-Alaye Branch.
Erekesan Market, P.M.B 37 Efon-Alaye
GSM: 08077231345, 08038106816

198. Emure-Ekiti Branch.
2 Oke Emure Street, P O Box 613 Emure-Ekiti
GSM: 08035705531, 08026354438

199. Erinjiyan Ekiti Branch.
Iwaro Street, P.M.B. 5006, Aramoko-Ekiti
GSM: 08022512667, 08022678365,
08034225250

200. Ifaki-Ekiti Branch.
25 Temidire Street, Ikole Road,
P.M.B. 21, Ifaki-Ekiti
GSM: 08064407978, 08035705176

201. Ikere-Ekiti Branch.
113 Ado Road, Idemo, P.M.B. 7275, Ikere-Ekiti
Tel: 030-610545, 251794
GSM: 08028790454, 08035640061

202. Ikole-Ekiti Branch.
Oba Adeleye Road, P.M.B. 5009, Ikole-Ekiti
Tel: 030-440611
GSM: 08033852632, 08035399251

203. Ilasa-Ekiti Branch.
White House, Oke-Odo Street,
P.M.B. 5020, Ilasa-Ekiti
GSM: 0808444877, 08030785686,
08027810058

204. Okemesi-Ekiti Branch.
Odo-Ese Street, P.M.B. 01, Okemesi-Ekiti
GSM: 08038448424

Enugu State

205. Eha Amufu Cash Centre.
Along Eha-Amufu Ikom/Obollo-Afor Road

206. Emene Ind. Estate Branch.
1 Bank Road, P.O. Box 8 Enugu
Tel: 042-559275, 554757
GSM: 07036002359

207. Enugu Agbani Branch.
127, Agbani Road, Enugu
GSM: 08033772260, 08039305400,
08037415658

208. Enugu Abakpa Nike Branch.
77 Nike Road, Abakpa Nike, Enugu
GSM: 08037251006

209. Enugu Ogbete Market Cash Centre.
Akwatta Area, Ogbete Market, Enugu
Tel: 042-307579
GSM: 08023158697

210. Enugu Ogui Road Branch.
95, Ogui Road, Enugu
Tel: 042-252464, 254071, 255058, 308851
GSM: 08033170350, 08052309048

211. Enugu Oji River Branch.
Old Enugu Onitsha Road, Oji River

212. Enugu Presidential Road Branch.
79 Presidential Road, Enugu
GSM: 08061542690

213. Enugu Uwani Branch.
26 Zik Avenue, P.M.B. 1237, Enugu
Tel: 042-257382, 251620
GSM: 08033475622

214. Enugu Main Branch.
21 Okpara Avenue, P.M.B. 1008, Enugu
Tel: 042-253583, 258784, 254386, 258736
Fax: 042-254755
GSM: 08033105282

215. 2nd Enugu Okpara Avenue Branch.
11 Okpara Avenue, Beside Enugu North L.G.A. Office, Enugu
GSM: 07087998809, 08037135009,
08033044469

216. Enugu New Haven Branch.
22, Chime Avenue, Enugu
Tel: 042-253663, 252980, 250626
GSM: 08033795314

217. Ikem Branch.
Ikem Obollo Afor Road, Isi-Uzo L.G.A.
P.M.B. 1008, Enugu
GSM: 08036732740

218. Inyi Branch.
P.O. Box 183, Inyi. Oji River L.G.A.
Tel: 081-22320202

219. Nsukka Branch.
116 Enugu Road, Nsukka
Tel: 042-771743, 311982
GSM: 08033539622

220. 9th Mile Corner Branch.
47A Old Onitsha Road, 9th Mile Corner, Ngwo
Tel: 042-300466-7
GSM: 08033761921

221. Obollo Afor Branch.
3/5 UNN Road, Obollo Afor, Enugu.
GSM: 08081812590

222. Orba Branch.
World Bank Market, Orba Udenu L.G.A.
P.M.B. 2079 Nsukka.
Tel: 042-770488
GSM: 08036878735

223. Ovoko Branch.
Ovoko Via Nsukka, P.M.B. 2083, Igbo-Eze
Tel: 042-771738, 308007
GSM: 08055986828

224. University of Nigeria.
Nsukka Branch University of Nigeria,
Nsukka Campus
GSM: 08033020124

225. Enugu UNTH Branch.
UNTH, Enugu

Federal Capital Territory (Abuja)

226. Abaji Branch.
Toto Road, Abaji c/o P.O. Box 45, Abuja
GSM: 08076068445

227. Abuja Asokoro Branch.
85, Yakubu Gowon Crescent, Asokoro, Abuja
Tel: 09-8723270-1, 8723274
GSM: 08033326299, 08033208254

228. Abuja Banex Plaza Branch.
Banex Plaza, Plot 750 Aminu Kano Crescent,
Wuse II Abuja
Tel: 09-4619600, 4619608, 4619603-4
GSM: 08033355156, 08053284582

229. Abuja Bwari Branch.
Suleja Road, Bwari
Tel: 09-87238991, 09-8703803

230. Abuja Dei Dei Market Branch.
Abuja Regional Market
Tel: 09-7819704-6
GSM: 08060553885, 08025522975

231. Abuja Garki Branch.
Abuja Festival Road, Area 3, Garki,
P.O. Box 45, Abuja
Tel: 09-2341070-3, 2344634, 2344420, 785597
GSM: 08034023287
Fax: 09-2341071

232. Abuja Garki Modern Market Branch.
Abuja Garki Modern Market, Garki, Abuja
Tel: 09- 7805724, 2340137, 2340152, 2342729,
2340161
GSM: 08052733252, 08023107960,
08054527212, 08023108019

233. Abuja Gwagwalada Branch.
5, Park Road, Off Abuja/Abaji Road, Gwagwalada,
FCT, Abuja
Tel: 09-8820015, 8820033
GSM: 08027613509, 08055361889

234. Abuja Gwarimpa Branch.
Plot No. 430 1st Avenue, Gwarimpa Estate, Abuja
Tel: 07098814285

Branch network

235. Abuja Jos Street Branch.
Plot 451, Jos Street, Area 3, Garki
Tel: 09-2344724, 2343889, 2343878, 2342729, 4816192
GSM: 08051000106, 08028818789, 08055355775

236. Abuja Karu Branch.
Abuja-Keffi Road, Mararaba, Karu L.G.A., FCT, Abuja
Tel: 09-6703827, 6703689
GSM: 08065303571, 08074985848, 08060263756, 08023420023

237. Mararaba Branch.
Plot 5766 Along Abuja Keffi Road, Mararaba
GSM: 08033142368

238. Abuja Nyanya Branch.
Plot C6, Zone E08, Along Abuja-Jikwoyi Road, Nyanya, Abuja
GSM: 08076295920, 08023144942

239. Abuja Kubwa Branch.
Plot B3, Gada Nasko Road, Opp. Total Fuel Station, Phase 2, Site 2 Kubwa, Abuja
Tel: 09-8723272-3, 8723269
GSM: 08023025971

240. Abuja Main Branch.
Plot 777, M. Buhari Way, Central Business Area, Abuja
Tel: 09-4619191, 2346819, 2346820
GSM: 08027782266

241. Abuja Maitama Branch.
13 Mediterranean Street, Imani Estate, Near British Council, Maitama Abuja
Tel: 09-7819669, 7819704
GSM: 08023107954

242. Abuja Maitama II Branch.
1 Zambezi Crescent, Off Aguiyi Ironsi Street, Maitama

243. Abuja NNPC Branch.
Block B – Ground Floor, NNPC Towers, Herbert Macaulay Way, CBD, Abuja

244. Abuja Nnamdi Azikiwe Int. Airport Branch.
Local Wing, Abuja Airport Abuja
Tel: 09-8100121, 8100120, 09-8725358
GSM: 08033520200

245. Abuja National Assembly Complex Branch.
White House (Basement Room HB26)
3 Arms Zone
Tel: 09-8734197, 6277848, 2347881, 2347848
GSM: 08033472618, 07027861626, 08082558820, 08052733250

246. Abuja New Wuse Market Branch.
Plot 40 Mambolo Street, Wuse Zone 2, Abuja
Tel. 09-8723275-6; 8723278, 09-8723275
GSM: 08051789709

247. Abuja Shippers' Plaza Branch.
Plot 438 Michael Okpara Way, Opp. Ibro Hotel, Wuse, Zone 5, Abuja
Tel: 09-5241440-2; 6710750, 09-7819120
GSM: 08026158891
Fax: 09-5241441

248. Abuja Utako Branch.
Suite A6, Rukkayat Plaza, Obafemi Awolowo Way by Jabi Motor Park, Jabi-Utako
GSM: 08033142660

249. Abuja Wuse Branch.
Russel Centre, Block 2097,
Herbert Macaulay Way, Zone 5, FCT, Abuja
Tel: 09-5240144-8
GSM: 08036550071
Fax: 5240147

250. Abuja Wuse II Branch.
6 Libreville Street, Off Aminu Kano Crescent, Wuse 2, Abuja.
Tel: 07098707393

251. Abuja Zuba Branch.
Motor Spare Parts Market, Zuba, FCT, Abuja
Tel: 09-5242318, 6720028,
GSM: 08035292471, 08058597378

252. Abuja Zuba II Branch.
Area 1 Plot 3, Along Kaduna Express Road, Opp Total Filling Station, Zuba, Abuja
Tel: 09-7818906, 7818911, 7818926
GSM: 08035879553

253. Abuja Bolingo Hotels Branch.
Independence Avenue, Area 10, Garki Abuja
Tel: 09-7803566, 6270845, 2344571, 6710795, 2340845
GSM: 08023236151

Gombe State

254. Ashaka Cement Branch.
Ashaka Cement Factory, Ashaka Village, Near Gombe Town
GSM: 08023342308, 07039130766

255. Gombe Branch.
Biu Road, P.M.B. 1, Gombe
Tel: 072-222133, 222134, 222135, 223214, 223318, 223120
GSM: 08023349650, 08062295118

256. Gombe Market Branch.
Plot 15 Biu Link Road, Gombe, Gombe State
GSM: 08023627548

257. Kaltungo Branch.
Gombe-Yola Road, P.O. Box 40, Kaltungo
GSM: 08036921822

Imo State

258. Akatta Branch.
Orlu L.G.A. P.M.B. 6, Akatta
Tel: 083-305431, 046-664353
GSM: 08033358847

259. Akokwa Branch.
No 24 Old Onitsha Road, P.M.B. 10 Akokwa
Tel: 083-302570, 300441
GSM: 08058533697

260. Amaraku Branch.
Okigwe-Owerri Road, Amaraku,
P.M.B. 1, Amaraku
Tel: 046-666025
GSM: 08066570259

261. Emekuku Branch.
Along Owerri-Umuahia Road, Ezedibia Autonomous Community, Owerri North L.G.A.
Tel: 083-819604

262. Ikenegbu Branch.
172 Ikenegbu Layout, Owerri

263. Mbaise Branch.
Ahiara Junction, Mbaise
Tel: 07041230136, 08037241603, 083-430188, 07026306023

264. Mbano Branch.
Mile 1, Orieagu Nsu-Ehime Mbano
GSM: 08035529562, 08081945354

265. Nkwerre Branch.
Anara/Orlu Road, Opp Anglican Diocesan Cathedral Nkwerre
GSM: 08037758962

266. Okigwe Branch.
184 Owerri Road, Okigwe
Tel: 082-550028, 447209
GSM: 08030931642

267. Okigwe Lokpanta Cash Centre.
Lokpanta Village
GSM: 08051023757, 08023745282

268. Okwelle Branch.
Along Owerri/Okigwe Road, P.M.B. 57, Okwelle, Okigwe
Tel: 046-666523
GSM: 08036673066

269. Orlu Town Branch.
24 Amaigbo Road, Orlu, Imo State

270. Owerri Orlu Road Branch.
14 Orlu Road, Owerri, Imo State
Tel: 083-801264

271. Owerri Main Branch.
11/12 Assumpta Avenue, P.M.B. 1060, Owerri
Tel: 083-230900, 232772, 234445
Fax: 083-231586
GSM: 08023117223, 08050408144

272. Owerri Douglas Road Branch.
79 Douglas Road, Owerri
Tel: 083-230900, 233288
Fax: 083-233288
GSM: 08056738600

273. Owerri Port Harcourt Road Branch.
Plot C/14 Housing, Area A New Owerri, Imo State
Tel: 083801400, 082863466
GSM: 08030946522, 08068270422

274. Owerri Wetheral Branch.
No. 137 Wetheral Road, Owerri
GSM: 08068185030

275. Umuowa Branch.
KM 3 Old Orlu/Owerri Road, via Umuowa, c/o Owerri Branch, P.M.B. 175, Orlu
Tel: 083-520665, 046-664363, 660794, 083-302570
GSM: 08053267396, 08038979995

276. Urualla Branch.
Along Orlu/Akokwa Road, c/o Ideato North L.G.A. P.M.B. 2, Urualla, Owerri
Tel: 083-302570, 046-660794

Jigawa State

277. Dutse Branch.
Damaturu Road, c/o P.M.B. 3005, Kano
Tel: 064-721512-3
GSM: 08023235036, 08037981331
Fax: 069-721380, 064-721513

278. Hadejia Branch.
14 Kano Road, P.O. Box 83, Hadejia
Tel: 078-20614, 20856, 20255
Fax: 078-20449
GSM: 08027991022

Kaduna State

279. Kaduna Bank Road Branch.
14 Bank Road, P.M.B. 2065, Kaduna
Tel: 062-245454; 243332
GSM: 08023233022

280. Katchia Branch.
Kafanchan Road, Opposite Katchia Motel, Kaduna
GSM: 08028190417, 08051006776

281. Birnin Gwari Branch.
1 Kaduna-Lagos Expressway, Birnin Gwari
GSM: 08028842107, 08036604895

282. Kaduna Central Market Branch.
Broadcasting Road, Abubakar Gumi Market, Kaduna
GSM: 08033117654, 08082115660

283. Kaduna GRA Branch.
17 Alkali Road, GRA, Kaduna
Tel: 08028141037

284. Kaduna Junction Road Branch.
NJ8, Junction Road, Kaduna
Tel:062831175, 08191959653

285. Kaduna Kawo Branch.
Tel: 062-317594, 237594
GSM: 08023076871
Fax: 062-318354

286. Kaduna Main Branch.
Yakubu Gowon Way, P.M.B. 2065, Kaduna
Tel: 062-246155, 243858
GSM: 08033147129
Fax: 062-243955, 246854, 249464

287. Kaduna PPMC Branch.
KRPC Refinery Complex, KM 12 Kachia Road, Kaduna
Phone: 08023077007, 08060769800, 08058010800

288. Kaduna South Branch.
Kachia Road, P.M.B. 2084, Kaduna
Tel: 062-231021, 232880
GSM: 08035892806

289. Kaduna Tudun Wada Branch.
DB 39, Nnamdi Azikiwe Way, Kaduna
Tel: 062-415849, 415851-3
GSM: 08057384972
Fax: 062-415853

290. Kaduna Zaria City Branch.
1 Kofar Doka, Opposite Alhuda-Huda College, Zaria City
GSM: 08028190417

291. Kafanchan Branch.
No. 7 Kagoro Road, P.M.B. 1019, Kafanchan
Tel: 061-20141, 20145
GSM: 08028411401, 08035878189
Fax: 061-20145

292. Samaru Branch.
Sokoto Road, P.M.B. 02, Samaru, Zaria
Tel. 069-550983, 551612, 554884, 550692
GSM: 08060771161
Fax: 069-550092, 551160

293. Saminaka Branch.
Ahmadu Bello Way, Near Lere L.G.A. Secretariat, Kaduna
GSM: 08035914231, 08054484642

294. Zaria Branch.
1 Crescent Road, P.M.B. 1006, Zaria
Tel: 069-330660, 332425, 333458
GSM: 08035990699
Fax: 069-330660

Branch network

Kano State

295. Mallam Aminu Kano Int'l Airport Branch.
c/o P.M.B. 3005, Kano
Tel: 064-318332
Fax: 633255
GSM: 08053359840

296. Kano Bello Road Branch.
16/17, Bello Road, Kano
Tel: 064-648959, 649626
GSM: 08034535265
Fax: 064-648959

297. Bichi Branch.
Along Kano Road, Bichi, Bichi LG
Tel: 064895459, 064895460

298. Kano Bompai Branch.
Dantata Road, P.M.B. 3284, Kano
Tel: 064-633480, 646743
GSM: 08023158331
Fax: 064-646743

299. Kano Dawanau Branch.
Dawanau Grains Market, Kano
Tel: 064-316708-9
GSM: 08023927897

300. Dambatta Branch.
Kano-Daura Road, Dambatta

301. Kano Fagge Ta Kudu Branch.
15 Fagge Road, P.M.B. 3077, Kano
Tel: 064-631545, 645961, 645871
GSM: 08023157524, 08034458088
Fax: 064-640738

302. Kano Hotoro Branch.
Maiduguri Road, Hotoro, Opposite NNPC Depot,
P.M.B. 3005, Kano
Tel: 064-895455, 8955454, 977920
GSM: 08023341429, 08028447584

303. Kano Kofar Ruwa Branch.
Kano Kofa Ruwar
Tel: 064-638202, 638201, 638203

304. Kano Main Branch.
10 Lagos Street, P.M.B. 3005, Kano
Tel: 064-633280, 632706, 630573, 637839,
630574, 636573, 630070
GSM: 08023157449
Fax: 064-644565

305. Kano Zoo Road Branch.
ABI House, Kano Zoo Road,
c/o P.M.B. 3166, Kano
Tel: 064-661905, 668766
GSM: 08023585535, 08037030518
Fax: 064-668766

306. Kano Bagauda Lake Agency.
Bagauda Lake Hotel, c/o Kano
(Main) Branch, P.M.B. 3005, Kano
Tel: 064-633280, 630573
Fax: 064-644565

307. Kano Club Road Branch.
595 Club Road, P.M.B. 3005, Kano
Tel: 064-635027, 630709, 630648,
Fax: 064-649266, 635027
GSM: 08033304445

308. Kano Zaria Road Branch.
C6-7 Zaria Road by U-Turn, Naibawa, Kano
GSM: 08033760020, 08082675666,
08033762259

309. Muhammadu Abubakar Rimi Market Branch.
c/o Kano (Main) Branch, P.M.B. 3005, Kano
Tel: 064-644507
Fax: 064-644507
GSM: 08023288203

Katsina State

310. Daura Branch.
Kano-Kongolam Road, P.M.B. 1046, Daura
Tel: 065-557187, 557095
GSM: 08029152572

311. Dandume Branch.
Funtua Birnin Gwari Road, Dandume, Katsina
P.M.B 6055, Funtua
GSM: 08023235040, 07034496891

312. Dutsinma Branch.
Kankia Road, Dutsinma
GSM: 08065457371

313. Funtua Branch.
Sokoto/Gusau Road, P.M.B. 6013, Funtua
Tel: 069-770348, 333830
GSM: 08025267761
Fax: 069-770019

314. Jibia Branch.
Katsina-Maradi Road, Magama, Jibia L.G.A.

315. Kankia Branch.
2 Dutsima Road, P.M.B. 2235, Kankia,
Katsina State
GSM: 08088705174

316. Katsina Branch.
3 Ibrahim Babangida Way, P.M.B. 2032, Katsina
Tel: 065-430863, 431588
Fax: 065-431588
GSM: 08034537318

317. Katsina II Branch.
Plot 10 Yahaya Madaki Way, Katsina

318. Malumfashi Branch.
Funtua Yashe Road, P.M.B. 1011, Malumfashi
Tel: 069-80058
GSM: 08024139679, 08032684968
Fax: 069-80169

Kebbi State

319. Birnin Kebbi Branch.
Sultan Abubakar Road, c/o P.M.B. 3005, Kano
Tel: 068-321911, 320662, 321664
GSM: 08065829297
Fax: 068-321664

320. Kamba Branch.
Opposite Tashar Garba Secretariat Road,
c/o P.M.B. 2116, Sokoto
GSM: 08069790877

321. Maiyama Branch.
Maiyama Town, c/o P.M.B. 2116, Sokoto
GSM: 08065480437, 08065871212

322. Yauri Branch.
New Kontagora Road, Yauri Town, Kebbi State
GSM: 08036384110, 08024151761

323. Zuru Branch.
Kontagora Town Road, P.M.B. 1003, Zuru
Tel: 067-650205, 650109
Fax: 067-670709
GSM: 08026582682, 07031345976

Kogi State

324. Abejukolo Branch.
Ankpa Road, Abejukolo, Omala L.G.A. P.M.B.
1000, Abejukolo
GSM: 08053567818

325. Ajaokuta Branch.
P.M.B. 1007, Okene
Tel: 058-400581, 400481
GSM: 08036355946

326. Akpanya Branch.
Agbedo Akpanya, P.M.B. 1011, Idah
GSM: 08032619011

327. Ajaokuta Steel Mill Complex Cash Centre.
Ajaokuta Steel Complex, Road 6, ASCO Camp,
Ajaokuta Steel Complex, P.M.B 1007, Ajaokuta
Tel: 058-400540 ext 3429, 400481
Fax: 058-400581

328. Ankpa Branch.
16, Tafawa Balewa Road, PMB 1011, Ankpa
GSM: 08036173559

329. Ayangba Branch.
Idah Road, P.M.B. 1002, Dekina Road-Ayangba
GSM: 08069600939

330 Egbe Branch.
35 Federal Road, P.M.B. 205, Egbe
GSM: 08076682606

331. Isanlu Yagba Branch.
Ilorin Kabba Road, Isanlu. P.M.B. 1005, Isanlu
GSM: 08057819129

332. Itobe Branch.
Bank Road, P.M.B. I001, Idah

333. Iyamoye Branch.
Aro Quarters, Along Iyamoye Omuo,
P.M.B. 1002, Iyamoye
GSM: 08036158475

334. Kabba Branch.
Along Ilorin Express Way, Kabba, Kogi State
GSM: 08036271094

335. Kogi State University Branch.
Kogi State University, Ayingba, P.M.B. 1015
GSM: 08039597699

336. Lokoja Branch.
411 Murtala Moh'd Road, P.M.B. 1100, Lokoja
Tel: 058-220402, 220767
GSM: 08036120317, 08072539346

337. Lokoja Nipost Branch.
Ganaja Junction, Kabba-Okene Road
PMB 1100 Lokoja
GSM: 08033963453

338. Mopa Branch.
Along General Hospital Road,
Off Kabba/Ilorin Expressway, Mopamuro L.G.A.
P.M.B. 2002, Mopa
GSM: 08057356071

339. Obajana Branch.
Obajana Cement Factory
GSM: 08067121286, 08055186092

340. Ogori Branch.
2 Aiyetoro Street, Ogori, P.M.B. 1073, Ogori
GSM: 08076966048

341. Oguma Branch.
Oguma Road, P.M.B. 1004, Oguma
GSM: 08083540682

342. Okene Branch.
1 Ado Ibrahim Street/Hospital Road,
P.M.B. 1044, Okene
Tel: 058-550364
GSM: 08057327560, 08023157615

Kwara State

343. Ilorin Branch.
Obbo Road, Off Wahab, Folawiyo Road,
P.M.B. 1354, Ilorin
Tel: 031-221500, 222011
GSM: 08076950072
Fax: 031-220128

344. Ilorin Sawmill Branch.
149 Lagos Road, Sawmill Area, Ilorin
GSM: 07093324991

345. Ilorin Surulere Branch.
159 Abdulazeez Atta Road,
Baboko Surulere, Ilorin
Tel: 031-229902-4
GSM: 08035844915

346. Kosubosu Branch.
Along Yashikira Chikanda Road, Kosubosu,
via Okuta, Baruten L.G.A. P.M.B. 244, Bassa
GSM: 08059407179, 08077966557

347. Offa Branch.
64, Olofa Way, Offa
GSM: 08033578864, 08050733136

348. Omu-Aran Branch.
170A, Taiwo/Ekan Road, P.M.B. 1071, Omu-aran
GSM: 08035812774, 08057879681

349. Oro Branch.
20 Oyelagbawo Road, Oro
GSM: 08071839719

350. PPMC/NNPC Cash Centre.
Oke-Oyi, Kwara State
GSM: 08053623468

351. Unilorin Cash Centre.
University of Ilorin Permanent Site Campus

352. Share Branch.
65, Olupako Way, Share
GSM: 07086558618

Lagos State

353. Abattoir Cash Centre.
Lagos State Govt. Abattoir, Oko-Oba, Agege,
Lagos State

354. Abibu Adetoro Branch.
5I Abibu Adetoro Street, Off Ajose Adeogun
Street, P.M.B. 80137, Victoria Island, Lagos
Tel: 01-7746337-8, 46124002 8140319
GSM: 08023214585
Fax: 01-4619230

355. Abibu-Oki Branch.
A.G. Leventis Building, 42/43 Marina, P.M.B.
12554, Lagos
Tel: 01-7737749, 2643056
GSM: 08033019963
Fax: 01-2660302

356. Abule Egba Branch.
440, Lagos Abeokuta Expressway,
U-Turn Bus Stop, Abule Egba, Lagos State
Tel: 01-7618853, 7614542

357. Adekunle Branch.
182/184 Herbert Macaulay Way, Yaba
Tel: 01-7410102

358. Adeola Odeku Branch.
15B Adeola Odeku Street, Box 71918,
Victoria Island, Lagos, State
Tel: 01-4619056, 8977249
GSM: 08023283658
Fax: 461-9056

359. Adetokunbo Ademola Branch.
8, Adetokunbo Ademola Street, V/I, Lagos
Tel: 01-2704812-4, 7731264, 8703242
Fax: 270-4813

Branch network

360. Agege Branch.
254, Agege Motor Road, Oko-Oba, Agege, Lagos
Tel: 01-4926129, 4924389, 4921990

361. Agege Cash Centre.
27, Abeokuta, Motor Road, P.O. Box 65, Agege

362. Agidingbi Branch.
6, Asabi Cole Road, Off Lateef Jakande Way, Agidingbi, Ikeja
Tel: 01-7739744, 7405435
GSM: 08033521764
Fax: 01-5557837, 3450933

363. Aliko Cement Terminal Cash Centre.
Aliko Dangote Cement Depot, Abule Oshun, Via Satellite Town

364. Ajah Branch.
Ajiwe, Ajah, Along Lekki-Epe Expressway, Lagos
Tel: 01-7203350, 7736858, 462-7777-9, 462-7780, 894-9220-1, 892-6298
GSM: 08033087110

365. Ajah Cash Centre.
Ajah Market, Eti Osa L.G.A, Lagos
Tel. 01-4618852, 461-6535, 461-8099, 461-0926-7
Fax: 01-461-8098
GSM: 08033073642

366. Ajao Estate Branch.
25 Murtala Mohammed International Airport Road, Ajao Estate
Tel:01-2714538, 2714539
Fax: 01-2714540
GSM: 08023121935

367. Ajose Adeogun Branch.
Plot 286, Ajose Adeogun Street, Victoria Island
Tel: 01-8446496, 01-8446497

368. Akowonjo Branch.
Akowonjo Road, Akowonjo. Box 14767, Ikeja
Tel: 01-4705827; 4926440-2, 4926440, 4923785
Fax: 01-4926438

369. Akute Branch.
34 Alagbole-Akute Road, Akute, Ogun State
GSM: 08023064352

370. Alaba Int'l Market Branch.
29, Ojo-Igbede Road, New Alaba, Lagos
Tel: 01-8043568, 7732669, 8776819, 5894468, 5894463, 8737758
Fax: 01-7732669, 5894467
GSM: 08023227238, 08023043772

371. Alaba II Branch.
Olojo Drive – Ojo Igbede Road, Opposite Alaba International Market, Ojo

372. Alaba Int'l Market Cash Centre.
Densine Mall, Dobbil Avenue, Alaba Int'l Market, Alaba, Lagos

373. Alaba Rago Market Cash Centre.
Alaba Rago Market, Alaba Rago, Lagos-Badagry Express Way
Tel: 01-8763971

374. Alaba Suru Branch.
269/271 Ojoo Road, Off Mile 2-Orile Expressway Road, Lagos
GSM: 08029743609

375. Alausa Branch.
Motorways Building, Toll Gate, Alausa Lagos
Tel: 01-7618908, 4974009, 4934184, 01-7738886

376. Article Market Cash Centre.
Article Dealers Association (ADA), Shopping Complex, Opp. Int'l, Trade fair, Lagos-Badagry Expressway, Abule Oshun, Ojo

377. Apapa Branch.
1 Burma Road, P.M.B. 1034 Apapa
Tel: 01-7745182, 7948874, 5851074, 5451345, 5877116, 4600076, 4600357, 3053106, 8506005, 5855490, 5455490
Fax: 01-5851733
GSM: 08022242191

378. Apapa Point Road Branch.
Plot 1-3 Point Road, Apapa

379. Awolowo Road Branch.
116 Awolowo Road, Ikoyi, Ikoyi-Lagos
Tel: 01-4630107-9, 2694310
Fax: 01-2695857
GSM: 08033043531

380. Badagry Branch.
113 Joseph Dosu Way, Old Lagos Road, Badagry-Lagos
Tel: 01-8543655
GSM: 08023117218

381. Badore Branch.
Oando Service Station by Coca Cola Bus Stop, Ajah-Badore Road, Badore, Off Ajah, Lekki, Lagos
GSM: 08056155602

382. Banana Island QSP.
Biporal Office, Banana Island, Ikoyi
Tel: 01-4631174

383. Bariga Branch.
10, Jagunmolu Street, Bariga
Tel: 01-8752697, 8758637, 7655339

384. Broad Street Branch.
214 Broad Street (Elephant House), P.O. Box 2334, Lagos
Tel: 01-2643566, 2660620, 2643734, 2643735
GSM: 08023232978
Fax: 01-2664145

385. Chevron-Texaco Branch.
Along Chevron Drive, Chevron Complex, Lekki, Lagos
Tel: 01-4616640-2
Fax: 01-4616640
GSM: 08033000113, 07028118099

386. Coker Branch.
Plot 4 Block C, Amuwo Odofin Ind. Layout, Orile Iganmu, Lagos
Tel: 01-7745182, 7948874, 8135604, 5851074, 8705050
Fax: 01-5851733
GSM: 08033277210

387. Creek Road Branch.
32, Creek Road, Apapa, Lagos
Tel: 01-5876356, 7919294, 7905835, 2707820-22
Fax: 01-5876361
GSM: 08023124081, 8991700

388. Daleko Market Branch.
Daleko Market, Bank Road, Mushin, Lagos
Tel: 01-4520234, 4521780, 7610819
Fax: 01-4520972
GSM: 08023196985

389. Domino Cash Centre.
1–11 Commercial Avenue, Sabo Yaba, Lagos
GSM: 07028701436

390. Dopemu Branch.
Deebo Plaza, 618, Dopemu-Akowonjo Road, Dopemu Roundabout, Dopemu, Lagos
Tel: 01-8133309-10

391. Dosunmu Branch.
51 Church Street, Dosunmu, Lagos Island

392. Ebute Metta Branch.
1 Savage Street, Apapa Road, P.M.B. 12014, Ebute Metta
Tel: 01-5837998, 5834477; 7745556

393. Eko Hotel Branch.
City Express Building, Plot 1637, Adetokunbo Ademola, Victoria Island
Tel: 01-8977347, 8946574, 2623164, 7749773
GSM: 08023013110

394. Enu-Owa Cash Centre.
62, Enu-Owa Street, Lagos

395. Epe Branch.
P.M.B. 1022, Epe
Tel: 01-7770090, 7770102, 7770875, 7611147
GSM: 08023107390, 08054864468

396. Falomo Shopping Centre Branch.
Awolowo Road, Ikoyi, P.M.B. 1022, Ikoyi
Tel: 01-2695506, 2693029, 463-0563
Fax: 01-804-7921, 0761-6335
GSM: 08022233103, 8770173

397. Fed. Secretariat Branch.
Federal Secretariat Complex Ikoyi, P.M.B. 12736, Lagos
Tel: 01-8949220-1, 8926298, 773-2667
Fax: 01-269-5984
GSM: 08033043531

398. Festac Branch.
32 Road, Festac Town, Lagos
Tel: 01-5895496-9, 8511130-1, 7235637
Fax: 01-2790403
GSM: 08023062133

399. Festac II Branch.
23 Road by 72 Junction, Festac Town

400. Gorodomu Branch.
111 Alakoro Street, Ebutero

401. Jibowu Branch.
10, Alakija Street, Jibowu, Yaba, Lagos
Tel: 01-7734815, 7734804

402. Iddo Market Branch.
1, Taylor Road, Iddo
Tel: 01-7642059, 7636659
GSM: 08023196985, 08023102744, 08035637852

403. Idimu Branch.
205, Idimu Road, Yem-Kem Shopping Plaza, Agege, Lagos State
Tel: 01-4744464, 8135603, 8235607

404. Iganmu Branch.
2 Abebe Village Road, P.M.B. 126734, Iganmu
Tel: 01-7745557, 2830410
Fax: 01-2830410
GSM: 08023232976

405. Ijora Branch.
23-25 Ijora Crossway, P.O. Box 228 Apapa
Tel: 01-8160545, 7738884-9, 8168545, 8162280, 8965081, 8047328, 8160545
Fax: 01-5454772
GSM: 08033209323, 08082719402

406. Iju Branch.
159 Iju Road by Fagba B/Stop, Iju Agege
Tel: 01-2120764, 7402369

407. Ikeja Branch.
Agege Motor Road, P.O. Box 69, Ikeja
Tel: 01-901740-4, 4977862-3
Fax: 01-901744
GSM: 08079635004

408. Ikeja Allen Avenue Branch.
58 Allen Avenue, P.M.B. 21087, Ikeja
Tel: 01-4970510, 7612054, 7746024, 01-4747044

409. Ikeja Military Cantonment Agency.
Ikeja Military Cantonment, 9th Mechanised Brigade, Maryland, Ikeja, c/o Ikeja Branch, P.O. Box 69, Ikeja
GSM: 08023011822

410. Ikeja Ind. Estate Branch.
21, Oba Akran Avenue, P.O. Box 105, Ikeja
Tel: 01-4978541, 4968609, 8905307, 8776016, 2716660, 2716662
Fax: 01-4978501, 4968610

411. Ikorodu Branch.
88 Lagos Road, P.M.B. 1005, Ikorodu
Tel: 01-7781360-2, 7748382, 7745062
Fax: 01-7745662

412. Ikota Cash Centre.
Ikota Shopping Complex Ikota

413. Ikota Branch.
Ikota Int'l Market, Great Brand Building KM29, Lekki-Epe Expressway
Tel: 01-4618099, 4610926, 4610927

414. Ikotun Branch.
39, Ikotun-Idimu Road, Ikotun
Tel: 01-8161220

415. Ilupeju Branch.
Ilupeju Bye-Pass, P.M.B. 1173, Ikeja
Tel: 01-7733151, 4979414, 4933617, 4930478, 4930692-3

416. International Trade Fair Complex Branch.
Wing B, Hall 2, Hexagon 9, Int'l Trade Fair Complex, Badagry Express Road, Box 6238 Festac Town, Lagos
Tel: 01-7642928, 8505382, 4704437, 3208374, 3053254, 8512643, 5894175
Fax: 01-3455644, 3455330
GSM: 08023224619, 8708889, 7642928

417. Int'l Trade Fair Complex II (Balogun) Cash Centre.
NIICO Best Executive Plaza, Opp. Atiku Hall, Int'l Trade Fair Complex, Mile 2-Badagry Expressway, Lagos
Tel: 01-7918350; 7918351

418. Ifako Gbagada Branch.
45 Diya Street, Opposite Total Filling Station, Ifako, Gbagada
GSM: 08023222293, 07029321918

419. Investment House Branch.
21–25 Broad Street, Lagos
Tel: 01-2640469, 7932756
GSM: 08038445812, 08026439882

420. IPMAN Cash Centre.
1–15 Dockyard Road, Apapa, Lagos
Tel: 01-7924721-2

421. Isolo Branch.
Apapa/Oshodi Express Way, Iyana Isolo, P.M.B. 1034, Mushin
Tel: 01-2790405, 8115503, 4520434, 4520087, 4523662, 4520254, 2790401
Fax: 01-2790403
GSM: 08023227250

Branch network

422. Isolo Industrial Estate Branch.
Limca Way, Ilasamaja, Off Apapa-Oshodi Express Way, Lagos State
Tel: 01-4528876, 7755331, 8195926
GSM: 07028141406, 08059731656, 08033217499
Fax: 01-4528877

423. Ita Elewa Ikorodu Branch.
Ikorodu Shopping Complex, Ita Elewa
GSM: 08055903710

424. Iyana Ipaja Branch.
177 Lagos Abeokuta Express Road, Iyana Ipaja, Lagos
P.O. Box 3040 Agege
Tel: 01-7737622, 7918348

425. Kairo Market Cash Centre.
Oshodi Road, Oshodi
Tel: 01-7360169
GSM: 08023116926, 07029269326

426. Keffi Branch.
4, Keffi Street, Ikoyi, Lagos
Tel: 01-7732429; 2707173, 2714543-5
GSM: 08022233104

427. Ketu Branch.
561 Ikorodu Road, Mile 12, Ketu Lagos, P.M.B. 21468, Ikeja
Tel: 01-5965474-5, 7737622, 8542209, 7803655, 4932780, 01-2120626

428. Kofo Abayomi Branch.
43 Kofo Abayomi Avenue, Apapa
Tel: 01-2701251-4
GSM: 08022250101, 08077089570

429. Lagos State University Cash Centre.
LASU Main Campus, Badagry
Tel: 08023062133

430. Lagos State Polytechnic QSP.
Lagos State Polytechnic Isolo Campus, Iyana Isolo
Tel: 01-2790401, 77358201

431. Lapal House Branch.
235, Igbosere Road, Obalende, Lagos
Tel: 01-8923239, 8923269
GSM: 08023002913

432. Lawanson Branch.
59/61 Lawanson Road, Surulere, Lagos
Tel: 01-7389757, 8198743
GSM: 08023076998

433. Lekki Branch.
Block 90°, Chris Efunyemi Onanuga Street, Off Admirality Way, Lekki Phase 1
Tel: 01-2793383-4, 2700951
GSM: 07028200618

434. Marina Branch.
35 Marina, P.O. Box 2006, Lagos
Tel: 01-2666120-4, 2669697, 7905835 Ext. 2278, 7651972
GSM: 08022242195, 08055154389

435. Matori Branch.
84/88 Ladipo Street, Papa Ajao, P.M.B. 1120, Mushin
Tel: 01-4520974-7, 4522163, 8765649
Fax: 01-4528383
GSM: 08023116047, 8765619

436. Mayfair Gardens Branch.
KM 36 Awoyaya, Lagos/Epe Expressway, Lekki Peninsula, Lagos

437. Mazamaza Branch.
8, Old Ojo Road, Mazamaza, Lagos
Tel: 01-9502026
GSM: 08023134560, 07029382513

438. Mobil Road Branch.
21 Mobil Road, P.M.B. 1180, Apapa
Tel.: 01-4600357, 4716361-2, 7407923
Fax: 01-5454335
GSM: 08023329034

439. Moloney Branch.
28 Berkley Street, Lagos. P.O. Box 2099, Lagos
Tel: 01-2645801, 8990500, 7641824, 2635238, 2635758
GSM: 08023125466
Fax: 01-2645801

440. M.M. Int'l Airport Branch.
M.M Airport Complex, P.O. Box 4508 Ikeja
Tel: 01-4979421, 8144653, 7653946, 4961641, 8159783, 2705349, 08-8773644
Fax: 01-4979422, 4961638

441. M.M. Way Branch.
128 Murtala Moh'd Way, P.O. Box 1021, Ebute-Metta
Tel: 01-5821719, 7737621, 8532121, 2803158
GSM: 08020557644

442. Mushin Branch.
197 Agege Motor Road, Lagos
Tel: 01-8744789, 7242483
GSM: 08034009025

443. Navy Town Branch.
B.M.U. Complex (Road 8), Navy Town, c/o P.M.B. 008, Festac Town
Tel: 01-5883897, 5890225, 4705913, 7233350, 8046034, 8134640, 8134644, 3053211, 8049927, 2803211
GSM: 08023133307, 07028028708

444. Niger House Branch.
1/5 Odunlami Street, P.M.B. 12883, Lagos
Tel: 01-2665781, 7911779, 2662606
GSM: 08023171593

445. N.1.J. House Branch.
5 Adeyemo Alakija Street, Victoria Island, P.M.B. 50, Falomo
Tel: 01-4619053-4, 2619312
Fax: 01-2616484
GSM: 08023043033, 08033814164

446. NNPC Ejigbo Cash Centre.
NNPC Ejigbo Depot
Tel: 01-7387823

447. Oba Akran Branch.
46, Oba Akran Avenue, Ikeja
Tel: 01-4960320-1, 4960303-4, 2700951, 7740485
GSM: 08033270974

448. Obun-Eko Branch.
112 Nnamdi Azikiwe Street, Idumota, P.O. Box 2353, Lagos
Tel: 17365583
GSM: 08023129958

449. Odun Ade Cash Centre.
Shop 1&2, First Floor, Block 2, Agric, Odun Ade, Coker
Tel: 01-8777734

450. Ogba Branch.
Plot 7, Block C, Acme Road, P.M.B. 21441, Ikeja
Tel: 01-4920980, 4926375, 7938779

451. Ogba II Branch.
25 Ogba/Ijaiye Road, Ogba, Ikeja

452. Ogudu Agency.
Banking on Wheels Van, Opposite Area H, Ogudu Area Command, Ogudu
GSM: 08023213967

453. Ojo Cantonment Agency.
Ojo Military Cantonment, Ojo, Lagos-Badagry Exp. Road, c/o P.M.B. 12674, Lagos
Tel: 01-5888880

454. Ojodu-Isheri Branch.
2, Ojodu-Isheri Road, Ojodu Berger, Ikeja, Lagos
Tel: 01-3453614, 4925313, 4924383, 7612911

455. Ojuwoye Cash Centre.
7, Dada Iyalode Street, Ojuwoye Market, Off Post Office Road, Mushin, Lagos
Tel: 01-7918347

456. Oke-Arin Market Branch.
53 Offin Road, Lagos
Tel: 01-2641516, 2641761, 7908909, 2643870
GSM: 08022233359
Fax: 01-2643871

457. Oke-Odo Branch.
415, Abeokuta Expressway, Ile-Epo Bus Stop, Lagos. P.O. Box 2828 Agege, Lagos
Tel: 01-8135643, 7918307, 4925464, 4920086
Fax: 01-4925690

458. Okota Branch.
3, Ago Palace Way, Okota, Lagos
Tel: 01-8104620, 01-8104621, 01-8104622

459. Oniru Market Branch.
Oniru Market, Oniru Estate, Lagos/Epe Expressway, Lekki Peninsula, Lagos
Tel: 01-2803325
GSM: 08023042781, 08024728118

460. Opebi Branch.
Adebola House, 40, Opebi Road, Off Allen Avenue, Ikeja, Lagos
Tel: 01-2716706, 01-2716703, 01-2716705, 7918352, 7918353
Fax: 2716706, 2716705, 2800909

461. Oregun Ind. Estate Branch.
Plot 2B Adewunmi Close, P.M.B. 21444, Ikeja
Tel: 01-2805058, 01-2805059, 01-8776972
Fax: 01-2805058

462. Osapa London Branch.
Kilometer 7, Lekki-Epe Expressway, Osapa-London, Lekki
Tel: 7317600
GSM: 08023294717, 07028200618

463. Oshodi Branch.
471 Agege Motors Road, Oshodi
Tel: 01-7948714-5

464. Oshodi Cantonment Agency.
c/o Ilupeju Branch, P.M.B. 1173, Ikeja, Lagos

465. Oshodi-Mile 2 Expressway Branch.
Plot 104 Oshodi Mile 2 Expressway, Near Cele Bus-stop, Lagos
Tel: 01-2816182, 8112185, 8049281

466. Owode Branch.
Ibeshe Road, P.M.B. 231, Ikorodu
Tel: 01-7745560, 01-4930536
Fax: 01-4930536

467. Progressive Market Branch.
Association of Progressive Traders Plaza
Tel: 01-7395827, 7395835

468. Saudi Eko Branch.
Lagoon Plaza by Lagos Central Mosque, Nnamdi Azikiwe Street, Lagos Island
Tel: 01-7388210

469. Sanusi Fafunwa Branch.
Plot 1681, Sanusi Fafunwa Street, Victoria Island, Lagos
Tel: 01-8103764
GSM: 07098013642

470. Seme Border Branch.
Nigeria Customs Ground, Seme Border
GSM: 08023305011, 07084855196

471. Shell Agency.
Shell Petroleum & Dev. Company, Freeman House, G.P.O. 2006 Marina
Tel: 01-2601600-9
Fax: 01-2636681

472. Shomolu Branch.
188, Ikorodu Road, Onipanu, P.O. Box 04, Shomolu
Tel: 01-7745763, 5550643

473. Snake Island Cash Centre.
Niger Dock Premises
Tel: 08023102671, 07029549058

474. Stock Exchange House Branch.
Customs Street, P.O. Box 7685, Lagos
Tel: 01-2661685, 2661696, 2668195, 8132809, 2661701
GSM: 08024495126
Fax: 01-2661701

475. Sura Cash Centre.
Block 13 Sura Shopping Centre, Simpson Street, Lagos
GSM: 08050583366

476. Surulere Branch.
17 Itire Road, P.O. Box 273, Surulere
Tel: 01-7745558, 7746164, 7924722, 5848733, 5831110, 7746134
GSM: 08036340443

477. Surulere Aguda Branch.
42/44 Enitan Street, Surulere, Lagos
Tel: 01-7615858
GSM: 08023035537

478. Surulere S/Centre Branch.
84 Adeniran Ogunsanya Street, c/o P.O. Box 273, Surulere
Tel: 01-5850831, 7945559, 8118117, 7745559
GSM: 08023233061

479. Tejuosho Branch.
No. 29 Tejuosho Street, Yaba
Tel: 01-7360452, 7360453, 7360454

480. Tin Can Island Branch.
Tin Can Island Port Complex, Off Apapa/Oshodi Express Road, P.M.B. 1019, Apapa
Tel: 01-5454459, 7931166, 7930899, 5871307, 5873096
GSM: 08055414150, 08023024488

481. Toyin Olowu Branch.
14A, Olowu Street, Off Toyin Street, Ikeja, Lagos
Tel: 01-8987988, 8987993, 4938089, 8773443, 7388789
Fax: 01-4938092

482. Trinity Branch.
Olodi-Apapa, No. 1, Industrial Road, By Trinity Police Station, Olodi Apapa, Lagos
Tel: 01-8112183-4, 5858731-9
Fax: 01-5458739
GSM: 08023328542

Branch network

483. University of Lagos Branch.
Unilag Consult Building, Commercial Avenue/ Ransome Kuti Road Junction, Opposite International School, Unilag, Lagos

484. Victoria Garden City Branch.
Plot 0-2 Road 9, Victoria Garden City, Lekki Peninsula

485. Western House Branch.
8/10 Broad Street, P.O. Box 2135, Lagos
Tel: 01-2716457, 2636642, 2634930, 2636499, 7608186, 7257762
GSM: 08073767303
Fax: 01-2636642

486. Willoughby Branch.
9A Willoughby Street, Ebute Metta
Tel. 01-8536747, 7303615, 7303657, 7303658, 7303659
GSM: 08033385084

487. Yaba Branch.
322 Herbert Macaulay Street, P.M.B. 1040, Yaba
Tel: 01-7745561, 2789861, 5862176, 5455273-5
Fax: 01-5455272

Nasarawa State

488. Keffi Nasarawa Branch.
Abubakar Burga Road, Keffi Town, Nasarawa State
GSM: 08055640091, 07083280628
Tel: 081-36063314

489. Lafia Branch.
No. 5 Jos Road, P.M.B. 5, Lafia
Tel: 047-220229, 221289, 221721, 221423, 221287, 220283
GSM: 08082788282, 08035997891
Fax: 047-220283, 220229, 221721, 221423

Niger State

490. Bida Branch.
Zungeru Road, P.O. Box 48, Bida
Tel/Fax: 066-461640, 461540

491. Badeggi Rice Mill Branch.
KM 20 Bida Abuja Road, Badeggi, c/o P.M.B. 48 Bida, Niger State
GSM: 07067579006

492. FCE Kontagora Cash Centre.
Federal College of Education Kontagora
GSM: 08036935715, 08037039576

493. Kagara Branch.
Kagara Along Lagos/Kaduna Road, P.M.B. 1, Kagara
GSM: 08028260019

494. Katcha Branch.
c/o Postal Agency, Katcha
GSM: 08036012189, 08084357326, 08069319833

495. Kontagora Branch.
6/7 Training Plot, Kontagora, P.M.B. 06, Kontagora
Tel: 067-220018, 220272

496. Kuta Branch.
David Mark Road, Kuta. P.O. Box 5, Kuta
Tel: 066-690444

497. Lapai Branch.
Along IBB University Road, Lapai

498. Minna Branch.
3 Bank Road P.M.B. 62, Minna
Tel: 066-221070, 223804
GSM: 08057979226, 08023043763
Fax: 066-221652, 222185, 222968

499. Rijau Branch.
Zuru Road, P.M.B. 2116, Rijau
Tel: 067-31441

500. Suleja Branch.
Minna Road, P.M.B. 23, Suleja
Tel: 09-8501513, 8500087, 8501288
Fax: 09-8500280

501. Suleja Aluminium Branch.
Abuja-Kaduna Expressway, Beside Aluminium Village, Suleja

502. Suleja New Market Branch.
IBB Market, Suleja, Niger State
GSM: 08037778702

Ogun State

503. Abeokuta Branch.
95 Obafemi Awolowo Road, P.M.B. 2003, Abeokuta
Tel: 039-245812, 240154, 240952
Fax: 039-241285

504. Abeokuta II Branch.
Onikolobo Road, Abeokuta
Tel: 039-764057, 976457,
GSM: 08052408250

505. Agbara Ind. Estate Branch.
Ilaro Street, P.M.B. 012, Agbara
Tel: 01-7745552, 7712041-3, 7757212
GSM: 08023051490

506. Babcock Cash Centre.
Babcock University, Ilishan-Remo
GSM: 08023107364

507. Ewekoro Branch.
KM 37 Lagos Abeokuta Expressway, Ewekoro
GSM: 08023158078, 08078435107, 08023076911

508. Igbogila Branch.
Sawonjo Road, Igbogila, Yewa North L.G.A. P.M.B. 2015, Abeokuta
GSM: 08056128624

509. Ijebu-Ode Branch.
26 Ibadan Road, P.M.B 2141, Ijebu-Ode
Tel: 037-431378, 434534, 433613, 432382, 037-776103

510. Mosinmi Branch.
NNPC/PPMC Complex, Km 17, Ikorodu Sagamu Road, Mosinmi, c/o Sagamu Branch
Tel: 01-8933430
GSM: 08023227249

511. Mowe Branch.
KM 35, Lagos/Ibadan Expressway, Mowe
GSM: 07029323120

512. Ogbere Branch.
Old Benin Road, P.M.B. 1005, Ogbere
Tel: 037-432031
GSM: 08054343169

513. Olabisi Onabanjo University Cash Centre.
Olabisi Onabanjo University Main Campus
GSM: 08055257593

514. OPIC Cattle Cash Centre.
Oluwanishola Cattle Market, OPIC Estate, Isheri

515. Ota Branch.
Lagos/Abeokuta Expressway, P.M.B. 1036, Ota
Tel: 01-7738834, 01-3053286, 01-8973964, 01-8532121
GSM: 08020557644

516. Ota II Branch.
241, Idiroko Road, Ota, Ogun State
Tel: 01-7614543, 7618854

517. Shagamu Branch.
Akarigbo Street, P.M.B. 2008, Sagamu
Tel: 037-432559, 640701, 776955
GSM: 07027983178
Fax: 037-640331

Ondo State

518. Akure Main Branch.
1 Alagbaka Road, P.M.B. 707, Akure
Tel: 034-231960-1, 243390, 244020, 230228, 240686
GSM: 07030903767

519. Akure Market Branch.
1 Adedipe Street, Off Oba Adesida Street, P.M.B. 629, Akure
Tel: 034-242403, 240243, 243758
GSM: 08033589155

520. Akure Oba Adesida Branch.
4 Iromu Street, Off Oba Adesida Road, Akure
Tel: 037784613

521. Araromi-Obu Branch.
1 College Road, Aloba, P.M.B. 505 Araromi-Obu
GSM: 08034415140, 08034672100

522. Idoani Branch.
1 Olutoye Street, P.M.B. 203, Idoani
Tel: 051-53024
GSM: 08033508855, 08079864873

523. Idanre Branch.
Broad Street, Yaba Quarters, Idanre, Ondo State

524. Igbokoda Branch.
Opposite Forward Naval Base, 30 Broad Street, Igbokoda, P.M.B. 339, Igbokoda
GSM: 08035690656

525. Ikaram-Akoko Branch.
Oyagi Street, P.O. Box 001, Ikaram-Akoko
GSM: 08089528410

526. Ikare Branch.
L21 Ilepa Street, P.M.B. 275, Ikare
Tel: 050-670730, 670445
GSM: 08024625882

527. Ile-Oluji Branch.
1 Old Motor Park, P.M.B. 704, Ile-Oluji
GSM: 08033508855

528. Oka-Akoko Branch.
6 Ikese Quarters, P.M.B. 07, Oka-Akoko
GSM: 08035813032

529. Okitipupa Branch.
1 Royal Road, Idepe, Okitipupa
GSM: 08063114185, 08038409030

530. Akure Oke Aro Branch.
121A, Idanre Road, Akure
GSM: 08032224688

531. Ondo Branch.
Agbogbo-Oke Road, Yaba, Ondo
P.M.B. 550, Ondo
Tel: 034-610313, 610800,
Fax: 034-244838
GSM: 08033781082

532. Ondo II Branch.
Along Adeyemi College of Education, Sabo

533. Ore Branch.
1 Market Road, Sabo Quarters, P.O. Box 55, Ore, Odigbo L.G.A.
GSM: 8138598988

534. Owo Branch.
Idimisasa Street, P.M.B. 1012, Owo L.G.A.
Tel: 051-241423, 241174, 240074
Fax: 051-241006
GSM: 08066915585

Osun State

535. Ede Branch.
117 Station Road, P.M.B. 217, Ede, Osun State
Tel: 035-360175, 360105, 360565, 360138
GSM: 08033619218

536. Erin Osun Branch.
Council Road, Erin-Osun, P.M.B. 5001, Erin-Osun
GSM: 08033955767

537. Ijebu-Jesa Branch.
A59 Oja Street, P.M.B. 1003, Ijebu-Jesa
GSM: 08034720026

538. Ikire Branch.
5 Ode Adie Road, Oja Ale Area, Ikire, Osun State
GSM: 08033823557, 08074356970

539. Ilesa Branch.
Ereja Street, P.M.B. 5016, Ilesa
Tel: 036-460355, 460631
GSM: 08023159015

540. Ile-Ife Branch.
27 Lagere Layout, P.M.B. 5534, Ile-Ife
Tel: 036-233464-5, 230416
Fax: 036-231248
GSM: 08033177361

541. Inisa Branch.
Market Square, P.M.B. 2007, Inisa
Tel: 035-670189
GSM: 08054105583

542. Ipetu-Ijesa Branch.
Palace Square, Oke-Oja. P.M.B. 2003, Ipetu-Ijesa
GSM: 08059374305

543. Ishokun Ilesa Branch.
A 185 Ishokun Road, Ilesa

544. Iwo Branch.
Opposite Bowen University, Oke-Odo, Iwo
GSM: 08033714923

545. Ode Omu Cash Centre.
Gbongan-Oshogbo Road, Ode Omu, Osun State
Tel: 08068097627

546. Osogbo Aiyetoro Branch.
12 Obafemi Awolowo Way, Aiyetoro Osogbo
GSM: 08033841518

547. Oshogbo Gbongan Branch.
Old Coca Cola Gbodofan Road, Osogbo, Osun State
Tel: 036-202281
GSM: 08034720026, 08030822240

548. Oshogbo Okefia Branch.
11, Alekuwodo Road, Okefia, Osogbo
Tel: 035-214882, 035-214883

549. Obafemi Awolowo University Branch.
Road 1, Obafemi Awolowo University, Ile-Ife.
P.M.B. 40 OAU Post Office, Ile-Ife
Tel: 035-209909
GSM: 07098809672, 07098809671, 08034726422, 07027957855

550. Osogbo Branch.
152 Station Road, P.M.B. 301, Osogbo
Tel: 035-230135, 234449, 241355, 243135
GSM: 08033823557

Branch network

Oyo State

551. Ibadan Apata Branch.
SW9/960, Apata Ganga, P.M.B. 5386 Ibadan
Tel: 02-2319937, 2313402
Fax: 02-2310237

552. Awe Branch.
Ife-Odan Road, P.M.B. 1017, Awe
Tel: 038-230663, 240663
GSM: 08033955309, 08083004134

553. Ibadan Bodija Market Branch.
23, Bodija Market, Iso Pako Road, Opposite Police Station, P.M.B. 38, U.I Post Office, Ibadan
Tel: 02-8108070, 7512932
GSM: 08022232003, 08057600278

554. Ibadan Agodi Branch.
Oyo State Secretariat, P.M.B. 5153, Ibadan
Tel: 02-2412981, 8102981, 8107061, 8101231, 8103924, 8102931
GSM: 08057317712

555. Ibadan Amunigun Branch.
Amunigun Street, P.M.B. 5120, Ibadan
Tel: 02-2413616, 2411653
Fax: 02-2411579
GSM: 08025369870

556. Ibadan Bank Road Branch.
Bank Road, Dugbe. P.M.B. 5111, Ibadan
Tel: 02-2413156, 2413042, 2412995, 7514229
Fax: 02-2413659

557. Ibadan Bola Ige-Business Complex Branch.
(Formerly Gbagi Market Branch), Shop D 30, c/o Bank Road Branch, P.M.B. 5111, Ibadan
Tel: 02-7524885, 8108431
GSM: 08023158591

558. Ibadan Eleyele Branch.
Magazine Road, Opp. Evan Publisher, Jericho, Ibadan

559. New Bodija Ibadan Branch.
1 Barakat Shopping Complex, UI – Secretariat Road, Ibadan
GSM: 07028186811, 08023158783

560. I.I.T.A Agency.
c/o Ibadan (Main) Branch, P.M.B. 5111, Ibadan
Tel: 02-2413765, 2411521, 2412995

561. Ibadan Molete Branch.
48 Molete/Challenge Road, Ibadan.
P.M.B. 086, Mapo, Ibadan
Tel: 02-2319784, 2319906
GSM: 08055217677

562. Ibadan Mokola Branch.
3 Queen Elizabeth Road, Mokola Round About, P.M.B. 5040 Dugbe, Ibadan
Tel: 02-4806537, 8721398

563. Ibadan Ojoo Road Branch.
Opposite NISER, U.I./Ojoo Road, Ojoo, Ibadan
Tel: 02-8769612

564. Ibadan Oke Ado Branch.
203 Obafemi Awolowo Way, Oke Ado, Ibadan
Tel: 02-8735384
GSM: 08034660388

565. Ibadan Oluyole Estate Branch.
7, Town Planning Way, Oluyole Industrial Estate, P.M.B. 5181, Ibadan
Tel: 02-2316586
GSM: 08023158258

566. Ibadan Orita Challenge Branch.
Old Lagos Road, P.M.B. 5125, Ibadan
GSM: 08023158989

567. Ibadan Polytechnic Branch.
Sango/Polytechnic Road, Beside Polytechnic South Campus gate, Ibadan
GSM: 08023158258, 07029912400

568. Ibadan U.I Branch.
P.M.B. 128, U.I. Post Office
Tel: 02-7517195, 8103902, 7517186
GSM: 08023158312, 08023157375, 08023157541

569. Ibadan Iwo Road Branch.
59, Iwo Road, Ibadan
Tel: 02-8104385, 713680-1
GSM: 08034239611

570. Ibadan Ring Road Branch.
15 M.K.O. Abiola Way, Ring Road, Ibadan
GSM: 08086913065

571. Ibadan Town Planning Branch.
Mogaji Aare Close Ring Road

572. Iseyin Branch.
10/12 Oremoje Area, Saki Road, P.M.B. 2020 Iseyin
GSM: 08052171639, 07055339236

573. Ogbomoso Branch.
Akinwale Street, Ilorin Road, Tackie Square, P.M.B. 3591, Ogbomoso
Tel: 28716554
GSM: 08033565502

574. Olorunsogo Akaran Branch.
Sawia, Olorunsogo Akanran Road, Off Lagos-Iwo Road, Expressway, Ibadan
GSM: 08052032237, 08023611662

575. Okeho Branch.
Ijo Quarters, Near Okeho Town Hall, Okeho.
GSM: 08053243806

576. Oko Branch.
Osogbo Road, P.M.B. 4008, Ejigbo
GSM: 08055335129, 08023157542

577. Oyo Branch.
Asogo Street, P.M.B. 1002, Oyo
Tel: 038-230437, 230108, 240108
GSM: 08023283654

578. Oyo II Branch.
Owode Junction, Oyo/Ibadan Expressway-Ogbomosho Road, P.M.B. 1005 Oyo
Tel: 07029033118

579. University College Hospital (UCH) Branch.
Opposite Water Treatment Plant, University College Hospital
GSM: 08055994901, 07029811091

580. Saki Branch.
Sango Road, Ajegunle, Saki
Tel: 038-900015
GSM: 08055000855, 08033704412, 08056515346

Plateau State

581. Amper Agency.
c/o Mangu Branch, P. O. Box 60, Mangu

582. Barkin-Ladi Branch.
Block 25 A&B, State Low Cost, P.M.B. 2007, Barkin-Ladi
Tel: 023-92002
GSM: 08036095958

583. Bassa Branch.
Bassa Local Government Secretariat Road, By 3 Division HQ Maxwell Khobe Cantonment, Rukuba Bassa, P.O. Box 1377, Bassa
Tel: 073-464829
GSM: 08034534309

584. Bukuru Branch.
31 Bukuru Road, P.M.B. 2002, Bukuru
Tel: 073-280807, 280273

585. Bukuru Police College Agency.
Police College Bukuru, P.M.B 02, Bukuru

586. Jos Farin Gada Branch.
1 Farin Gada Road, Jos-Bauchi Bye-pass, Jos
GSM: 08088592951

587. Jos Gov. Sect. Branch.
c/o Govt. Secretariat, Jos
Tel: 073-464706, 464770, 464796
GSM: 08037030156

588. Jos Main Branch.
Bank Street, P.M.B. 2027, Jos
Tel: 073-452302, 452245, 452546, 459654, 452733
GSM: 08023015650
Fax: 073-452961

589. Jos Market Branch.
Market Road, P.M.B. 467, Jos
Tel: 073- 453933, 451194
GSM: 08034504497
Fax: 073-457629

590. Jos Unijos Branch.
2 Bauchi Road Campus. c/o P.M.B. 2027, Jos
Tel: 073-610592, 458556
GSM: 08036002859

591. Kurgwi Branch.
c/o Lafia Branch, P.M.B. 5, Lafia
GSM: 08034869381

592. Katako Market Branch.
78 Mallam Kure Street
GSM: 0806128812

593. Langtang Branch.
Jos Road, Opposite PHCN, Langtang
Tel: 08036849682

594. Mangu Branch.
P.O. Box 60, Mangu
GSM: 08036068496

Rivers State

595. Bonny Branch.
2 New Road, Bonny
Tel: 084-270123, 270153
Fax: 084-270671, 270152
GSM: 08058522484, 08033905597

596. Bonny Hospital Road Branch.
24, Hospital Road, Bonny Island
Tel: 084-270136-8
Fax: 084-270153
GSM: 08033416164, 08054960892

597. Bonny NLNG Branch.
NLNG Residential Area, Bonny
Tel: 084-232900 Ext 493, 332150
Fax: 084-332110
GSM: 08053345173, 08023143065

598. Choba Branch.
206, Uniport Road, Choba, Port Harcourt
Tel: 084-897558, 895648
GSM: 08052360613

599. Onne Branch.
FLT Onne Road, Opposite Intels Camp (OGFZA), PMB. 6197, Onne
Tel: 084-898211
GSM: 08033118685

600. Omoku Branch.
54 Ahoada Road, Omoku
Tel: 084-803050, 084-803045

601. Port Harcourt Abuloma Road Branch.
127 Abuloma Road, Port Harcourt
Tel: 084-460238, 084-460239, 084-460240

602. Port Harcourt Artillery Branch.
258 Aba Road, Artillery, Rumuogba, Port Harcourt
Tel: 084-465684-90

603. Port Harcourt Agip Round About Branch.
Plot 247, Ikwerre Road, Agip Round About
GSM: 08023450040

604. Port Harcourt Ahoada Branch.
20B Abua Road, Ahoada
Tel: 08027536430

605. Port Harcourt Diobu Branch.
33 Ikwerre Road, Diobu, P.O. Box 5007, Port Harcourt
Tel: 084-232266-9, 749923, 232766
GSM: 08023127017, 08035666660
Fax: 084-232268

606. Port Harcourt Eliozu Branch.
1 Peace Avenue Off East West Avenue Road, Eligbolo, Port Harcourt
Tel: 08054476094, 08052410603

607. Port Harcourt Garrison Branch.
1, Agudama Avenue, D Line, Port Harcourt
Tel: 084-23600-2, 486198, 443678, 463698
Fax: 084-236000
GSM: 08034545222, 08054476085

608. Port Harcourt Main Branch.
22/24 Aba Road, Port Harcourt.
Tel: 084-232407, 232644, 231789 232492, 232731, 234277, 465115, 232718
Fax: 084-233005
GSM: 08033240555

609. Port Harcourt Oginigba Branch.
9 Trans Amadi Slaughter Road, Oginigba, Port Harcourt
Tel: 084-460234, 084-460233, 084-460232, 084 460231

610. Port Harcourt Olu Obasanjo Road Branch.
Plot 346, Olu Obasanjo Road, Port Harcourt.
P.M.B. 5405 Port Harcourt
Tel: 084-465468, 465098, 230251, 230253, 230262-3
Fax: 084-238529, 464226
GSM: 08033091190, 08023070060

611. Port Harcourt Oyigbo Branch.
Location Road, Oyigbo
Tel: 084-802771, 802772

612. Port Harcourt Rumuokoro Branch.
No. 4 East-West Road, Rumuokoro P.M.B. 7099, Port Harcourt, Rivers State
Tel: 084-901666, 084-901667

613. Port Harcourt Rumuola Branch.
77 Rumuola Road, Rumuola, Port Harcourt
Tel: 084-464475
GSM: 08037050097, 08036726973

614. Port Harcourt Rumuokwurusi Branch.
315, P/H/Aba Road (Izzi House), P.M.B. 5736, Port Harcourt
Tel: 084-612383, 612663
Fax: 084-612660
GSM: 08033091193

615. Port Harcourt Rumuomasi Branch.
1 Old Aba Road, Rumuomasi, P.O. Box 646, Port Harcourt
Tel: 084-463881

616. Port Harcourt Station Road Branch.
1 Station Road, Port Harcourt, P.M.B. 5007, Port Harcourt
Tel: 084-572852, 233597-8, 236732, 233600
Fax: 084-233598, 233597
GSM: 08027339732, 08037864838, 08033126780, 08024948832

Branch network

617. Port Harcourt Harbour Road Branch.
1, Harbour Road, P.M.B. 6197, Port Harcourt.
Tel: 084-769921, 084-492292
GSM: 08053345173

618. Port Harcourt Trans-Amadi Branch.
Plot 745, Trans-Amadi Ind. Estate,
P.M.B. 5865, Port Harcourt
Tel: 084-233780, 461275, 461276, 231453
Fax: 084-461276
GSM: 08033039279

619. Port Harcourt Woji Branch.
65 Woji Estate Road, Woji, Port Harcourt
Tel: 084-460228, 084-460229, 084-460230

620. Port Harcourt Wimpey Branch.
Plot 52, Wimpey Road, Off Ada George,
Port Harcourt
Tel: 084-751124, 751123

621. Port Harcourt Shell Branch.
Shell Complex, Port Harcourt
Tel: 084-421967, 422693
GSM: 08033384601

Sokoto State

622. Sokoto Dan Fodio Branch.
456 Abdullahi Fodio Road, P.M.B. 2116, Sokoto
Tel: 060-232130, 232967
Fax: 060-231978, 234369
GSM: 08033647662, 08065467063

623. Gidan Madi Agency.
c/o Sokoto (Main) Branch, P.M.B. 2116, Sokoto

624. Illeila Branch.
Birnin Konni Road, c/o Sokoto (Main) Branch,
P.M.B. 2116, Sokoto
GSM: 08069792596, 08054719820,
08065718623

625. Rijiya Branch.
Along Sultan Abubakar Road, Sokoto
GSM: 08034531118, 08028642127

626. Sokoto Main Branch.
Kano Road, P.M.B. 2160, Sokoto
Tel: 060-231251, 231235, 232967, 237483
GSM: 08065467063, 08033647662
Fax: 060-231978, 234369

627. Tambawal Branch.
Opposite Health Centre, P.M.B. 1082, Tambawal
Tel: 060-550378
GSM: 08022808781
Fax: 060-550378

Taraba State

628. Bambur Branch.
c/o Yola (Main) Branch,
P.M.B. 2050, Yola

629. Jalingo Branch.
7 Hammaruwa Way, P.M.B. 1095, Jalingo
Tel: 079-222098, 223244
GSM: 08035920281

630. Karim Lamido Branch.
Ahmadu Street, Karim Town, Karim L.G.A.
P.M.B. 4, Yola
GSM: 08033522312

631. Lau Branch.
P.M.B. 4, Lau

632. Mayo Ndaga Branch.
c/o Yola (Main) Branch, P.M.B. 2050, Yola

633. Zing Branch.
Opposite Zing Local Government Secretariat,
P.O.Box 12, Yola
GSM: 08037403976, 08065893813

Yobe State

634. Damaturu Branch.
Gashua Road, P.M.B. 1009, Damaturu
Tel: 076-522980, 522545
Fax: 076-522543
GSM: 08023234970

635. Buni Yadi Branch.
Biu/Damaturu Road, Buni Yadi Town,
Gujba L.G.A., Yobe
GSM: 08060549298

636. Damagun Agency.
c/o Damaturu Branch, Gashua Road,
P.M.B. 1009, Damaturu
Tel: 076-522980
Fax: 076-522545

637. Gashua Branch.
Opposite Main Market, P.M.B. 04, Gashua
Tel: 081-22768681
GSM: 08065452330

638. Geidam Branch.
Commercial Area, Geidam, Geidam L.G.A.,
P.M.B. 12, Nguru
Tel: 081-69306063
GSM: 08036549262

639. Jakusko Cash Centre.
Gashua Road, Opp. Jameel Filling Station, Jakusko
Tel: 081-22768681

640. Machina Agency.
4 Bakin Kasuwa, Hausari Quarters, Machina
GSM: 08037669966

641. Nangere Branch.
Sabon Gari Nangere, Opposite Police Station

642. Nguru Branch.
Ali Kahtan Road, P.M.B. 12, Nguru
Tel: 076-740255, 420485
GSM: 08037051976

643. Potiskum Branch.
Ibrahim Alkali Road, P.M.B. 46, Potiskum
Tel: 076-420042
GSM: 08023272288, 08034390011

Zamfara State

644. Anka Branch.
Daki Takwas Road, P.M.B. 1003, Anka
Tel: 063-36139, 200243, 203202
GSM: 08065547393, 08025905651
Fax: 063-202261

645. Bakura Branch.
Opposite Bakura Central Mosque,
Bakura, Zamfara State
GSM: 08075337080, 08069224522

646. Gummi Branch.
Opposite L.G.A. Secretariat, P.M.B. 02, Gummi
Tel: 063-73163, 73168
GSM: 08034725916, 08020005328

647. Gusau Branch.
Canteen Area, P.M.B. 1019, Gusau
Tel: 063-200243, 203202, 202102
Fax: 063-202261
GSM: 08036067470, 08023158358

648. Kaura Namoda Branch.
Gusau Road, P.M.B. 1002, Kaura Namoda
Tel: 063-60173
GSM: 08065240725, 08082381842

649. Talata Mafara Branch.
Along Sokoto Gusau Road, Talata Mafara
GSM: 08067234644

650. Shinkafi Branch.
Isa/Gusau Road, P.M.B. 02, Shinkafi
GSM: 08082385781

Shareholder information

In this section

Shareholder information

Global depositary receipts (GDR) programme

FirstBank commenced a USD100 million GDR programme in May 2007.

A GDR is a negotiable certificate representing ownership of shares. It is held by a depositary bank and represents a specific number of shares of a stock traded on an exchange of another country. GDRs are quoted, traded and dividends paid in US dollars. GDRs facilitate the trading and holding of non-US securities by foreign investors.

At inception of the programme 7,700,400 units were created, with each unit represented by 50 units of FirstBank ordinary shares. Over the years, several investors in the programme have converted their holdings in GDR to nominal FirstBank shares for the purpose of trading in the Nigerian equity capital market. Currently, there are 59,529 units outstanding.

As at 31 December 2011, the closing price of the FirstBank GDR at the Over the Counter market was USD2.75.

Share statistics

	2011	2010
Market indicators		
NSE all share index	20,730.63	24,770.15
Share statistics		
Share price		
High for the year ₦	16.12	16.53
Low for the year ₦	7.95	10.60
Closing ₦	8.90	13.73
Shares traded		
Number of shares (million)	5,955	6,128
Value of shares (₦ million)	72,944	77,914

Dividend history

Ten-year dividend and unclaimed dividend history as at 31 December 2011

S/S	Div type	Year end	Date cleared	Total div amt (N)	Div per share	Net div amt unclaimed	% Net div amt unclaimed
44	final	31 Mar 2000	30 Jul 2001	2,113,785,913.20	1.30	106,202,756.95	5.02
45	final	31 Mar 2001	08 May 2002	2,640,065,847.90	1.30	117,879,141.33	4.47
46	final	31 Mar 2002	08 Apr 2003	3,811,263,675.00	1.50	140,724,858.23	3.69
47	final	31 Mar 2003	23 Aug 2004	5,513,901,111.80	1.55	146,451,765.76	26.6
48	final	31 Mar 2004	29 Aug 2005	6,403,122,540.00	1.60	185,751,008.67	29.0
49	final	31 Mar 2005	28 Aug 2006	5,239,237,558.00	1.00	206,144,968.80	3.93
50	final	31 Mar 2006	09 Mar 2007	10,479,845,385.00	1.00	647,540,628.88	6.18
51	final	31 Mar 2007	24 Aug 2008	21,481,234,960.68	1.20	883,796,884.84	4.11
52	final	31 Mar 2009	24 Aug 2009	30,207,986,658.90	1.35	2,330,203,873.56	7.71
53	final	31 Dec 2009	31 May 2010	2,610,566,748.54	0.10	588,738,202.16	22.6
54	final	31 Dec 2010	06 Jun 2011	17,621,325,552.24	0.60	1,732,044,488.30	9.83

Shareholding structure as at 31 December 2011

Type of shareholding	Percentage held
Retail	57.27
Institutional	32.18
Foreign	8.46
Government related holdings	2.09
	100

2012 FirstBank financial reporting calendar

Date	Event
Tuesday 17 April	Release of FY 2011 results on the floor of the NSE
Wednesday 18 April	Publication of FY 2011 results in dailies
Wednesday 2 May	Release of Q1 2012 results on the floor of the NSE
Thursday 3 May	Publication of Q1 2012 results in dailies
Thursday 3 May	FY 2011 and Q1 2012 results conference call
Thursday 31 May	Annual General Meeting, Lagos
Tuesday 24 July	Release of H1 2012 results on the floor of the NSE
Wednesday 25 July	Publication of H1 2012 results in dailies
Thursday 2 August	H1 2012 results conference call
Tuesday 23 October	Release of 9M 2012 results on the floor of the NSE
Wednesday 24 October	Publication of 9M 2012 results in dailies
Thursday 1 November	9M 2012 results conference call

Shareholder information

Share capitalisation history

Year	Authorised Increase (₦)	Authorised Cumulative (₦)	Paid up Increase (₦)	Paid up Cumulative (₦)	Cumulative no. of shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 Jul 1976	-	15,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 Jul 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 Jul 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 Jul 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 Jul 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 Jul 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 Jul 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 Jul 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 Jul 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 Jul 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 Jul 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Plc shares issued in exchange for minority shares in FBN merchant bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Plc shares issued to majority shareholders in FBN merchant bank arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
1 Jul 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of members of FIRST BANK OF NIGERIA PLC will be held at the Expo Hall, Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday 31 May 2012 at 10.00 am to transact the following:

Ordinary business:

1. To receive the audited accounts for the year ended 31 December 2011 together with the reports of the Directors, Auditors and Audit Committee thereon;
2. To declare a dividend;
3. To elect Directors;
4. To approve the remuneration of Directors;
5. To authorise the Directors to fix the remuneration of the Joint Auditors; and
6. To elect members of the Audit Committee.

Special business:

7. To consider, and if thought fit, approve the following as a special resolution to alter the Articles of Association of the Company:

   a) that Article 6 of the Articles of Association of the Company be and is hereby amended by the deletion of the phrase '**The holders of ¾ of the issued shares of any class of shares**' and the substitution therefore of the following phrase '**In accordance with the Act, the shareholders of the Company**'.

   b) that Article 132 of the Company's Articles of Association be and is hereby amended as follows:

      i. The words '**and or electronic**' should be inserted after the word '**printed**' on line 6;

      ii. The existing Article 132 be renumbered as Article 132 (a);

      iii. A new Article 132 (b) be inserted as follows:

      'Electronic copy means a method of electronic communication, which includes, but is not limited to, facsimile, electronic data message (including but not limited to e-mail), bulletin board communications, internet websites, ms-word, excel spreadsheet, print portable document file (pdf), hypertext mark-up language (html) or similar text displayed via a web browser, electronic data interchange (EDI), compact disc, memory stick and computer network communications'

Proxy

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy should be duly stamped at the Stamp Duties Office and deposited at the registered office of the Company or the Office of the Registrar, Plot 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.

Dividend warrants

If the dividend recommended by the Directors is approved by members at the Annual General Meeting, the dividend warrants will be posted on 4 June 2012 to members whose names appear in the register of members at the close of business on Friday 27 April 2012.

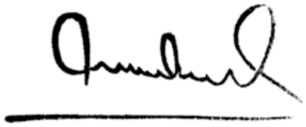
Closure of register of members

The register of members and transfer books of the Company will be closed from 30 April to 4 May 2012 (both dates inclusive) for the purpose of payment of dividend.

Note

Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

BY ORDER OF THE BOARD



Tijjani Borodo
Company Secretary
35 MARINA, LAGOS

Dated this 29th day of March 2012

Proxy form

First Bank of Nigeria Plc (RC 6290)

43rd Annual General Meeting to be held at the Expo Hall, Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday 31 May 2012 at 10.00 am.

*'I/We ....

(Name of Shareholder in block letters)

The undersigned, being a member/members of the above named Company, hereby appoint the Chairman of the meeting or failing him

.... as my/our Proxy to vote

for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 May 2012 and at any adjournment thereof.'

Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2012

Signature ....

Notes:

1. This form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the Registrar, **First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos**, not later than 48 hours before the time for holding the meeting.
2. Where the appointor is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. This proxy will be used only in the event of poll being directed, or demanded.
4. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
5. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office, and not adhesive postage stamps.

I/We desire this proxy to be used in favour of/or against the resolution as indicated below.

Resolution	For	Against
1) To receive the audited accounts, Directors', Auditors' and Audit Committee's Reports		
2) To approve a dividend		
3) To elect Directors		
4) To approve the remuneration of Directors		
5) To authorise the Directors to fix the remuneration of the Joint Auditors		
6) To elect members of the Audit Committee		
7) To approve a special resolution to alter the Articles of Association of the Company		

Please indicate with 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form please tear off this part and retain it for admission to the meeting.

Admission form

First Bank of Nigeria Plc (RC 6290)

43rd Annual General Meeting to be held at the Expo Hall, Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday 31 May 2012 at 10.00 am.

*Name of Shareholder ....

....

*Name of Proxy ....

....

If you are unable to attend the meeting

A member (shareholder) entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of him. A Proxy need not be a member. The above proxy form has been prepared to enable you exercise your right to vote.

Important

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person whether a member of the Company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

1. Complete, sign and date the form
2. Fill out all compulsory(*) fields
3. Fill in CAPITAL LETTERS

First Registrars

E-products

E-products activation form

You need not worry about the safety of your shares anymore, simply stay aboard with our e-products and services.

E-share notifier SMS alert on transactions that occur on your share account (AGM & EGM, dividend payments, bonuses, Debits/ Credits etc.)

Online access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend info etc.

M-access Smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts N20/SMS by network operator.

Instruction

Please fill in the form and return to the address below:

The Registrars
First Registrars Nigeria Ltd, 2 Abebe Village Road, Iganmu, P.M.B. 12692, Lagos, Nigeria.

Shareholder Account Information

Surname* First Name* Other Names

Address Line 1*

Address Line 2

City State* Country

GSM No (Mobile)* GSM No (Telephone)*

Email Address*

Signature(s)* Corporate Stamp/Seal*

Charges:

Individual:	₦1,000 per annum/product
Corporate bodies:	₦2,000 per annum/product

Please tick (✓) the product(s) you are activating.
All payments should be made into each product's account number respectively:

- [ ] E-share Notifier activation Account No. 2013302579
- [ ] Online access activation Account No. 2013798370
- [ ] M-access activation Account No. 2011760908

in any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

Stockbroker e-lodgement activation form (First Bank of Nigeria Plc)

To:
The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu, P.M.B. 12692
Marina, Lagos
Nigeria

Seamless access to all lodgements to First Registrars and those items verified and sent to CSCS.

For Stockbrokers only

Important! The form should be completed in CAPITAL LETTERS using a black or dark blue ballpoint/fountain pen. Characters and numbers should be similar in style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 0 1 2 3 4 5

Please fill in the form and return to the address above.

Name of Stockbroker ....

Address ....

....

....

....

Mobile Phone ....

Email ....

Authorised Signatory/Seal ....

Activation Fee:

₦25,000 per annum

Note

All payments should be made to Account No. 1912030017727 in any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

Glossary of ratios

Ratio		Basis of computation
Average cost of deposits	=	Interest expense / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average no of shares in issue
Cost of borrowed funds	=	Expense on borrowed funds/average other borrowings (opening + closing)/2
Cost of funds	=	Interest expense/average interest bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings/average interbank takings (opening + closing)/2
Cost of interest bearing liabilities	=	Interest expense / Average interest bearing liabilities (opening + closing balances)/2
Cost of managed funds	=	Expense on managed funds/liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio (1)	=	Total cost (interest expense, operating cost before loan loss expense) / Gross earning
Cost to income ratio (2)	=	Total overhead cost (operating cost including loan loss expense) / Total net revenue
Debt to capital	=	Long-term debt / Long-term debt + equity
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt/total shareholders' funds
Interest earning assets	=	Due from other banks + Treasury Bills + trading securities (bonds) + loans and advances
Leverage ratio	=	Total assets/total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans - loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income - (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit	=	Profit before taxation (PBT)
Operating profit margin	=	Operating profit / Gross earnings

Glossary of ratios

Ratio		Basis of computation	
Provisioning level	=	$\frac{\text{Total provision}}{\text{Total NPL}}$	
Return on average assets	=	$\frac{\text{PAT}}{\text{Average total assets}}$	x 100
Return on equity	=	$\frac{\text{PAT}}{\text{Shareholders' fund}}$	
Risk asset ratio	=	$\frac{\text{Total loans}}{\text{Total assets}}$	
Risk-weighted assets*	=	Assets x weight of risks x 100	
Tier 1 ratio	=	$\frac{\text{Total tier 1 capital}}{\text{Risk weighted assets}}$	x 100
Tier 2 ratio	=	$\frac{\text{Total tier 2 capital}}{\text{Risk weighted assets}}$	x 100
Total capital adequacy ratio	=	$\frac{\text{Total qualifying capital}}{\text{Risk weighted assets}}$	
Yield on interest earning assets	=	$\frac{\text{Interest income}}{\text{Average interest earning assets}}$	

*Risk asset is computed using risk weights supplied by CBN/Basel.

Total Qualifying Capital

Total qualifying capital is tier 1 capital less goodwill, other intangible assets and deferred losses, plus tier 2 capital less investments in unconsolidated subsidiaries and associates.

Tier 1 capital

Ordinary shares

Share premium

General reserves

Reserve for small scale industries

Other reserves

Retained profit and loss

Audited profit approved by CBN

Tier 2 capital

Fixed asset revaluation reserves

Forex revaluation reserves

General provisions

Minority interest

Hybrid capital instrument

Preference shares

Debenture stock

Abbreviations

AC	Audit Committee
AGM	Annual General Meeting
ALCO	Assets & Liabilities Management Committee
ALM	Asset and Liability Management
AMCON	Asset Management Corporation of Nigeria
AML	Anti Money Laundering
AOM	Area Operations Manager
ATM	Automated teller machine
AUM	Assets under management
BARAC	Board Audit & Risk Assessment Committee
BC	Board Committee
BCC	Board Credit Committee
BDM	Business Development Manager
BDO	Business Development Office
BEC	Board Establishment Committee
BFGP	Board Finance and General Purpose Committee
BGC	Board Governance Committee
BGCI	Board Governance Committee (in attendance)
BIC	Banque Internationale de Crédit SARL
BOFIA	Bank and Other Financial Institutions Act
BOM	Branch Operations Manager
BPC	Board Promotions and Disciplinary Committee
BT	Board Tenders Committee
BU	Business Units
CAAP	Control Administrative and Accounting Procedure
CACS	Commercial Agriculture Credit Scheme
CAGR	Cumulative Annual Growth Rate
CAM	Classified Assets Management
CAP	Credit Analysis & Processing
CAR	Capital adequacy ratio
CASA	Current and savings accounts
CBG	Corporate Banking Group
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CCTV	Closed-Circuit Television
CEO	Chief Executive Officer
CFT	Countering the Financing of Terrorism
COE	Centre of Excellence
COSO	Committee of Sponsoring Organisation
COT	Commission on turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRRg	Collateral Risk Rating
CRR	Cash Reserve Requirement
CRSA	Control Risk Self Assessment
CSCS	Central Securities Clearing System
CSR	Corporate social responsibility
DRCe	Disaster Recovery Centre
DRC	Democratic Republic of Congo
EAR	Earnings at risk
ECA	Export Credit Agencies
ECM	Equity capital markets
ED	Executive Director
EME	Emerging Market Economies
EMTS	Emerging Markets Telecommunication Services (Etisalat)
EPS	Electronic Payment System
EVP	Executive Vice President
EVPs	Employee Value Propositions
EVS	Employee Volunteering Scheme
EXCO	Executive Committee
FBN BDC	FBN Bureau de Change Ltd
FBN MB	FBN Microfinance Bank Ltd
FBN UK	FBN Bank (UK) Ltd
FCT	Federal Capital Territory
FFL	First Funds Ltd
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRNL	First Registrars Nigeria Ltd
FRR	Facility Risk Rating
FSA	Financial Services Authority
FSRCC	Financial Sector Regulatory Coordinating Committee
FTNL	First Trustees Nigeria Ltd
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global depositary receipt
GMD	Group Managing Director
HCMD	Human Capital Management and Development
HNI	High net worth individual
HR	Human Resources

Abbreviations

IBAM	Investment Banking and Asset Management
IBG	Institutional Banking Group
ICAFAS	Internal Control & Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGRC	Integrated Governance, Risks and Compliance
IMF	International Monetary Fund
ISF	Information Security Forum
ISMD	Information Security Management Department
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information Technology
ITF	Industrial Training Fund
JAMB	Joint Admissions and Matriculation Board
KPI	Key Performance Indicator
KRI	Key risk indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
L&D	Learning and Development
LAD	Loans and advances
LASACS	Large Scale Agricultural Credit Scheme
LASG	Lagos State Government
LEAP	League of Abiriba Professionals
M&A	Mergers & Acquisitions
MBC	MBC International Bank
mb/d	Million barrels a day
MCC	Management Committee Credit
MCG	Management Committee General
MDAs	Ministries, departments and agencies
MENA	Middle East and North Africa
MFBs	Microfinance Banks
MGC	Management General Committee
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRAC	Management Risk and Assessment Committee
MRPC	Market Risk Policy Committee
₦	Naira
NAICOM	National Insurance Commission
NBS	National Bureau of Statistics
NDDC	Niger Delta Development Commission
NDIC	Nigeria Deposit Insurance Corporation

NESG	Nigeria Economic Summit Group
NGN	Nigerian naira
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
OFR	Officer of the Federal Republic
OPEX	Operating expenditure
OPL	Open Position Limit
ORM	Operational Risk Management Division
ORMC	Operational Risk Management Committee
ORR	Obligor Risk Rating
OTC	Over The Counter
P&L	Profit and Loss Account
PAT	Profit after tax
PBOC	People's Bank of China
PBT	Profit before tax
PDCA	Plan–Do–Check–Act
PFA	Pension fund administrator
PFMS	People First Management System
PFP	Pay for Performance
PFR	Pay for Role
POS	Point of sale
PPP	Public Private Partnership
PSQA	Process and Service Quality Assurance
PSS	Public Sector South
QSP	Quick service points
RCSA	Risk Control Self Assessment
RDAS	Retail Dutch Auction System
RICO	Resident Internal Control Officer
RMA	Relationship Management Application
RMD	Risk Management Directorate
RMU	Remedial Management Unit
ROE	Return on Equity
ROM	Regional Operations Manager
RSA	Retirement Savings Accounts
RTGS	Real Time Gross Settlement System
SAS	Statistical analysis software
SBU	Strategic Business Unit
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SLD	Specialised Lending Department
SME	Small and Medium Enterprises
SMEEIS	Small and Medium Enterprises Equity Investment Scheme

SMIEIS	Small and Medium Industries Equity Investment Scheme
SPV	Special Purpose Vehicles
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
TLP	Total Loan Portfolio
TSR	Total Shareholder Return
UAE	United Arab Emirates
VaR	Value At Risk
VAT	Value Added Tax
WAEC	West African Examinations Council
WARR	Weighted Average Risk Rating
WDAS	Wholesale Dutch Auction System

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