

RICH HERITAGE BRIGHT FUTURE



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The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other financial services' sector on 26 November 2012 and has issued and fully paid-up share capital as 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396).

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Merchant Banking and Asset Management¹, Insurance and Other Financial Services².

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

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- Other Financial Services business includes the Group's non-operating holdings company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the balance sheet comparison relates to the corresponding position at 31 December 2014. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

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

¹ Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

² Other Financial Services will no longer be classified as one of the main operating companies following the sale of the Microfinance business, which is classified under this category.

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INTRODUCTION

The overall vision of FBNBank UK is to continue to be the first choice UK and European bank for Africa, offering excellent service to African countries by leveraging strength of the FirstBank Group.

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OVERVIEW

Who we are

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

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

How we are structured

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

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

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

FBN HOLDINGS PLC (FBNHoldings)



COMMERCIAL BANKING

First Bank of Nigeria Ltd
FBNBank (UK) Ltd
FBNBank DRC Ltd
FBNBank Ghana Ltd
FBNBank The Gambia Ltd
FBNBank Guinea Ltd
FBNBank Sierra Leone Ltd
FBNBank Senegal Ltd
First Pension Custodian Nigeria Ltd
FBN Mortgages Ltd



MERCHANT BANKING AND ASSET MANAGEMENT¹

FBN Merchant Bank Ltd
FBN Capital Ltd
FBN Trustees Ltd
FBN Capital Asset Management Ltd
FBN Funds Ltd
FBN Securities Ltd



INSURANCE

FBN Insurance Ltd
FBN General Insurance
FBN Insurance Brokers Ltd



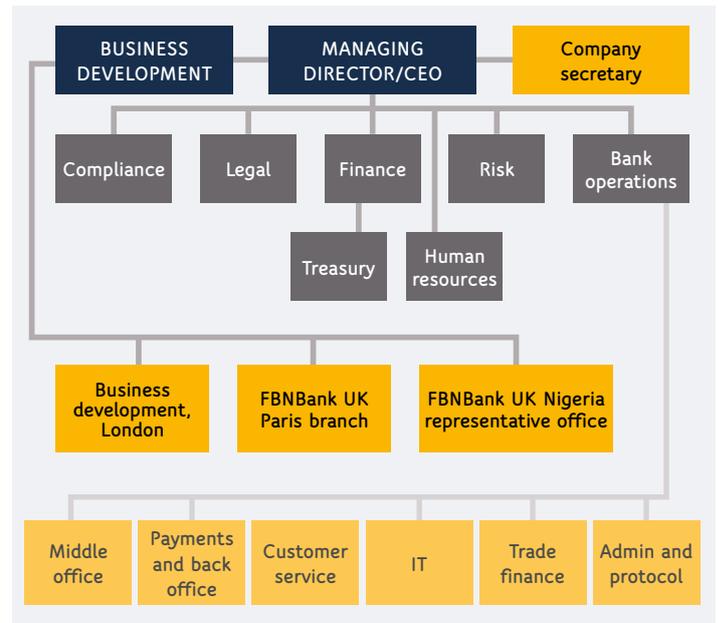
OTHER FINANCIAL SERVICES²

FBN Microfinance Bank Ltd

¹ Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

² Other Financial Services will no longer be classified as one of the main operating companies following the sale of the Microfinance business, which is classified under this category.

FBNBANK UK BUSINESS STRUCTURE



Business model summary

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

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

Strategic summary

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

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

Regulators continued to introduce stringent regulatory requirements in our operating environment in 2015 to combat the causes of the previous financial crisis. New regulatory rules are being introduced in phases and, when fully implemented, these requirements will place more emphasis on capital and liquidity ratios. We will continue with our conservative approach of aligning our business to conform to these requirements.

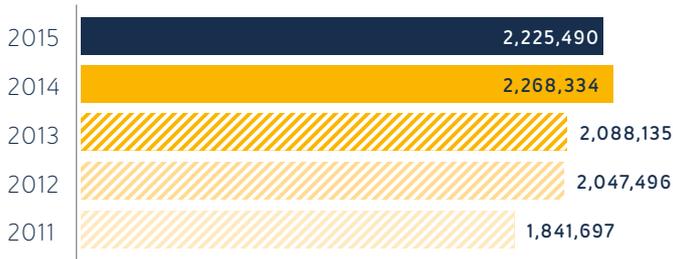
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PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

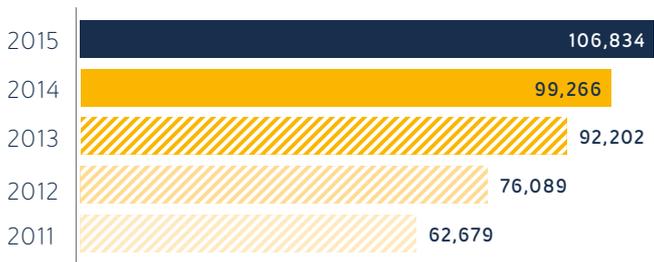
Total assets (£'000)

-1.89%



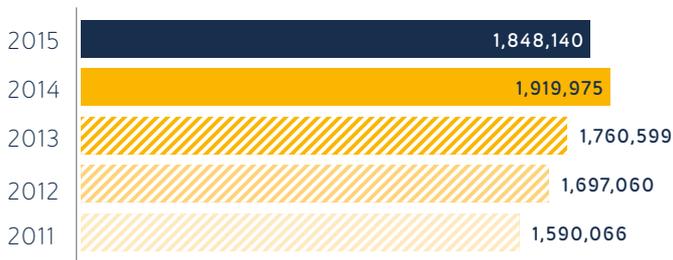
Five-year summary of gross earnings (£'000)

+7.62%



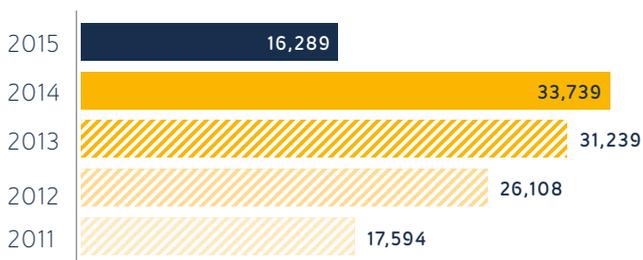
Five-year summary of deposit liabilities (£'000)

-3.74%



Five-year summary of profit before tax (£'000)

-51.72%



NON-FINANCIAL HIGHLIGHTS

Conduct risk culture and corporate values

The last 12 months have continued to see some significant regulatory changes in the UK banking industry.

To ensure that we remain proactive, and not reactive, to such changes, we have a number of measures to enhance our commitment to our customers.

We have always been committed to treating our customers fairly and have a Treating Customers Fairly (TCF) & Conduct Risk Committee to oversee the application of the TCF principles. The objective of the TCF & Conduct Risk Committee is to regularly review and monitor the application of the TCF principles and of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers.

The Committee also monitors the application of our Conduct Risk Policy, which is to 'deliver fair, transparent and appropriate outcomes to its customers and counterparts and preserve market integrity at all times'. To demonstrate the embedding of conduct risk into our organisation, we issue a monthly conduct risk newsletter to all employees that provides a summary of the latest regulatory conduct risk issues and developments.

We also provide regular online TCF and conduct risk training for employees, who must pass a test to demonstrate their understanding of this important area. In addition, a number of employees are provided with face-to-face training on TCF and conduct risk, as well as other key areas including anti-money laundering and anti-bribery and corruption.

The Code of Conduct was updated during the year and distributed to all employees, who had to agree that they had 'read and understood' the updated content. The Code of Conduct provides a set of guiding principles intended to assist employees in their daily decision-making, as how we behave forms the character of our Company and dictates how others see us and whether they will want to do business with us.

We continue to embed our corporate values, which remain at the heart of our business. They are the drivers of our corporate culture and the basis of everything we do. These values will guide our behaviour and define the type of organisation that we want to be.

Service delivery and operational efficiency

During the year, FBNBank UK delivered products and services to its customers in a highly cost-effective manner, while maintaining the high quality of its products, services and support. We have been able to streamline FBNBank UK's core processes and strategy to respond effectively to continually changing market conditions. As part of this initiative, FBNBank UK continues to enhance its main banking system, to achieve efficiency in its internal processes and to improve general customer experience.

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Systems efficiency and effectiveness

The Bank keeps upgrading its technology to have an efficient working environment. The internal banking software was further enhanced in 2015 to support operations, particularly to facilitate improvement in securities and loan administrations. The robust banking software has been hugely advantageous to FBNBank UK, in the sense that it has made internal processing systems more efficient; it is more up to date and in line with other technological advances in the banking system. The system is also more tailored to FBNBank UK's current banking needs, with its functionality adaptable to its future requirements.

Customer satisfaction

As a new initiative for FBNBank UK, we carried out an online survey to gauge customer experiences with us. Feedback from the survey showed a high level of customer satisfaction with our product offerings and service delivery. FBNBank UK's business managers travelled extensively to meet with customers, especially in Africa and other parts of the world, enabling them to gain a better understanding of customer needs and requirements, while also fully assessing the associated risks.

Staff empowerment and performance management

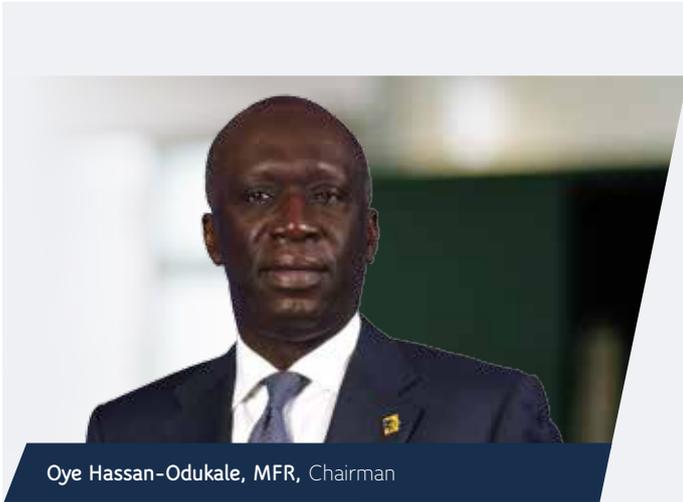
FBNBank UK continues to take a lead in staff empowerment and performance management. The performance management scheme (PMS) is the framework linking individual employee performance to the Bank's business strategy and objectives. It also enables skills to be monitored and measured, and personal development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

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

The Bank is also focused on ensuring its employees meet the training and competency required for the new regulatory regime that is coming in to force in 2016.

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CHAIRMAN'S STATEMENT



Oye Hassan-Odukale, MFR, Chairman

“ During a year of ever more stringent regulation, reducing margins, and cost pressures, our Bank has remained resilient and dynamic.”

Esteemed clients and colleagues, it is with great pleasure that I present the 2015 financial report of our bank – FBN Bank (UK) Limited (FBNUK). Despite a changing and challenging operating environment, the Bank has delivered a robust performance.

During a year of ever more stringent regulation, reducing margins, and cost pressures, our Bank has remained resilient and dynamic. Our main focus has remained serving our clients, and ensuring the long-term financial performance of our business. We at FBNUK continue to pride ourselves on our ability to adapt to change, while still focusing on our target markets and remaining true to our core values.

The consensus is that UK market conditions will become more challenging in 2016. Over the years, the Board has erred on the side of caution as a consequence of the 2008 financial crisis, refining our risk appetite and governance, while still growing the business. In the interest of prudent financial management, and in order to manage our risk exposure, the Bank provided for increased loan impairment provisions which impacted our profit after tax figure for the year. Although the financial performance for 2015 did not meet our expectations, we achieved an encouraging net interest income figure of £67.6 million, up from £59.3 million in 2014. We strongly believe that in times like these, it is crucial to adapt while remaining committed to our strategic objective to extend our leadership position as the foremost West African-focused bank in the UK. We continue to forge new client relationships, while strengthening existing connections in our core markets. We do this by providing the highest levels of service and offering the expertise that clients need as they too navigate through a challenging period.

The UK's economy reported a reduced trade deficit towards the end of the year. In 2015, the trade deficit narrowed to £34.7 billion as the total value of the country's oil imports fell due to weaker oil prices. Exports fell, however, by £1.0 billion, or 0.2%, to £512.4 billion. Coupled with a preferential shift away from the UK as a manufacturing hub, hopes of a UK recovery driven by manufacturing exports are dwindling.

Year on year, growth has slowed slightly compared to 2014. In 2015, GDP growth averaged 2.2% on an annual basis, above the Office for Budget Responsibility's estimated 2.1% growth in output for 2015 as a whole. The unemployment rate at year end had reduced from 5.7% the previous year to 5.1%, the lowest it has been in over a decade. The services sector, which accounts for about three-quarters of activity in the UK's private sector, remains a key contributor to growth. The latest Service Sector Purchasing Managers' Index (PMI) rose to 54.9 in October 2015, from 53.3 in September 2015.

GDP growth is estimated at 2.6% in 2017 and 2.7% in 2018. This is an improvement on both 2014 and 2015, and shows the UK continuing in the right direction for a full economic recovery. We have to remain cautious, though, as potential upcoming challenges and risks to full recovery in the UK include foreign policy on Greek debt, economic instability in Russia and Brazil, crisis and continued conflict in Syria, subdued growth in emerging markets such as China, the impending UK referendum on Europe and the upcoming US presidential elections.

The United States reported encouraging growth figures in 2015 spurred by rising consumer spending. Real GDP increased 2.1% in the third quarter and 1.4% in the fourth quarter. The GDP growth rate is expected to average 2.3% in 2016. The US Federal Reserve increased interest rates in December 2015 by 25 basis points to 0.5%. As GDP increases, an increase in interest rates could reflect the Federal Reserve's anticipation of underlying growth and inflationary pressure in 2016. There is still uncertainty as to how frequently (if at all) the Federal Reserve will further increase interest rates. The uncertain but anticipated changes in monetary policy could have significant implications for the US economy and subsequently the strength of the US dollar.

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Activities in the eurozone area have been extremely volatile, with the European Central Bank and International Monetary Fund implementing a third bailout programme for Greece. The unsuccessful loans-for-reforms referendum saw Greece default on its €75 million debt repayment in July 2015. Another notable control measure was the Greek government's attempts to maintain its currency reserves by restricting cash withdrawals. These occurrences led to a difficult time for the eurozone as the European Financial Stability Facility 10-year government bond was valued at a yield of -0.15%, albeit an improvement from its five-year low of a yield of -0.23% in December 2015. The suggestion of Grexit alone has had notable effects on foreign exchange markets, as the 'Greek Euro' is considered to be responsible for the sharp depreciation of the euro against major currencies in 2015. The euro depreciated by 8% against the pound; however, the euro has since regained value as the sterling plunged to new depths against the euro, falling to a fresh 11-month low in January 2016.

Commodity prices continue to plummet, with oil trading briefly below the USD30 a barrel level for the first time since 2004. Brent crude fell as low as USD29.96, with oil prices falling by 70% in the past 15 months but has since recovered. Russia warned that the dramatic decline in the value of oil globally could force the country to revise its 2016 budget. Other commodity dependent economies will likely follow suit.

The past year has seen a series of challenges from the outbreak of the Ebola virus in West Africa, insurgency pressures and the falling commodity prices. The mixed nature of our business means that the performance of the Nigerian economy influences our overall performance. As Nigeria remains a largely oil-dependent country, falling prices in the petroleum sector significantly contributed to the weakening of the naira. The naira is currently trading at a rate lower than its five-year average. The official rate as reported by the Central Bank is ₦196/USD1; however, the market places the value of the naira at ₦300/USD1. The 8% devaluation of the naira in November played an intrinsic role in hiking up the price of food items.

Inflation was slightly curtailed by a shift towards consumption of locally produced items. Headline inflation increased from 9.4% to 9.6% in December. Inflation is therefore close to surpassing the CBN's single digit target range. In the fourth quarter, Nigeria saw a 2.11% year-on-year increase in GDP. This growth rate was a decline on the third quarter growth of 2.80% year on year.

In politics, the 2015 Nigerian general elections were largely seen as free and fair by international observers. Nigeria's fourth republic witnessed its first political party transition in the Executive arm. President Muhammadu Buhari's war against corruption has resulted in the probing of influential political figures. With the change in leadership, new policies are now in place, including the Treasury Single Account (TSA) initiative designed to administer the new government's zero-tolerance stance on corruption.

With the new government approaching the end of its first year in office, policies on transparency, accountability and good governance show clear signs of improvement for Nigeria. We are optimistic about the current government's approach. With time, the newly implemented policies could unveil the true untapped wealth of the nation popularly referred to as 'Africa's sleeping giant'.

Operating environment

Following the implementation of the Basel III measures to strengthen regulation, supervision and risk management of the banking sector, minimum liquidity capital ratios (LCRs) were increased to 60% in 2015 with a further increase of 10% required in 2016. The rationale behind a phased timetable for the introduction of the LCR, and reaffirming that the bank's stock of liquid assets are usable in times of stress, will ensure that the new liquidity standard will in no way hinder the ability of the banking system to finance a recovery.

Nigeria has, in particular, seen numerous policy changes to its banking system, including the previously mentioned Central Bank's implementation of the TSA. There have been shifts away from the use of hard cash, with the Government encouraging e-banking platforms and withdrawal limits. Currency stability has been another burdensome issue in Nigeria. The Central Bank of Nigeria has been making attempts to maintain its foreign reserves and foreign currencies are scarce despite immense demand for them. This has had adverse implications on the valuation of the naira and local institutions' ability to settle foreign debt.

Governance

Our Bank remains committed to ensuring our Board of Directors provides us with a wealth of diverse knowledge and expertise. In line with our objective of ensuring the Bank has the best corporate governance oversight, we have now appointed two new Independent Non-Executive Directors in the persons of Hywel Rees-Jones and Guy Harington. We are honoured to have these highly experienced, distinguished gentlemen joining the Board.

Hywel Rees-Jones, who was appointed in May 2015, has over 35 years of emerging market experience, including 10 years' residence in Africa. This experience has included work in private equity, project finance, corporate credit, corporate strategy, microfinance and agricultural development. Hywel has been on the boards of private companies involved in agricultural, financial, industrial, tourist and FMCG sectors.

Guy Harington was appointed to the Board of FBNBank UK in January 2016. He was previously a Managing Director with Citigroup, a Director with Schrodgers, and has 40 years' international banking experience, including in Nigeria.

Corporate social responsibility

We pride ourselves in upholding our corporate social responsibility as we proudly continue to support a number of charitable organisations. In 2015, we supported 'Mercy Ships', an international charity which provides free healthcare and operates as a vehicle for the advancement of health, education and enterprise in developing nations.

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

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Outlook

This past year has been characterised by challenges throughout the industry, and across the globe – from the dramatic fall in commodity prices, slowing growth in China, decreased demand for UK exports by emerging markets and rising interest rates by the US Federal Reserve, to the weakened emerging market growth. All of these, irrespective of their magnitude, have knock-on effects on the UK economy. We will remain fastidious in our analysis of these issues and how they impact our customers and our Bank. We will continue to adapt our business to ensure our products and services are relevant and attractive to our customer and to sustain improvement in shareholder value.

Appreciation

Our Chief Executive Officer Michael Barrett signalled his intention to retire by the end of the first quarter of 2016. Michael has led the Bank to stable growth and has been exemplary in raising staff morale and customer confidence. He has led diligently, with strong leadership and robust risk management. We are honoured to have had a corporate leader of Michael's calibre and wish him the very best in his future endeavours. As we see a change at the helm of management, Michael passes the responsibility of Managing Director to Paul Cardoen, who had been identified well in advance as part of the Bank's succession planning and had been working at the Bank as a consultant as part of his handover. Paul will assume responsibility as Chief Executive Officer at the end of the first quarter in 2016.

Paul has an outstanding management, commercial and operational track record in financial services across Europe, Africa, Asia and the USA. He is known for his practical and hands-on approach to management. One of Paul's core capabilities is leading cross-cultural teams through strategic and organisational change, while delivering significant growth, or performance turnaround. Paul has served as a Non-Executive Director on the boards of financial services operators in the UK, Turkey and Ghana.

During 2015, the Bank also saw two long-serving directors retire in Anthony Williams and Stephen Olabisi Onasanya. Both of these directors have contributed immensely to the continued success of the Bank and I would like to take the opportunity to acknowledge their valued contribution.

Finally, I would like to express my heartfelt appreciation to our customers, shareholders and partners for the loyalty and confidence they continue to offer our Bank. I am proud to say that our staff are committed to serving diligently and continue to render loyal support to FBNBank UK. It is this commitment and ability to continue to deliver to our clients while navigating challenging circumstances that often makes the difference between FBNBank UK and our competitors. Despite the challenges of 2015, I would like to reassure all our clients, shareholders and staff of our unwavering dedication in 2016 as we set to achieve notable growth and profitability.



Oye Hassan-Odukale, MFR
Chairman

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LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

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

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



Oye Hassan-Odukale, MFR
Chairman

B BCC



Michael Barrett
Managing Director/Chief Executive Officer
Retired (w.e.f. 31 March 2016)

B BCC BSRC BEC



Bisi Onasanya
Non-Executive Director
Retired (w.e.f. 31 December 2015)

B BEC BGC



Anthony Williams
Non-Executive Director
Retired (w.e.f. 9 November 2015)

B BCC BARAC BSRC BEC BGC



Ibrahim Waziri
Non-Executive Director

B BCC BSRC BEC



Urum Eke, MFR
Non-Executive Director

B BCC BARAC BSRC



Peter Grafham
Non-Executive Director

B BARAC BSRC BEC



Hywel Rees-jones
Non-Executive Director

B

Membership key:

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

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Samuel Aiyere
Executive Director/Chief Financial Officer

B BSRC



Jaycob Attah
Executive Director, Business Development

B



Michael Bamber
Executive Director/Chief Operations Officer
Retired (w.e.f. 22 January 2016)

B BSRC

Executive Management Committee

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



Michael Barrett
Managing Director/
Chief Executive Officer (Chairman)
Retired (w.e.f. 31 March 2016)



Michael Bamber
Executive Director/
Chief Operations Officer
Retired (w.e.f. 22 January 2016)



Jaycob Attah
Executive Director,
Business Development



Samuel Aiyere
Executive Director/
Chief Financial Officer



Chris Engel
Chief Risk Officer



Michael Connell
Head of Compliance and MLRO*

* Money Laundering Reporting Officer

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STRATEGIC REVIEW REPORT

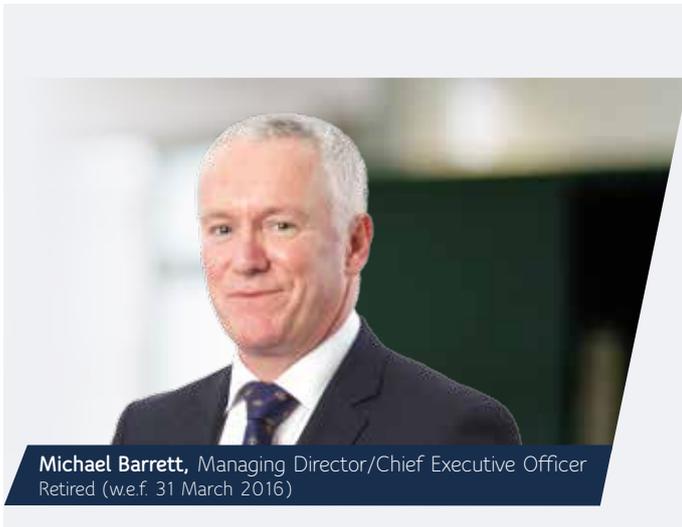
FBNBank UK continues to benefit from strong experience and knowledge of our target markets and the environment in which we operate, coupled with our proven expertise in trade finance.

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STRATEGY AND PERFORMANCE →

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MANAGING DIRECTOR/CEO'S REVIEW



Michael Barrett, Managing Director/Chief Executive Officer
Retired (w.e.f. 31 March 2016)

“ We are confident that given our proven track record in African markets, our outstanding staff and tailored solutions, FBNBank UK will continue to be the first choice for banking in Africa.”

The economic environment over the past year has been challenging. Currency instability, falling commodity prices and low inflation are a few illustrations of these changes.

Economic headwinds

Over the year, interest in the economic and political affairs of the eurozone has increased. Growth data would suggest that GDP growth in 2015 was highest in the fourth quarter. Economists have predicted growth figures, as suggested by Purchasing Managers' Composite, that the upward revision from 54 to 54.3 should be embraced with moderation. The European Central Bank continues to manage inflation, maintaining its €60 billion a month bond-buying initiative. Interest rates, as of December 2015, have delved further into negative territory.

The past 12 months have seen a positive and fairly consistent trend for the economy of the United States. The GDP growth rate remains within 2-3% of its target range with 0.6% in Q1, 3.9% in Q2 and 2.1% in Q3. The economy also experienced a reduction in the cost of transportation, food and raw materials for business, which raised profit margins and increased consumers' disposable income. GDP growth for 2016 is forecast to improve to 2.3%, but faces slight contraction in 2017 at 2.2% and 2018 at 2.0%. The unemployment rate is forecast to dip to 4.7% in 2016, down from 5.0% in 2015 – significantly below the Federal Reserve's target of 6.7%.

Expectations for US inflation are 1.6% in 2016, 1.9% in 2017 and 2.0% in 2018; all are higher than the 1.3% inflation experienced in 2015 caused by low oil prices. All are below the Fed's 2.0% target inflation rate, but higher than the 1.3% inflation in 2015. The Federal Open Market Committee raised the underlying interest rate, which is the overnight rate at which financial institutions lend to each other, to 0.5% in December 2015. Speculation remains as to the gradual raising of interest rates throughout 2016.

Regulations

The wave of regulatory reform across the financial industry continues, and we have been closely keeping track of, and complying with, the changing regulatory requirements. We have been focused on managing our balance sheet to ensure that we continue to comply with the increased capital requirements set by regulators, while continuing to meet our financial obligations. Liquidity is key to our business, and we are fortunate that we have a diversified and reliable funding base that has adequately supported the Bank's requirements.

This past year, we have closely monitored our capital adequacy ratios under Basel III rules to ensure that capital held is always sufficient to support underlying transactions. In accordance with our statutory capital requirements set out by the Basel III rules, the Bank has maintained and surpassed its obligatory level of capital and as such sustained a high capital adequacy ratio.

Finally, risk management remains high on our agenda. Because of the importance we place on meeting capital and liquidity requirements, we have continued to develop our risk assessment procedures. We have tailored the Internal Capital Adequacy-Assessment (ICAAP) and the Individual Liquidity Adequacy Assessment (ILAAP) processes to ensure compliance with our obligations and safeguard our assets. We take great pride in the steps we have taken, and our position on both assessments show promising results. Additionally, given falling commodity prices, particularly in crude oil, we have conducted stress tests to examine our exposure to further falls in oil prices. We will continue to closely monitor this situation as it relates to our business.

0.43%

The UK economy grew by 0.43% in the fourth quarter of 2015

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The business

In 2015, we focused on improving the quality of our products and services. Our aim was to tailor our services to our clients' specific business and personal financial needs. We drew upon our specialist knowledge of various markets – in particular, our expertise in the fast-growing African region – to deliver world-class service offerings. We are confident that given our proven track record in African markets, our outstanding staff and tailored solutions, FBNBank UK will continue to be the first choice for banking in Africa.

Looking forward, growth rates are expected to pick up moderately in Africa's three largest economies. According to the World Bank Global Economic Prospect, Nigeria's economy is forecast to expand by 4.6% during 2016, as efforts to rationalise the management and operation of the Nigeria National Petroleum Corporation could enhance revenues. South Africa's economy is expected to grow only modestly by 1.4% in 2016, almost flat compared to 2015's 1.3% growth rate, due to continued concerns over power supply and labour, subdued employment growth and higher interest rates. Finally, growth in Angola is forecast to edge up to 3.3% this year from 3.0% in 2015, as the economy rebounds gradually from constrained government spending and elevated inflation. As oil prices are expected to remain low, fiscal revenues are also expected to decline in Angola and Nigeria, leading to deficits. Budget gaps are anticipated to remain high in oil-importing countries as government spending continued to grow. Conversely, foreign investment into commodity exporters is likely to slow as a result of the fall in commodity prices.

Despite this, Africa remains a target for foreign investment and interest as its potential is unlocked. Foreign governments, such as China, are expected to invest heavily in regions exporting commodities – such as in energy and transport infrastructure in Ethiopia, and in public-private partnerships, as in Mozambique, Rwanda and Tanzania. Africa is forecasted to see a modest growth increase to 4.2% in 2016, provided commodity prices stabilise and electrical power improves in many countries.

FBNBank UK continues to benefit from strong experience and knowledge of our target markets and the environment in which we operate, coupled with our proven expertise in trade finance. Our network now extends to include two teams operating in Nigeria, and we have made additions to personnel in our Abu Dhabi office and the existing Paris branch, enabling us to better support clients wherever their business needs take them.

We also continue to look for synergies with our parent, FirstBank Group. For example, we have been analysing client exposure at Group level, to enable us to get a total relationship view of our clients and offer them a consistent level of client service across the Group. A few of our departments in FBNBank UK are also beginning to provide back office support to the International Commercial Bank (ICB) offices that were acquired by the FirstBank Group, and that were subsequently rebranded to FBNBank.

In line with our drive for excellence, the Bank has been awarded the Best Trade Finance Bank in West Africa for the fifth year in a row by *Global Trade Review* magazine, a well-respected industry publication. We are especially proud to receive this accolade, as it is awarded on the basis of votes from industry practitioners – which include both our clients and our peers.

Financial performance

FBNBank UK maintained a healthy capital position during 2015 despite the many continuing challenges in our operating environment.

During 2015, the balance sheet decreased by 1.9% to £2.22 billion. We strive to attain a good balance between the availability and cost of funding. As at December 2015 our Capital Adequacy Ratio was 17.1%.

Net operating income for this year is reported at £79.1 million, an increase from the previous year's figure of £71.2 million in 2014.

Net interest income grew 13.9% to £67.56 million, while fee income slightly decreased by 3.2% to £11.6 million.

We remain optimistic for 2016, being the final year of our three-year business plan as we conclude what was a difficult second year.

The medium-term outlook for FBNBank UK remains positive, with some consolidation expected in view of the extremely difficult environment in our primary market of Africa – exacerbated by the expected continued low commodity prices.

Corporate values

The Bank recently introduced new corporate values, 'ICARE' – Integrity, Culture, Accountability, Respect and Ethics. These shared values will provide the foundation of all our dealings with clients, staff, stakeholders and the communities in which we operate. These are values that epitomise the working culture of the Bank.

Corporate governance

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

Conclusion

I would like to take this opportunity to thank our clients for their patronage and loyalty to our Bank and reassure them that they will remain our main focus during this challenging economic period. Outstanding customer service, dedication and resilience have been what FBNBank UK has always stood for, and we promise that our clients will continue to benefit from these as we forge forward.

I would also like to thank our employees for their excellent performance and commitment over the past year. There is no doubt that our staff have worked tirelessly to support our clients and achieve our business objectives. Similarly, I would like to thank my fellow Directors for their continuing tireless support during these difficult trading conditions. Your efforts are greatly appreciated.

And finally, I extend a warm hand of welcome to my nominated successor, Paul Cardoen, who it is intended shall, in future, take on the position of UK Managing Director. Paul is an outstanding leader with impeccable credentials and achievements to attest to this. I strongly believe that his expertise in the financial services sector will be instrumental and beneficial to FBNBank UK's future.



Michael Barrett
Managing Director/Chief Executive Officer

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OPERATING ENVIRONMENT

GLOBAL ECONOMY

Going by reliable economic growth records, risks to global economic growth remain and reflect ongoing adjustments in the global economy. These include a general slowdown in emerging market economies, China's rebalancing, lower commodity prices and the systematic departure of the USA from accommodative monetary policies. All of these key metrics could cause a derailment in global growth, depending on how they are managed.

The year 2015 witnessed disappointing global economic growth, which slowed to 2.4% - less than previously envisioned. The global economy is yet to attain its pre-crisis level. The term 'new mediocre', coined by IMF Managing Director Christine Lagarde to describe the fear of prolonged low growth and uncertainty, gained currency in 2015. High-income countries continued to grapple with harsh economic realities left behind by the global financial crisis of the past few years. Meanwhile, developing countries witnessed a fourth consecutive year of disappointing economic growth. They are also faced with rugged challenges, such as the likelihood of higher borrowing costs as a result of increased US interest rates while having to adapt to low prices for energy and other significant commodities. Unemployment figures fell during 2015 but still remain at unacceptably high levels in many countries. Global inflation has remained docile, with the spectrum ranging from deflationary risks, especially in the eurozone, to high inflationary pressures in developing economies.

Throughout 2015, global trade experienced a sharp decrease in commodity pricing. Crude oil and agricultural prices saw some of the sharpest declines. The fall in prices was due to a slowdown in the eurozone and emerging economies, particularly China. GDP in core Western European countries failed to achieve its pre-recession high, while the minor eurozone economies continued to feel the hangover of the financial meltdown, while attempting to grapple with the unprecedented migration of people from the war-ravaged zones of the Middle East. Eurozone growth was underwhelming and unpredictable during the year, with struggles and uncertainty over the Greek bailout. No fewer than 10 eurozone economies are experiencing deflation, and unemployment is in double digits for several prominent economies. However, on the upside, the EU is beginning to see a gradual resolution of its debt crisis, fiscal stability in minor EU member nations and an easing of fiscal austerity measures.

While the election of a new government in Nigeria during the course of the year provided a boost to optimism in the economy, a weak naira and low oil prices continued to weigh heavily on business sentiments.

0.2%

Inflation rate reduced from 0.5% at the close of December 2014 to 0.2% at the close of December 2015

Following the government's policy responses to the situation, the economy was hit by a scarcity of foreign currency. Exposure to clientele who are mostly domiciled in Nigeria led to noticeable effects on the bank system, with ripples across the entire financial services industry beyond Nigeria.

Global economic activity remained subdued throughout 2015. The gradual rebalancing of the Chinese economy away from investment and manufacturing to services and consumption, lower commodity prices, particularly for energy, and a gradual tightening in monetary policy in the USA will continue to influence global outlook.

The UK economy

The UK economy witnessed steady and encouraging growth in 2015. According to data released by government agencies, the UK economy is now 5.2% larger than at its pre-recession peak, with GDP/capita close to 2008 levels. The UK's unemployment rate remains impressively low, with slow wage growth being the main blemish on labour market data. The UK inflation rate reduced from 0.5% at the end of 2014 to 0.2% in December 2015. The economy grew by 2.2% in the year, compared to a 2.9% expansion in the previous 12 months. The slowdown in the economy was mainly due to a sharp moderation in the expansion of the construction sector and cuts in public spending, and was aggravated by weaker net trade.

The performance of the UK economy continues to be mixed across sectors, with manufacturers remaining affected by competition and a stronger pound. The services sector continues to perform well, with retail sales picking up as well as hotel and restaurant sales improving.

Banking regulations

The regulatory environment, particularly in the UK, remained very challenging. Global regulators continued to put in place stringent rules in an effort to ensure banks are better prepared for any future financial crisis. Some of the rules, which come into effect in the medium term, are quite restrictive. However, the UK regulator has compelled UK-based banks into early compliance. It has been amply demonstrated that the application of liquidity rules has frustrated the supply of credit to the economy. It is hoped that the current pronouncements and policies of the Bank of England's leadership will restore some confidence in the industry in the coming year and beyond.

Outlook

Global growth is projected to be 3.2% in 2016. The kick-start to global recovery is projected to be gradual, with 2017 growth projected to be 3.6%. In advanced economies, recovery is expected to continue at a modest and uneven pace, while in the emerging markets the picture is diverse and in most cases challenging. The slowdown being witnessed in China, lower commodity prices, and pressures in some of the larger economies will continue to weigh on growth momentum in 2016. Ample concerns, such as ongoing insurgencies in parts of Africa and the Middle East, the possible exit of the UK from the EU and continued political upheaval in Ukraine, are enough to generate significant caution over the near-term economic outlook.

With these dynamics in mind it is anticipated that 2016 will be challenging for FBNBank UK. Nevertheless, we look forward with cautious optimism and confidence to identifying and executing viable business opportunities, which will, in turn, produce sustainable financial performance.

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STRATEGY AND PERFORMANCE

OVERVIEW

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

What differentiates us?

Our competitive differentiators are:

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

Our business model

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

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

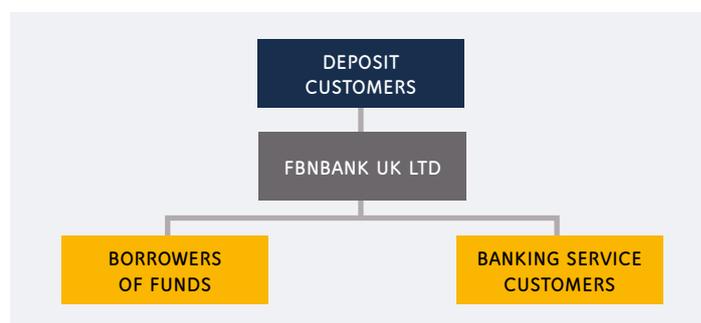
The principal activities are the provision of Corporate Banking, Correspondent Banking, Private Banking, Project and Structured Finance, Property Finance, and Structured Trade Commodity Finance to our clients.

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

FBNBank UK's core target markets are:

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

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



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

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

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

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

FBNBank UK recognises that its key assets are its people - staff, management and the Board. The front-facing staff provide excellent service and are supported by a highly experienced operational team. The Bank's investment in the training and development of staff culminated in the regional recognition of our employees as the winners of the 2015 *Global Trade Review* award, as voted by the *Global Trade Review's* global and African editorial boards. This is the seventh consecutive year that FBNBank UK has won this award, testifying to the high quality of our service delivery.

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

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

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

Strategy and objectives

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

Strategic progress

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

- a strong asset portfolio quality;
- a strong capital adequacy position; and
- a more diversified funding base.

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DIVISIONAL OPERATING REVIEW

INTRODUCTION

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

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

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

- 2015, 2014, 2013, 2012, 2011, 2010 and 2009 *Global Trade Review* award – Best Trade Finance Bank in West Africa; and
- 2015 – Best Local Trade Finance Bank in West Africa.

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

Overview

From its inception 13 years ago, FBNBank UK has maintained steady business growth. This has been greatly influenced by business diversification, injection of additional capital, expansion of its funding base, continued excellent service delivery, and the attraction and retention of quality human capital resources.

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

Private Banking

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

Following high optimism in the sustained growth of the UK economy, our Private Banking business continued to show great potential and made significant strides. While the lacklustre global market, together with low interest rates and severe exchange controls in some countries affecting investors' appetite for further investment, our Private Banking business still had total assets under management (AUM) of USD24.50 million, an increase of 2.89% compared to USD24.4 million in 2014. Our AUM client base also increased in 2015. Gross income generated by private banking and wealth management in 2015 decreased by 16% against 2014, due to weak performance by its property portfolio. The portfolio income performance represented 9% (2014: 11.6%) of FBNBank UK's total income.

Corporate Banking

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

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

To an extent, growth in this business segment has reduced due to the weak economy in Africa, which has affected investors' confidence in the market. FBNBank UK is still strategically placed, as it has the credibility and strength of a UK institution and also a deep understanding of, and close proximity to, the African market.

FBNBank UK's corporate portfolio continues to show a promising future despite the harsh economic climate under which it operated in 2015. With substantial inroads made, especially with the Structured Trade and Commodity and Project Finance businesses, income generated from these businesses was encouraging in the year.

Income generated from the Corporate Banking business was stable in 2015. Total portfolio income represented 62.3% (2014: 63.5%) of FBNBank UK's total income.

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Correspondent Banking

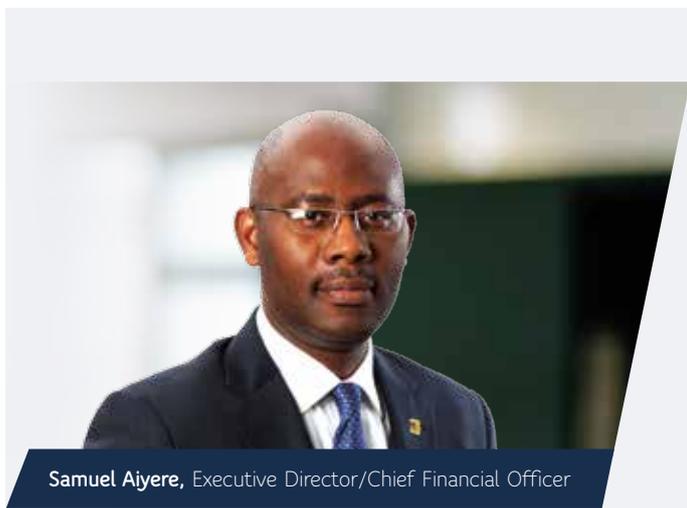
This business segment covers transactions with financial institutions, and includes trade finance, letters of credit confirmations, foreign exchange transactions, payments and cash management, clearing and general lending. FBNBank UK acts as a correspondent bank for a number of African banks and helps to facilitate trade flow between the various African countries and the rest of the world. FBNBank UK earns interest and fee incomes from balance sheet lending to bank customers, while commissions are generated from trade finance business activities, remittances and foreign exchange transactions. The business continued to perform well and its percentage share of income contribution increased in 2015 to 28.7% (2014: 24.9%) due to the significant expansion in our trade finance loan portfolio. Correspondent Banking will continue to be an important SBU of FBNBank UK.

Percentage income contribution of strategic business units



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FINANCIAL REVIEW



Samuel Aiyere, Executive Director/Chief Financial Officer

“ FBNBank UK posted a strong profit performance in 2015, albeit lower than 2014, a reflection of a difficult business environment...”

FBNBank UK posted a strong profit performance in 2015, in light of the prevailing market conditions, with a slight reduction in balance sheet footing, a reflection of a difficult business environment, increased loan provisioning and a strict regulatory environment. Our capital position was strengthened through high loan-to-equity conversion and high retention of profit, while funding and liquidity positions remained solid throughout the year.

Income statement analysis

Gross earnings increased by 7.62% to £106.83 million. The increase in gross earnings compared to the prior year resulted from a combination of expansion of customer lending and improved asset yield. Our portfolio of earning assets was reduced by 1.75% for the year to £2.22 billion (2014: £2.26 billion) in line with the Bank's business consolidation strategy.

Net interest income grew by 13.95% to £67.56 million (2014: £59.29 million), resulting from additional interest income driven by increased customer lending activities and improved asset yield. Interest costs decreased by 1.14% to £27.65 million (2014: £27.97 million) as a result of a favourable deposit liability mix.

Total commissions and fee income generated in 2015 decreased by 31% to £5.86 million (2014: £8.48 million). The reduction in commission and fee income is attributable to a weak turnover of trade finance and other fee-related activities due to the implementation of an unfavourable exchange control policy by some countries in Africa.

Operating costs rose by 13.44% to £23.59 million (2014: £27.26 million). Appropriate levels of operational framework and systems remained in place to support the Bank's business and safeguard assets. However, a reduction in staff costs was recorded, which mainly explains the fall in operating costs despite the strong growth in operating income. The increased amount of impaired loan charges

of £39.78 million (2014: £10.42 million) resulted in a worse cost-to-income ratio of 79.43% (2014: 52.68%) compared to the previous year.

Specific credit impairment charges increased to £23.22 million from £6.59 million in 2014 in relation to stressed risk assets portfolio. The Bank also decided to increase collective impairment provision by £16.1 million in 2015 in relation to performing asset portfolio.

Consequently, FBNBank UK posted a profit before tax (PBT) of £16.29 million for the year ended December 2015. The amount was short of the previous year's PBT by £17.45 million (107.12%).

Profit before tax (£'m)



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Income (£'m)



Operating income and expense (£'m)



Balance sheet analysis

The balance sheet contracted by £43 million to £2.23 billion (2014: £2.27 billion), in line with the Bank's deleveraging strategy.

Earning assets decreased by £40 million to £2.22 billion (2014: £2.26 billion) in 2015. Loans to customers decreased by £104 million (8.18%) to £1.17 billion, loans to banks increased by £35 million (4.18%) to £884 million as FBNBank UK continued to lend to the productive sectors. FBNBank UK increased its exposure to short-term related assets.

The non-performing assets ratio increased to 1.77% (2014: 0.64%) of total earning assets, and was fully provisioned net of collateral.

Deposit liabilities decreased by 3.65% (£70 million) to £1.85 billion (2014: 1.92 billion) in 2015. The reduction in deposits was strategically driven to achieve an optimal funding mix and interest cost reduction.

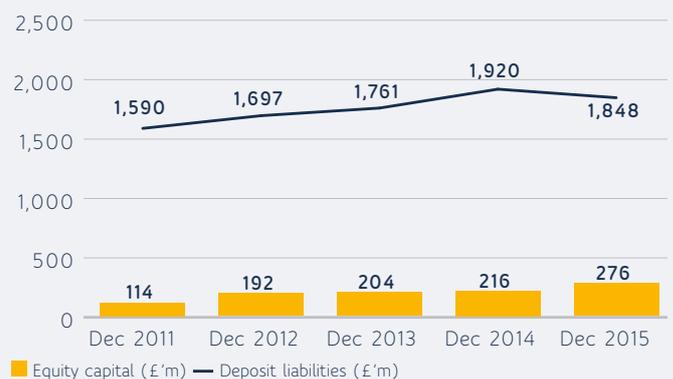
Total shareholders' equity increased by 27.8% to £276 million (2014: £216 million) from a combination of good profit retention and new equity injection to strengthen the capital base. £50 million debt capital was liquidated and the proceeds invested in equity. Dividend payments of £7.34 million (2014: £4.92 million) were made in 2015 to the shareholders.

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

Movement in assets (£'m)



Equity capital and deposit liabilities (£'m)



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Capital management

At 31 December 2015, FBNBank UK recorded a capital adequacy ratio of 17.12% (2014: 18.60%) with a core tier 1 capital ratio of 17.12% (2014: 14.90%), reflecting the increase in core lending and changes to risk-weighting rules for assets in third countries. The capital ratios were in excess of regulatory requirements as at the reporting date and demonstrated the strong capital position of FBNBank UK.

Risk-weighted assets increased by 17.78% (£240 million) to £1.59 billion in December 2015, reflecting the increased risk weightings assigned to financial institutions, especially those in third countries. It is expected that with the strength of our current capital ratios, our ability to retain future profit and our optimal mix of risk-weighted assets, FBNBank UK will be able to meet its regulatory capital requirements in the future.

Equity capital and deposit liabilities



Liquidity and funding

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

At 31 December 2015, FBNBank UK had £1.84 billion in customer deposits, composed of £454 million in wholesale funding and £1.39 billion in retail customer deposits, diversified among over 40,000 retail customers. A significant percentage of the retail deposits was generated through the FirstSave deposit product. In 2015, the FirstSave euro deposit product, which was launched in 2014, grew significantly to over 2,250 in customer base. The FirstSave postal deposit product and capital broadened the funding source base.

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

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

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

Key performance indicators

Return on shareholders' equity was 6.80% in 2015 (2014: 16.80%), while return on assets reduced to 0.70% (2014: 1.50%) compared to last year.

Outlook

Global economic growth for 2016 is projected at a modest 3.2%. This alludes to a weak 2016 marked by increased debt burden, limited job prospects and reduced consumer confidence.

FBNBank UK will respond to these challenges by continuing its prudent approach to business.

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CORPORATE GOVERNANCE

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

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CHAIRMAN'S INTRODUCTION



Oye Hassan-Odukale, MFR Chairman

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

How do we govern long-term sustainability?

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

Compliance statement

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

Monitoring risk

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

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

Leadership

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

Focus on people

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

Delivering shareholder value

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

In the past, FBNBank UK had paid 20% of its final post-tax profit to its parent company by way of a dividend. This was agreed by FBNL to help build up the capital base of FBNBank UK in support of business growth and regulatory compliance. This year, 56% of profit after tax was paid as dividend by FBNBank UK. Going forward, the percentage of post-tax profit to be paid as dividend will be determined annually by the parent company; this will depend on the business needs and regulatory requirements of FBNBank UK.

The report that follows explains the key features of FBNBank UK's governance structure to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year. The report also includes items required by the Disclosure and Transparency Rules. The statutory disclosures required in the Strategic and Directors' Reports are set out in the Annual Report and Accounts section on pages 45 to 49. Our business model is explained on page 16, as required by the Code.

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

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

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LEADERSHIP

OUR BOARD

The present members of the Board are as follows:

Oye Hassan-Odukale, MFR (Chairman)

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

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

Michael Barrett (Managing Director and Chief Executive Officer)

(Sits on the Board Credit Committee, Board Establishment Committee and Board Strategy Review Committee)

Michael Barrett has more than 35 years' banking experience in the City and was appointed as MD/CEO of FBNBank UK in April 2014. Michael commenced his banking career in Barclays and moved into the field of international banking in 1986. Since then he has spent the majority of his time with banks specialising in facilitating trade flows in and around Africa. Michael specialises in credit risk management and was the former Head of Risk for Belgolaise SA, the African banking arm of Fortis Bank, before taking over as the UK General Manager for Belgolaise in 2002.

Michael joined FBNBank UK in 2007 as Chief Risk Officer and grew the risk function from a team of three to nine, overseeing the substantial growth of the balance sheet from £800 million to £2.5 billion, and has played a key role in the strategy of the Bank over this time.

Michael Barrett retired with effect from 31 March 2016.

Samuel Aiyere (Executive Director, Chief Financial Officer)

(Sits on the Board Strategy Review Committee)

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

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

Samuel is a leader with over 25 years' comprehensive banking experience, which cuts across business development, audit, strategic planning, regulatory matters, finance and risk. He has expertise in the following specific areas: strategic business planning, budgeting and business forecasting, financial control systems and reporting, regulatory compliance and reporting, balance sheet management, corporate tax management, product control, risk and internal control, liquidity and capital management, banking operations, and business performance management.

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

Jaycob Attah (Executive Director, Business Development)

(Sits on the Board Credit Committee and the Board Strategy Review Committee)

Jaycob Attah is the Executive Director, Business Development and member of the Board of Directors of FBNBank UK. He is a dynamic and seasoned banking executive with 28 years' working experience. At FBNBank UK, he is responsible for origination, coverage and clients' relationships with the Bank, with additional oversight for the Bank's Paris branch. His banking experience started in 1988 with Bank of America (later Savannah Bank Nigeria) where he obtained his credit training and experience in financial control, corporate and institutional banking. Prior to joining FBNBank UK, he was briefly head of financial institutions and multilaterals at First Bank of Nigeria.

Jaycob also worked for 10 years with Standard Chartered Bank (SCB) in various capacities, including Head of Investors and Intermediaries, Head of Banks, senior relationship manager in Financial Institutions (FI) and transactor with the alternative investment team in Principal Finance. While at Standard Chartered he was instrumental in building the SCB Nigeria franchise, with achievements such as the first cross-currency swap, a local currency corporate bond issuance by a supranational (IFC), and making the FI Nigeria team the most profitable globally. He also worked with FSB International Bank in the private banking and treasury team from 1998 to 2002.

Jaycob received a BSc (honours) degree in economics from Ahmadu Bello University, Zaria, Nigeria, and also has an MBA from Lagos Business School, Pan African University. He has attended various leadership, management, credit, financial modelling and strategic courses at world-renowned business schools and training institutes.

Jaycob is married to Matyil and has three children - two daughters and a son. He is an avid basketball player with interests in soccer and tennis, and he loves to play Scrabble.

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Michael Bamber (Executive Director/Chief Operations Officer)

(Sits on the Board Strategy Review Committee)

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

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

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

Michael Bamber retired with effect from 22 January 2016.

Urum Kalu Eke, MFR (Non-Executive Director)

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

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

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

Peter Grafham (Non-Executive Director)

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

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

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

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

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

During these eight years in London he was also a non-executive director of Anglo-Romanian Bank London, in which Barclays Bank had a 30% shareholding until the mid-1990s, and remained on that board until 2006. Following his departure from Barclays, Peter joined Standard Bank of South Africa, where he was European Representative for the Group for six years until 2001. While at Standard Bank he not only continued with his board position at Anglo-Romanian Bank, but also served as a non-executive director on the board of AY Bank London (formerly Anglo-Yugoslav Bank) for some three years and on the board of Moscow Narodny Bank London (now VTB Europe) from 1998 until 2006.

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

Bisi Onasanya (Non-Executive Director)

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

Bisi Onasanya was appointed Group Managing Director/Chief Executive Officer in 2009. He was previously Executive Director, Banking Operations and Services and the MD/CEO of First Pension Custodian, a subsidiary of FirstBank. He joined FirstBank in 1994 and coordinated the Century 2 Enterprise Transformation Project for the Bank. He is a highly respected and personable executive who has established a reputation at FirstBank for solid performance and sound judgement. Bisi is a Fellow of the Institute of Chartered Accountants of Nigeria, Fellow of the Chartered Institute of Bankers of Nigeria with 30 years' post-qualification experience, and Associate Member of the Nigerian Institute of Taxation. He sits on the board of several

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companies and has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal and Monetary Policies, as well as the Presidential Committee on Reduction of Interest Rates. He has attended various executive programmes at the London Business School, Harvard Business School and Wharton Business School. He loves swimming and is married with children.

Bisi Onasanya retired from FirstBank and FBNBank UK, with effect from 31 December 2015.

Hywel Rees-Jones (Non-Executive Director)

(Observer on the Board Strategy Review Committee, Board Audit & Risk Assessment Committee, Board Establishment Committee and Board Governance Committee)

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

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

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

Ibrahim Waziri (Non-Executive Director)

(Sits on the Board Credit Committee, the Board Establishment Committee and the Board Strategy Review Committee)

Ibrahim Waziri was appointed to the Board of FBNBank UK in 2011. He has over 35 years' professional experience in banking and the oil and gas businesses. His work experience includes: Group Executive Director at the Nigerian National Petroleum Corporation (NNPC); Financial Analyst and Manager, International Merchant Bank Limited; Executive Director, Nigeria Gas Company Limited and the Pipeline and Product Marketing Company Limited; Deputy Managing Director, Nigeria LNG Limited; and Managing Partner, Gulf of Guinea Petroleum Consulting Limited. He is a Fellow of the Institute of Directors (IOD) and his extensive experience across industries is brought to bear on his Board contributions. Ibrahim is married with children and loves reading, swimming, golf, listening to music and nature conservation.

CHANGES TO THE BOARD AND ITS ACTIVITIES

In respect of changes at Board level, there have been the following resignations and appointments. Rosemary David-Etim resigned from her role as Executive Director responsible for business development at the Bank with effect from 4 April 2015. The Bank welcomed Hywel Rees-Jones as a non-executive director following his appointment on 8 May 2015. Anthony Williams, who had served the Bank for a considerable period, retired as a non-executive director of the Bank with effect from 9 November 2015. Jaycob Attah was appointed as the replacement Executive Director responsible for business development with effect from 1 December 2015 and Stephen Olabisi Onasanya retired as a non-executive director of the Bank with effect from 31 December 2015.

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

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

The Board embraces new technologies, such as the electronic distribution of Board papers by iPad. The use of electronic methods for the distribution of Board and committee papers makes the servicing of the meetings more efficient and environmentally friendly. In addition, in 2016, FBNBank UK will adopt a dedicated computer package to securely manage the electronic distribution of Board papers more effectively.

The Board agenda is carefully put together to allow sufficient time to debate each item and Directors are encouraged, and expected, to actively scrutinise all matters of the Board and the Bank. Board meetings are usually scheduled for a full day in case any matters need to be discussed in more detail.

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

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

Throughout 2015, there continued to be considerable focus on risk management. FBNBank UK has sought to maximise its profitability but not at the expense of prudent risk management. The Board has sought to ensure that the Bank's risk management process and procedures remain as comprehensive and up to date as possible. It is within this framework that FBNBank UK continues to look to develop new areas of business as appropriate opportunities arise.

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BOARD RESPONSIBILITIES

The Board continues to focus on the many regulatory changes and challenges in the financial sector and as a result has closely focused on Board responsibilities. Regulatory changes have been highlighted as part of the Directors' training programme for 2015. The Directors consider it very important that they understand all the regulatory documents produced by FBNBank UK, especially the RRP, ICAAP and ILAA.

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

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

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

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

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

GROUP CORPORATE GOVERNANCE FRAMEWORK

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

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

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

FBN HOLDINGS PLC (FBNHOLDINGS)



COMMERCIAL BANKING

First Bank of Nigeria Ltd
FBNBank (UK) Ltd
FBNBank DRC Ltd
FBNBank Ghana Ltd
FBNBank The Gambia Ltd
FBNBank Guinea Ltd
FBNBank Sierra Leone Ltd
FBNBank Senegal Ltd
First Pension Custodian Nigeria Ltd
FBN Mortgages Ltd



MERCHANT BANKING AND ASSET MANAGEMENT¹

FBN Merchant Bank Ltd
FBN Capital Ltd
FBN Trustees Ltd
FBN Capital Asset Management Ltd
FBN Funds Ltd
FBN Securities Ltd



INSURANCE

FBN Insurance Ltd
FBN General Insurance
FBN Insurance Brokers Ltd

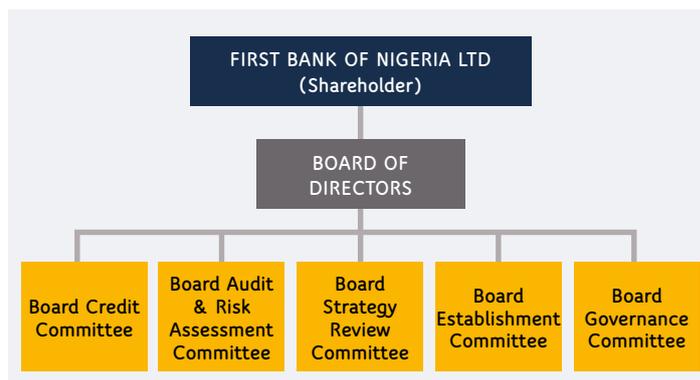


OTHER FINANCIAL SERVICES²

FBN Microfinance Bank Ltd

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

The present corporate governance framework of FBNBank UK is as detailed below.



BOARD AND COMMITTEE GOVERNANCE STRUCTURE

As noted in the framework (above), the Board presently has five standing committees. The make-up and attendance of each committee during 2015 (as well as attendance at Board meetings) is shown in the following table:

¹ Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

² Other Financial Services will no longer be classified as one of the main operating companies following the sale of the Microfinance business, which is classified under this category.

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Director	Position	Board	Board Credit Committee	Board Audit & Risk Assessment Committee	Board Strategy Review Committee	Board Establishment Committee	Board Governance Committee
Oye Hassan-Odukale, MFR	Chairman	5 out of 5 meetings					Chairman 4 out of 4 meetings
Michael Barrett (retired with effect from 31 March 2016)	MD/CEO	5 out of 5 meetings	Member 4 out of 4 meetings		Member 4 out of 4 meetings	Member 4 out of 4 meetings	
Sam Aiyere	Executive Director, Chief Financial Officer	5 out of 5 meetings			Member 4 out of 4 meetings		
Jaycob Attah (appointed 1 December 2015)	Executive Director, Business Development						
Michael Bamber (retired with effect from 22 January 2016)	MD/Chief Operations Officer	5 out of 5 meetings			Member 4 out of 4 meetings		
Rosemary David-Etim (retired with effect from 4 April 2015)	Executive Director, Business Development	0 out of 1 meeting	Member 0 out of 1 meeting		Member 0 out of 1 meeting		
Urum Eke, MFR	Non-Executive Director	5 out of 5 meetings	Chairman 4 out of 4 meetings	Member 4 out of 5 meetings	Member 4 out of 4 meetings		
Peter Grafham	Independent Non-Executive Director	5 out of 5 meetings		Chairman 5 out of 5 meetings	Member 4 out of 4 meetings	Member 4 out of 4 meetings	
Bisi Onasanya (retired with effect from 31 December 2015)	Non-Executive Director	3 out of 5 meetings				Chairman 4 out of 4 meetings	Member 4 out of 4 meetings
Hywel Rees-Jones (appointed 8 May 2015)	Independent Non-Executive Director	3 out of 5 meeting					
Ibrahim Waziri	Independent Non-Executive Director	5 out of 5 meetings	Member 4 out of 4 meetings	1 out of 5 meetings (in Urum Eke's absence)	Member 4 out of 4 meetings	Member 4 out of 4 meetings	
Anthony Williams (retired with effect from 9 November 2015)	Independent Non-Executive Director	5 out of 5 meetings	Member 4 out of 4 meetings	Member 5 out of 5 meetings	Chairman 4 out of 4 meetings	Member 4 out of 4 meetings	Member 4 out of 4 meetings

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

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BOARD CREDIT COMMITTEE (BCC)

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

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

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

In addition to the two independent non-executive directors, other regular attendees at BCC meetings are the Chief Risk Officer, the Deputy Head of Risk and the Trainee Credit Analyst.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

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

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

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

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

The BARAC has continued to focus on proposed regulatory changes instigated by the Prudential Regulation Authority and the Financial Conduct Authority, which are expected to have an impact on FBNBank UK as well as the wider banking industry. This, therefore, remains an area of continued focus for the Committee. Further changes to regulatory requirements are expected during 2016 and the BARAC will continue to monitor these developments.

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

BOARD STRATEGY REVIEW COMMITTEE (BSRC)

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

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

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

BOARD ESTABLISHMENT COMMITTEE (BEC)

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

The duties of the Committee include the following:

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

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

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

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BOARD GOVERNANCE COMMITTEE (BGC)

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

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

Apart from Committee members and the Company Secretary, the only other regular attendee is the Managing Director.

The BGC also has oversight of the annual review of the Board and its committees, and of any actions that fall out of that review each year. An external Board appraisal was conducted during 2015 in line with best corporate governance practice and its findings have been considered by BGC and the Board. It was also decided at the last BGC of 2015 that going forward a Board Remuneration Committee (BRC) would be set up to specifically address executive remuneration and it would be chaired by an independent non-executive director.

MANAGEMENT COMMITTEES

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

Executive Management Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Jaycob Attah	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

Executive Credit Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Jaycob Attah	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Sam Aiyere	Executive Director, Chief Financial Officer
	Grace Igbinijesu	Deputy Head of Risk

Anti-Money Laundering Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Michael Bamber	Executive Director, Chief Operating Officer
	Jaycob Attah	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Trevor Fall	Head of Customer Services

Asset & Liability Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Jaycob Attah	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Chris Edwards	Treasurer

Risk Management Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Jaycob Attah	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Vanessa Murataj	Head of Human Resources
	Chris Edwards	Treasurer

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Conduct Risk & Treating Customers Fairly Committee

	Name	Title
Chairman	Jaycob Attah	Executive Director, Business Development
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Michael Connell	Head of Compliance and MLRO
	Trevor Fall	Head of Customer Services
	Martin Barney	Director, Head of Property Finance

New Products Committee

	Name	Title
Chairman	Sam Aiyere	Executive Director, Chief Financial Officer
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Jaycob Attah	Executive Director, Business Development
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO

Investment Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Jaycob Attah	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer

Executive Paris Management Committee

	Name	Title
Chairman	Michael Barrett	Managing Director
Members	Michael Bamber	Executive Director, Chief Operations Officer
	Jaycob Attah	Executive Director, Business Development
	Sam Aiyere	Executive Director, Chief Financial Officer
	Chris Engel	Chief Risk Officer
	Michael Connell	Head of Compliance and MLRO
	Jean-Pierre David	Acting Deputy Director General, Paris

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EFFECTIVENESS

HOW DO WE MAKE SURE OUR BOARD IS EFFECTIVE?

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

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

We currently have a wide range of experience and skills on the Board; in particular, we have strong knowledge of credit and risk, increasingly important areas for all banks. The extensive experience and wealth of knowledge of our non-executive directors in the banking world has been a great resource and support for the current executive team managing the operational side of FBNBank UK.

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

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

The Board continues to have a broad cross-section of cultural backgrounds, with a balance of both British and African members.

In accordance with the Code, there is a clear division of responsibilities at the head of FBNBank UK, between the running of the Board and the executive responsibility for the running of FBNBank UK's business. The roles of the Chairman and the Chief Executive are held by different individuals. The Chairman, who is a non-executive director, is responsible for the leadership and effectiveness of the Board. To ensure clarity in this structure, the Board also has an agreed job description for the Chairman's role. Furthermore, going forward it is intended that a special Board Remuneration Committee will be convened annually and chaired by an independent non-executive director to specifically address executive remuneration.

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

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

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

BOARD REVIEW

As a growing bank, we recognise the importance of aspiring to, and maintaining, the highest standards of governance. A Board evaluation was undertaken in 2014 and the intention is to commence a further evaluation once the new members of the Board have had a chance to bed in and consider existing Board practices.

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

Areas which are actively considered are:

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

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

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

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APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

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

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

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

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

Any new director is expected to meet the head of each department in FBNBank UK to help them to learn about the business of FBNBank UK. In addition, the new director is expected to have a training session with the Company Secretary on their basic legal responsibilities.

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

This is achieved by management reporting at Board and committee meetings, and occasional training sessions, either at a separate meeting specifically for training purposes or, when considering a particular and/or urgent topic, at the start of a quarterly Board meeting.

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

ENGAGEMENT

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

FBNBank UK does not hold Annual General Meetings because, as it is a private limited company, it is not required to do so under UK company law. However, the parent company presently has two representatives sitting on the Board of FBNBank UK, which indicates that its interests are considered in any decisions made by the Board.

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

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

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

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

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ACCOUNTABILITY

RISK MANAGEMENT FRAMEWORK

Risk management philosophy

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

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

Risk culture

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

Risk appetite

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

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

FBNBank UK strives to minimise the following independent indicators of an excessive risk culture:

- overdue audit queries;
- adverse publicity; and
- fines and regulatory penalties.

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

Risk management oversight

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

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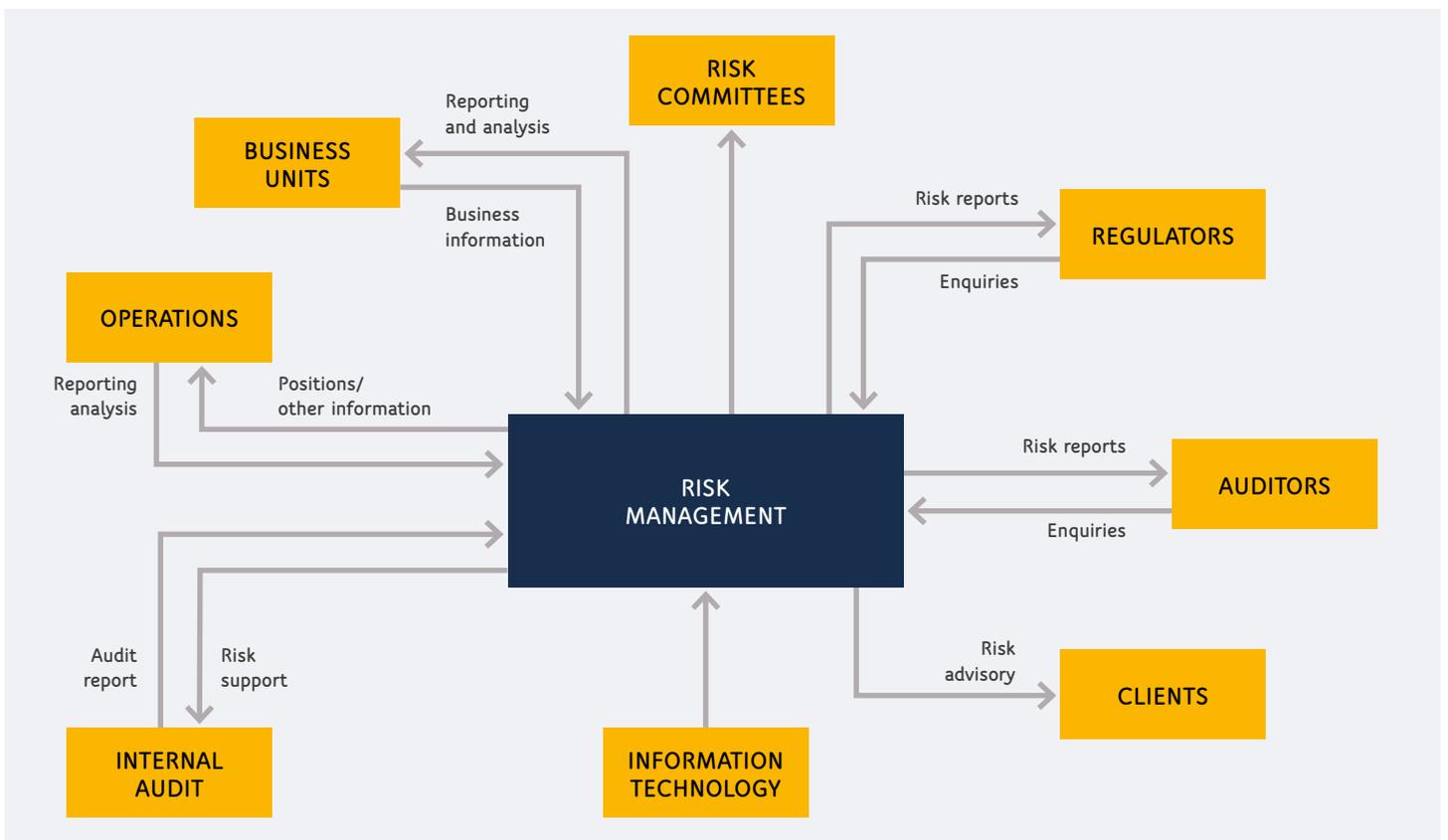


Risk management coordinates the monitoring and reporting of all risks across FBNBank UK and is headed and staffed by highly experienced and competent risk personnel.

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

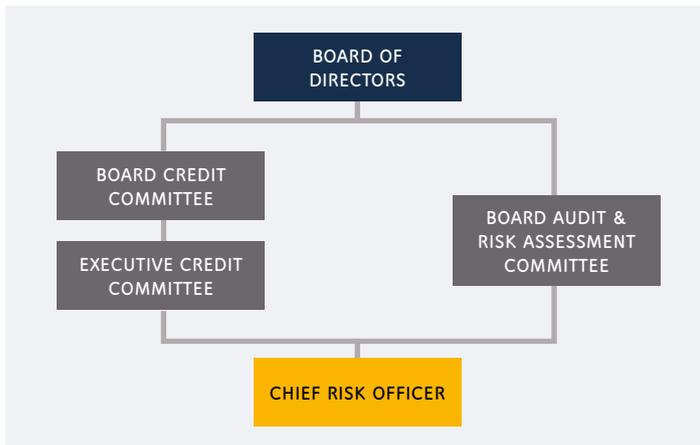
Business units risk committees regulators

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



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RISK MANAGEMENT GOVERNANCE FRAMEWORK



ROLES AND RESPONSIBILITIES

Board of Directors

It is the responsibility of the Board of Directors to:

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

Board committees

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

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

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

Board Audit & Risk Assessment Committee

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

Board Credit Committee

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

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

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

Executive Credit Committee

It is the responsibility of this Committee to:

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

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RISK FACTORS

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

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CHIEF RISK OFFICER'S REPORT



Chris Engel, Chief Risk Officer

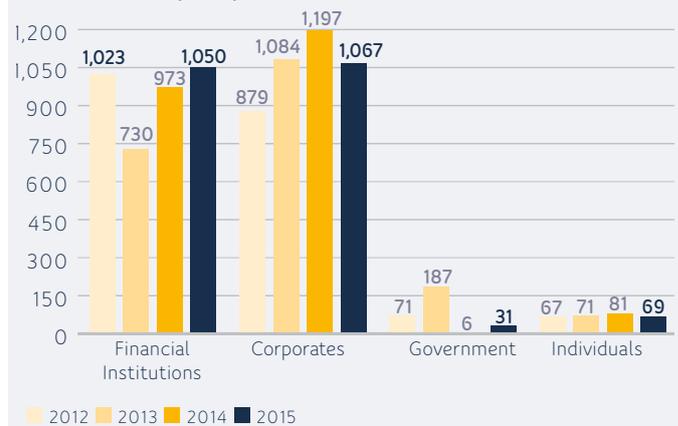
Effective risk management and a risk culture is a fundamental part of the business of FBNBank UK. The Board of Directors has ultimate accountability for risk management, and various committees within FBNBank UK enable the Board and Executive Management to evaluate the risks faced by FBNBank UK and the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

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

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

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

Evolution of the portfolio of assets by business lines 2012-2015 (£'m)



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

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

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

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

RISK MANAGEMENT DISCLOSURES

CREDIT RISK

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

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

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

FBNBank UK constantly monitors its credit risks and takes swift action with credit exposures showing any signs of deterioration or concern. This policy of early intervention is key to bringing facilities back to performing before they deteriorate too far, thereby reducing the amount of bad and doubtful debts. The bad and doubtful classification and provisioning policy is considered to be prudent and in line with our peers. These policies ensure that potential problems are highlighted at a very early stage and, if considered necessary, capital and interest provisions are made.

A facility is immediately considered as 'bad and doubtful' when interest and/or repayments fall more than 90 days in arrears, although circumstances relating to each exposure are taken into account when a decision to impair is made. Procedures ensure that all overdue and arrear exposures are brought to the attention of FBNBank UK's management when they first occur. An assessment is made on whether there is a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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

MARKET RISK

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

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

FBNBank UK has no direct exposure to equities or commodities risk, although there is some exposure to the latter indirectly via credit facilities granted to Structured Commodity and Trade Finance customers. FBNBank UK has a very low risk appetite for currency risk. The policy is to hedge currency risk and there is a relatively small maximum open position limit. Currency risk is managed using swaps in the forward currency market.

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

5%

Less than 5% of our total assets are investment bonds

LIQUIDITY RISK

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

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

OPERATIONAL RISK

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

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

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

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

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

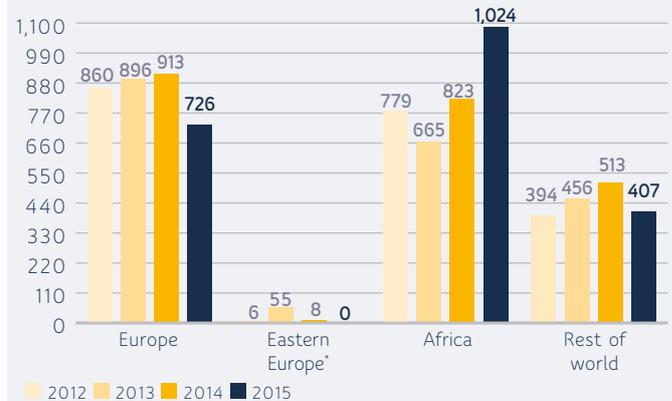
As is the norm with other financial institutions, FBNBank UK has a robust and comprehensive business continuity management framework that is regularly tested. The framework is in line with global best practice, ensuring safety and protection of FBNBank UK's assets, systems, staff and customers and reassures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

COUNTRY AND CROSS-BORDER RISK

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

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

Evolution of commercial portfolio by area (£'m)



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

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LEGAL RISK

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

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

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

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

REPUTATIONAL RISK

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

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

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

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

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

E-BUSINESS

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

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FINANCIAL STATEMENTS

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Oye Hassan-Odukale (MFR)	Chairman
Michael John Barrett	Managing Director/Chief Executive Officer (Retired 31 March 2016)
Samuel Oladipupo Aiyere	Executive Director/Chief Financial Officer
Jaycob Agbaji Attah	Executive Director, Business Development (Appointed 1 December 2015)
Michael John Bamber	Executive Director/Chief Operations Officer (Retired 22 January 2016)
Rosemary Ifioke David-Etim	Executive Director, Business Development (Retired 4 April 2015)
Urum Kalu Eke (MFR)	Non-Executive Director
Peter Arnhem Grafham	Non-Executive Director
Bisi Onasanya	Non-Executive Director (Retired 31 December 2015)
Hywel Rees-Jones	Non-Executive Director (Appointed 8 May 2015)
Ibrahim Dahiru Waziri	Non-Executive Director
Anthony Robert Paget Williams	Non-Executive Director (Retired 9 November 2015)

Secretary

Parminder Nahl

Registered Office

28 Finsbury Circus
London
EC2M 7DT

Bankers

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

Auditor

Deloitte LLP
London

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STRATEGIC REPORT

BUSINESS MODEL AND STRATEGY

STRATEGIC OVERVIEW

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

WHAT DIFFERENTIATES US?

Our competitive differentiators are:

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

OUR BUSINESS MODEL

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

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

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

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

FBNBank UK's core target markets are:

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

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

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

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

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

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

FBNBank UK recognises that its key assets are its people – staff, management and the Board. The front-facing staff provides excellent service and are supported by a highly experienced operational team. FBNBank UK's investment in the training and development of the staff culminated in a regional recognition of our employees as the winners of GTR Africa Leaders in Trade 2015 Award: Best Trade Finance Bank in West Africa. This is the seventh consecutive year that FBNBank UK has won this same award bearing a testament to the high quality of our service delivery.

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

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

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

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STRATEGY AND OBJECTIVES

Mission

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

PRINCIPAL RISK SUMMARY

Key risks and mitigants

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

The key risks facing our business

Credit risk

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

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

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

Market risk

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

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

Liquidity risk

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

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

Legal risk

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

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

Operational risk

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

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

Regulatory risk

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

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

IT/systems risk

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

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

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Financial crime risk

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

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

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

FBNBank UK will not tolerate any form of financial crime and as such subscribes to the guiding principles of the Joint Money Laundering Steering Group.

PERFORMANCE HIGHLIGHTS

Financial highlights

As shown in FBNBank UK's income statement, the net interest income increased by 14% compared to the prior year (2014: 14% increase), and fee income decreased by 30% over the prior year (2014: 25% increase). Overall, operating income increased by 11% (2014: 13%), a reflection of increased business volume.

One of FBNBank UK's key measurements of the effectiveness of its operations is calculating operating margin after direct costs. FBNBank UK achieved an operating margin after direct costs of 21% (2014: 47%). Reduction in operating margin is attributable to both collective and specific asset impairment charges made during the year. The balance sheet shows that the Bank's net assets at the year ended 31 December 2015 have decreased compared to the prior year ended 31 December 2014 by 2% - from £2,268 million at 31 December 2014 to £2,225 million at 31 December 2015. The balance sheet size contracted in line with the Bank's consolidation strategy.

Non-financial highlights

Conduct risk culture and corporate values

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

We have always been committed to treating our customers fairly and have a Treating Customers Fairly (TCF) & Conduct Risk Committee to oversee the application of the TCF principles. The objective of the TCF & Conduct Risk Committee is to regularly review and monitor the application of the TCF principles and the application of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers.

The Committee also monitors the application of our Conduct Risk Policy, which is to 'deliver fair, transparent and appropriate outcomes to its customers and counterparts and preserve market integrity at all times'. To demonstrate the embedding of conduct risk into our organisation, we issue a monthly conduct risk newsletter to all employees that provides a summary of the latest regulatory conduct risk issues and developments.

We also provide regular online TCF and conduct risk training for employees, who must pass a test to evidence their understanding of this important area. In addition, a number of employees were also provided with face-to-face training on TCF and conduct risk as well as other key areas, including anti-money laundering, and anti-bribery and corruption.

The Code of Conduct was updated during the year and distributed to all employees, who had to agree that they had 'read and understood' the updated content. The Code of Conduct provides a set of guiding principles intended to assist employees in their daily decision-making, as how we behave forms the character of our Company and dictates how others see us and determines if people will want to do business with us.

We continue to embed our corporate values which remain at the heart of our business. They are the drivers of our corporate culture and are the basis of everything we do. These values will guide our behaviour and define the type of organisation that we want to be.

Service delivery and operational efficiency

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

Systems efficiency/effectiveness

The Bank keeps upgrading its technology to have an efficient working environment. The internal banking software was further enhanced in 2015 to support operations, particularly to facilitate improvement in securities and loan administrations. The robust banking software has been hugely advantageous to FBNBank UK in the sense that it has made the internal processing system more efficient; it is more up-to-date and in line with other technological advances in the banking system. The system is also more tailored to FBNBank UK's current banking needs, with its functionality adaptable to its future requirements.

Customer satisfaction

As a new initiative for FBNBank UK, we carried out an online survey to gauge customer experiences with us. Feedback from the survey showed a high level of customer satisfaction with our product offerings and service delivery. FBNBank UK's business managers travelled extensively to meet with customers, especially in Africa and other parts of the world, enabling them to gain a better understanding of customer needs and requirements, while also fully assessing the associated risks.

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FUTURE PROSPECT AND GOING CONCERN

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

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

A capital adequacy ratio of 17.12% (2014: 18.6%) was recorded at the year end and it will be maintained at a satisfactory level in future. Liquidity is key to the business and as a policy due consideration is given to ensure FBNBank UK maintains a strong liquidity position at all times in order to meet its financial obligations. The directors believe that FBNBank UK is well placed to manage its business risk successfully; hence they continued to adopt the going concern basis in preparing the annual report and accounts.

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

CORPORATE AND SOCIAL RESPONSIBILITY

Complaint handling

FBNBank UK is committed to handling all customer complaints in an honest and fair manner. The current regulations extend to eligible complainants only; however, FBNBank UK ensures that all complainants are dealt with to the same standard. This also demonstrates the Bank's commitment to the overarching principles of treating customers fairly and conduct risk. FBNBank UK's Board and management expressly support these procedures and are committed to ensuring that the highest standards are met. A positive approach is essential to ensure complaints are handled correctly and controls have been put in place so that any recurring or systematic problems will be identified and corrective action taken. Root cause analysis will be conducted to see if there are any trends emerging. Senior management will also acknowledge and act on any concerns expressed by managers and staff.

Charitable contributions

FBNBank UK provides funding and support to a number of charities and voluntary organisations. Several worthy projects have been supported in the past in demonstration of the Bank's commitment to its social responsibility. FBNBank UK donated £2,850 in 2015.

Taxation payments

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

By Order of the Board



Parminder Nahl

Company Secretary

For and on behalf of

FBN Bank (UK) Limited

11 April 2016

Registered Office Address:

28 Finsbury Circus, London EC2M 7DT

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DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2015. The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

ACTIVITIES

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

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

BUSINESS REVIEW

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

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

DIRECTORS

The Directors, who all served throughout the year, unless otherwise shown, are as listed on pages 10-11 of the report.

RESULTS AND DIVIDEND

FBNBank UK's profit for the year after taxation amounted to £12,960,289 (2014: £26,299,073).

An interim dividend of £7,000,000 was paid by the Bank in respect of the year ended 31 December 2015 (2014: £4,992,108). No final dividend was proposed (2014: £337,882).

Dividend per share was 3.85 pence (2014: 3.98 pence).

GOING CONCERN BASIS OF ACCOUNTING

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

CHARITABLE CONTRIBUTIONS

During the year the Bank made charitable contributions totalling £2,850 (2014: £5,540).

CAPITAL STRUCTURE

FBNBank UK strengthened its capital structure in 2015. The subordinated debt (tier 2 capital) of £50 million was converted to equity in September 2015 after receipt of necessary regulatory approvals. Consequently, the Bank's capital structure now comprises equity share capital of £276 million (2014: £216 million). 50,000,000 new ordinary shares of £1 each were issued during the year for cash at par (2014: nil). There was no increase in the Bank's authorised shares capital during the year.

£50,000,000 subordinated debt was liquidated in September 2015. Related cash proceeds were utilised to pay for new ordinary shares issued.

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

AUDITOR

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

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

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

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

By Order of the Board



Parminder Nahl
Company Secretary

For and on behalf of
FBN Bank (UK) Limited

11 April 2016
Registered Office Address:
28 Finsbury Circus, London EC2M 7DT

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DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

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

We have audited the financial statements of FBNBank UK Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes to the accounts 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSs AS ISSUED BY THE IASB

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

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Christopher Brough (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 April 2016

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	31 Dec 2015 £	31 Dec 2014 £
Continuing activities			
Interest receivable	4	95,214,287	87,261,289
Interest payable	4	(27,652,646)	(27,971,288)
Net interest income		67,561,641	59,290,001
Fees and commissions income	5	5,861,254	8,481,804
Dealing and exchange profits		4,478,994	2,387,633
Other operating income		1,353,003	1,087,437
Investment revenues	4	(74,016)	48,086
Operating income		79,180,876	71,294,961
Administrative expenses	6	(23,597,308)	(27,261,669)
Impairment charge	24	(39,784,057)	(10,418,371)
Loan recovery	24	489,183	123,722
Profit on ordinary activities before taxation		16,288,694	33,738,643
Tax expense	9	(3,328,405)	(7,439,570)
Profit on ordinary activities after taxation		12,960,289	26,299,073
Items that do not qualify for reclassification			
Revaluation of available-for-sale financial assets		6,120,655	(11,638,819)
Tax effect of other comprehensive income		(1,240,657)	2,507,002
Total comprehensive income for the year		17,840,287	17,167,256

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

The results above arose wholly from continuing activities.

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BALANCE SHEET

As at 31 December 2015

	Note	31 Dec 2015 £	31 Dec 2014 £
Assets			
Cash at bank and in hand	11	51,788,604	28,325,418
Loans and advances to banks	12	884,008,508	848,509,459
Loans and advances to customers	13	1,167,045,968	1,271,078,493
Available-for-sale financial assets	15	114,516,868	108,838,906
Property and equipment	16	2,841,471	2,786,142
Intangible fixed assets	17	1,668,448	1,775,383
Other assets	18	3,620,275	2,033,977
Financial assets - derivatives		-	4,986,610
Total assets		2,225,490,142	2,268,334,388
Liabilities			
Deposits by banks	19	453,836,464	496,735,826
Customer accounts	20	1,394,303,651	1,423,238,940
Other liabilities	21	68,727,584	75,504,599
Financial liabilities - derivatives		32,022,846	6,765,224
Deferred tax liability		156,315	131,879
Subordinated liabilities	22	-	50,017,043
Total liabilities		1,949,046,860	2,052,393,511
Called up share capital	23	182,000,000	132,000,000
Revaluation reserves		(1,324,983)	(6,204,981)
Retained earnings		95,768,265	90,145,858
Equity shareholders' funds		276,443,282	215,940,877
Total liabilities and shareholders' funds		2,225,490,142	2,268,334,388

Company Registration No. 4459383

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

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2016

Signed on behalf of the Board of Directors



Oye Hassan-Odukale, MFR
Chairman



Samuel Oladipupo Aiyere
Executive Director/Chief Financial Officer

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £	Revaluation reserve £	Retained earnings £	Total equity £
Balance attributable to equity shareholders as at 31 December 2013	132,000,000	2,926,836	68,768,893	203,695,729
Issued share capital	-	-	-	-
Revaluation of available-for-sale financial assets	-	(11,638,819)	-	(11,638,819)
Current tax charge on available-for-sale financial assets	-	2,507,002	-	2,507,002
Profit for the year	-	-	26,299,073	26,299,073
Dividend paid	-	-	(4,922,108)	(4,922,108)
Balance attributable to equity shareholders as at 31 December 2014	132,000,000	(6,204,981)	90,145,858	215,940,877
Issued share capital	50,000,000	-	-	50,000,000
Revaluation of available-for-sale financial assets	-	6,120,655	-	6,120,655
Current tax credit on available-for-sale financial assets	-	(1,240,657)	-	(1,240,657)
Profit for the year	-	-	12,960,289	12,960,289
Dividend paid	-	-	(7,337,882)	(7,337,882)
Balance attributable to equity shareholders as at 31 December 2015	182,000,000	(1,324,983)	95,768,265	276,443,282

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

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CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	31 Dec 2015 £	31 Dec 2014 £
Cash flow from operating activities			
Profit before tax		16,288,694	33,738,643
Adjustment to reconcile net profit to cash flow from (used in) operating activities			
Depreciation of property and equipment		474,894	392,928
Depreciation of intangible assets		888,589	601,010
Profit from sale of investment securities		74,016	(48,086)
Movement in accrued interest and provisions		(206,197)	814,823
Impairment charge		39,294,874	10,418,371
Profit on sale of fixed assets		(1,384)	(3,811)
		56,813,486	45,913,878
Net (increase)/decrease in assets relating to operating activities			
Loans and advances to banks		65,802,712	(338,054,137)
Loans and advances to customers		118,816,371	(86,727,116)
Available-for-sale financial assets		(22,556,346)	178,011,790
Investment - royalty		(693,090)	(5,045,223)
Other assets		3,432,416	5,212,712
		221,615,548	(200,688,096)
Net increase/(decrease) in liabilities relating to operating activities			
Due (from)/to banks		(42,899,362)	(111,572,295)
Due (from)/to customers		(28,935,289)	270,947,992
Other liabilities		20,513,110	9,046,255
		(51,321,541)	168,421,952
Corporation tax paid		(4,881,960)	(5,889,952)
Net cash (used in)/from operating activities		165,412,047	(38,156,096)
Cash flow from investing activities			
Acquisition of fixed assets		(1,382,009)	(1,766,977)
Disposal of fixed assets		1,384	3,811
Net cash used in investing activities		(1,380,625)	(1,763,166)
Cash flow from financing activities			
Dividend paid		(7,337,882)	(4,922,108)
Payment of subordinated liabilities		(50,000,000)	-
Proceeds from issue of share capital		50,000,000	-
Net cash used in financing activities		(7,337,882)	(4,922,108)
Net increase/(decrease) in cash and cash equivalents		156,693,541	(44,841,370)
Cash and cash equivalents at the beginning of the year	30	286,288,131	331,129,501
Cash and cash equivalents at the end of the year	30	442,981,672	286,288,131

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 ACCOUNTING POLICIES

General information

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

Basis of preparation

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

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

Going concern

FBNBank UK's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 45 to 49. The financial position of the Bank, its cash flow and capital position are as described on pages 54 to 55. In addition, FBNBank UK's business objectives, capital structure policies and financial risk management objectives are as stated in the Strategic and Directors' Reports. Details of its financial instruments and hedging activities, and its exposures to credit and liquidity risks are in notes 26 and 27 of the financial statements.

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

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

Accounting convention

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

Income recognition

a) Interest income and expense

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

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

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

b) Non-interest income

Fees and commissions

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

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

Foreign currency

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

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

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Financial instruments

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

FBNBank UK classifies its financial assets into the following categories:

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

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

Financial assets at fair value through profit and loss

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

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

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

Loans and receivables

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

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

Financial assets available-for-sale

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

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

Impairment of financial assets held at amortised cost

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

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

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

Financial liabilities

FBNBank UK classifies its financial liabilities in the following categories:

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

Management determines the classification of financial liabilities at initial recognition.

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Financial liabilities at fair value through profit or loss

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

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

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

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

Other financial liabilities

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

Determining fair value

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

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

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

Derivative financial instruments

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

Property and equipment

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

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

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

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

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

Intangible assets

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

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Leases

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

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

Provisions

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

Taxation

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

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

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

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

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

Pension costs

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

Cash and cash equivalents

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

Use of estimates

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

Capital instruments

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

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Adoption of new and revised standards

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

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

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

Amendments to IFRS 7 and 9	Mandatory effective date of IFRS 9 and transition disclosures ³
Amendments to IAS 1	Presentation of items of other comprehensive income ³

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Loan impairment provisions

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

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

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

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Fair value of derivatives and other financial instruments

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

2 DEALING AND EXCHANGE PROFITS

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

3 SEGMENTAL INFORMATION

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

4 NET INTEREST INCOME

a) Net interest income

	31 Dec 2015 £	31 Dec 2014 £
Due from banks	24,973,931	25,137,939
Loans and advances to customers	65,344,932	56,524,787
Available-for-sale financial assets	4,895,424	5,598,563
	95,214,287	87,261,289

	31 Dec 2015 £	31 Dec 2014 £
Due to banks	1,730,679	1,671,405
Due to customers	24,538,505	24,235,299
Debt issued and other borrowed funds	1,383,462	2,064,584
	27,652,646	27,971,288

b) Investment revenue

	31 Dec 2015 £	31 Dec 2014 £
(Loss)/Gain on sale of available-for-sale investments	(74,016)	48,086
	(74,016)	48,086

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5 FEES AND COMMISSIONS INCOME IS DERIVED FROM

	31 Dec 2015 £	31 Dec 2014 £
Loans	1,654,231	2,531,724
Letters of credit	3,274,629	4,592,266
Funds transfer	504,327	628,326
Other	428,067	729,488
	5,861,254	8,481,804

6 ADMINISTRATIVE EXPENSES

	31 Dec 2015 £	31 Dec 2014 £
Average number of employees (including four (2014: four) executive directors)		
Banking division	78	81
Operations	58	57
Administration	19	21
	155	159

	31 Dec 2015 £	31 Dec 2014 £
Wages and salaries (including directors)	10,128,211	14,281,935
Social security costs	1,055,731	1,065,456
Other pension costs (note 31)	899,528	664,998
Total staff costs	12,083,470	16,012,389
Other administrative expenses	11,513,838	11,249,280
	23,597,308	27,261,669

7 DIRECTORS' EMOLUMENTS

	31 Dec 2015 £	31 Dec 2014 £
Directors' fees	238,350	260,900
Other emoluments	2,091,406	2,724,150
Contribution to a money purchase pension scheme	79,980	78,420
	2,409,736	3,063,470

The highest paid director received emoluments, excluding pension contributions, totalling £656,475 (2014: £548,438) and pension contributions of £26,517 (2014: £22,182).

Five directors received pension benefits in the year to December 2015 (2014: five).

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8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 Dec 2015 £	31 Dec 2014 £
Operating profit is stated after charging:		
Depreciation – property and equipment	469,146	386,424
Amortisation	881,624	592,193
Auditor's remuneration:		
- audit of half-year accounts	55,000	85,000
- audit of interim year accounts	87,500	-
- audit of annual accounts	87,500	85,000
- financial and regulatory assurance	-	10,000
- tax advisory services	-	24,500
Rental of premises held under operating leases	908,007	740,239

9 TAXATION

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

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

	31 Dec 2015 £	31 Dec 2014 £
United Kingdom corporation tax based on the profit for the year	3,364,288	7,255,879
Prior period current tax adjustment	(60,319)	-
Total current tax	3,303,968	7,255,879
Deferred tax:		
Temporary differences, origination and reversal	27,139	110,353
Effect of tax rate change	-	(6,594)
Prior period deferred tax adjustments	(2,702)	79,932
Tax expense	3,328,405	7,439,570

(ii) Reconciliation of the total tax charge

	31 Dec 2015 £	31 Dec 2014 £
Profit on ordinary activities before tax	16,288,694	33,738,643
Tax at 20.27% (31 December 2014: 21.54%) thereon	3,301,718	7,267,304
Effects of:		
- expenses not deductible for tax purposes	89,708	98,928
- tax rate change	-	(6,594)
- prior year adjustment	(63,021)	79,932
Tax expense	3,328,405	7,439,570

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10 DEFERRED TAX

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

	Accelerated tax depreciation £	Other temporary differences £	Total £
At 1 January 2014	43,270	8,542	51,812
Credit/(charge) to income	(107,724)	(2,628)	(110,352)
Effect of tax rate change	6,876	(282)	6,594
Prior period adjustment	(79,932)	-	(79,932)
At 31 December 2014	(137,510)	5,632	(131,878)
Charge to income	(24,634)	(2,505)	(27,139)
Effect of tax rate change	-	-	-
Prior period adjustment	2,702	-	2,702
At 31 December 2015	(159,442)	3,127	(156,315)

11 CASH AT BANK AND IN HAND

	31 Dec 2015 £	31 Dec 2014 £
Cash	179,076	57,520
Short-term balances with other banks	51,609,528	28,267,898
	51,788,604	28,325,418

12 LOANS AND ADVANCES TO BANKS

	Performing loans as at 31 Dec 2015 £	Total £	Performing loans as at 31 Dec 2014 £	Total £
Repayable on demand or at short notice	43,378,076	43,378,076	47,982,952	47,982,952
Remaining maturity:				
- three months or less excluding on demand or at short notice	796,448,311	796,448,311	746,330,242	746,330,242
- one year or less but over three months	33,768,247	33,768,247	47,170,788	47,170,788
- five years or less but over one year	10,960,604	10,960,604	7,039,477	7,039,477
Less allowance for collective Impairment	(546,730)	(546,730)	(14,000)	(14,000)
	884,008,508	884,008,508	848,509,459	848,509,459

Total loans advanced to First Bank of Nigeria Limited (parent bank) at 31 December 2015 were £146,643,839 (2014: £74,561,632).

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

None of the loans and advances to banks was impaired (2014: £nil) and no collateral was held.

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13 LOANS AND ADVANCES TO CUSTOMERS

	Performing loans as at 31 Dec 2015 £	Impaired loans as at 31 Dec 2015 £	Total £	Performing loans as at 31 Dec 2014 £	Impaired loans as at 31 Dec 2014 £	Total £
Repayable on demand or at short notice	241,375,624	-	241,375,624	209,979,761	-	209,979,761
Remaining maturity:						
- three months or less excluding on demand or at short notice	365,751,903	2,581,409	368,333,312	468,675,627	-	468,675,627
- one year or less but over three months	45,640,854	1,832,003	47,472,857	43,538,746	1,822,798	45,361,544
- five years or less but over one year	364,774,413	-	364,774,413	408,732,192	-	408,732,192
- over five years	166,236,499	-	166,236,499	143,174,725	-	143,174,725
Less allowance for collective impairment (note 24)	(16,985,564)	-	(16,985,564)	(3,455,000)	-	(3,455,000)
Less allowance for specific impairment (note 24)	-	(4,161,173)	(4,161,173)	-	(1,390,356)	(1,390,356)
	1,166,793,729	252,239	1,167,045,968	1,270,646,051	432,442	1,271,078,493

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

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

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

14 INVESTMENT ROYALTY

	31 Dec 2015 £	31 Dec 2014 £
Investment – royalty	13,694,238	13,001,148
Less impairment provision	(13,694,238)	(13,001,148)
Balance as at 31 December 2015	-	-

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec 2015 £	31 Dec 2014 £
Available-for-sale financial assets carried at fair value		
Financial Instruments available-for-sale	139,765,540	116,898,557
Available-for-sale valuation	(1,577,996)	(7,698,651)
Less allowance for collective impairment (note 24)	(2,372,706)	(361,000)
Less allowance for specific impairment (note 24)	(21,297,969)	-
Balance as at 31 December	114,516,869	108,838,906
Maturity:		
- less than three months	-	11,443,867
- one year or less but over three months	34,530,349	24,938,198
- between one year and five years	79,986,519	72,456,841
- more than five years	-	-
Balance as at 31 December	114,516,868	108,838,906

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

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16 PROPERTY AND EQUIPMENT

	Computer hardware £	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2015	501,376	2,983,272	443,254	94,436	4,022,338
Additions	11,309	408,111	105,053	-	524,473
Disposal	-	-	(1,945)	-	(1,945)
At 31 December 2015	512,685	3,391,383	546,362	94,436	4,544,866
Accumulated depreciation					
At 1 January 2015	392,539	499,196	297,432	47,029	1,236,196
Charge for the year	79,119	325,404	48,065	16,556	469,144
Disposal	-	-	(1,945)	-	(1,945)
At 31 December 2015	471,658	824,600	343,552	63,585	1,703,395
Net book value					
At 31 December 2015	41,027	2,566,783	202,810	30,851	2,841,471
At 31 December 2014	108,837	2,484,076	145,822	47,407	2,786,142

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

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17 INTANGIBLE FIXED ASSETS

	Computer software £
Cost	
At 1 January 2015	3,973,866
Additions	774,689
Asset write-off	-
At 31 December 2015	4,748,555
Accumulated depreciation	
at 1 January 2015	2,198,483
Charge for the year	881,624
Asset write-off	-
At 31 December 2015	3,080,107
Net book value	
At 31 December 2015	1,668,448
At 31 December 2014	1,775,383

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

18 OTHER ASSETS

	31 Dec 2015 £	31 Dec 2014 £
Accounts receivable	2,834,840	1,160,674
Prepayments	785,435	873,304
	3,620,275	2,033,977

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19 DEPOSITS BY BANKS

	31 Dec 2015 £	31 Dec 2014 £
Repayable on demand	211,003,857	210,999,448
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less	218,876,875	276,718,914
- one year or less but over three months	23,955,732	9,017,464
	453,836,464	496,735,826

Total deposits due to First Bank of Nigeria Limited at 31 December 2015 were £159,547,297 (2014: £195,247,598). Deposits by banks are categorised as other liabilities in accordance with IAS 39.

20 CUSTOMER ACCOUNTS

	31 Dec 2015 £	31 Dec 2014 £
Repayable on demand	164,741,406	139,321,397
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less but not repayable on demand	351,841,960	526,670,382
- one year or less but over three months	435,483,406	269,475,461
- more than one year but less than five years	399,958,351	454,666,137
- more than five years	42,278,528	33,105,563
	1,394,303,651	1,423,238,940

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

21 OTHER LIABILITIES

	31 Dec 2015 £	31 Dec 2014 £
Taxation	1,275,185	1,591,228
Social security and other taxes	839,583	959,876
Cash collateral	43,259,733	58,685,141
Customers' unclaimed balances	1,086,952	548,518
Others payable	22,266,131	13,719,836
	68,727,584	75,504,599

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

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22 SUBORDINATED LIABILITIES

	31 Dec 2015 £	31 Dec 2014 £
Subordinated debt		
Principal	-	50,000,000
Accrued interest	-	17,043
	-	50,017,043

All subordinated loans were liquidated in September 2015 after receipt of necessary regulatory approvals. Proceeds of the subordinated loans were applied by the shareholders to acquire additional 50,000,000 FBNBank UK ordinary shares at par.

23 SHARE CAPITAL

	31 Dec 2015		31 Dec 2014	
	No. of shares	Amount £	No. of shares	Amount £
Authorised				
Ordinary shares of £1 each	200,000,000	200,000,000	200,000,000	200,000,000
Issued, allotted and fully paid				
Ordinary shares of £1 each	182,000,000	182,000,000	132,000,000	132,000,000

Ordinary shares:

First Bank of Nigeria Limited holds 182,000,000 (2014: 132,000,000) or 100% (2014: 100%) of the ordinary shares issued. No new shares (2014: nil) were authorised during the year, but 50,000,000 new shares of £1 each were issued (2014: nil) for cash at par. Each share carries a voting right of one vote.

24 IMPAIRMENT

	31 Dec 2015 £	31 Dec 2014 £
Opening balance	18,221,504	7,955,925
Charge to income statement	39,784,057	10,418,371
Loan recovery	(489,183)	-
Exchange difference	1,542,002	670,839
Amount written off	-	(823,631)
Closing balance	59,058,380	18,221,504
Available-for-sale financial assets (note 15)	23,670,675	361,000
Investment - royalty (note 14)	13,694,238	13,001,148
Loans and advances to banks (note 12)	546,730	14,000
Loans and advances to customers (note 13)	21,146,737	4,845,356
	59,058,380	18,221,504

FBNBank UK assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. As part of this assessment, management takes account of any forbearance arrangements it has entered into with its residential mortgage customers. As at 31 December 2015, none of the mortgage customers had entered into any such arrangement.

The total impairment amount includes £16,075,000 collective impairment provision made in respect of performing asset portfolio (2014: £3,830,000).

An amount of £489,183 was recovered in 2015 (2014: £123,722) in relation to assets written off.

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25 CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal issues

At 31 December 2015, there were no pending legal cases or issues in progress that may have a material impact on the financial statements of FBNBank UK (2014: nil).

b) Operating lease commitments

At 31 December 2015, FBNBank UK was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in February 2017 and June 2031 respectively.

	31 Dec 2015 £	31 Dec 2014 £
Within one year	882,722	885,010
Between one and five years	2,813,963	2,868,734
More than five years	7,007,039	7,789,376
	10,703,724	11,543,120

c) Off balance sheet liabilities

	31 Dec 2015 £	31 Dec 2014 £
Contingent liabilities		
Letters of credit	61,175,816	255,485,729
Guarantees given to third parties	415,498	24,320,955
	61,591,314	279,806,684

	31 Dec 2015 £	31 Dec 2014 £
Loan commitments		
Undrawn irrevocable loan commitments	44,552,302	42,049,348

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26 RELATED PARTY TRANSACTIONS

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

	31 Dec 2015 £	31 Dec 2014 £
Assets		
Amounts due from parent bank		
Loans	146,271,833	73,614,467
Cash at bank	372,006	947,165
	146,643,839	74,561,632
Liabilities		
Amounts due to parent bank	159,547,297	195,247,598
Subordinated liabilities	-	50,000,000
Amount due to fellow subsidiaries	17,163,479	6,228,931
	176,710,776	251,476,529
Letters of guarantee		
From parent bank	40,558,498	110,092,661
Income		
From parent bank	4,928,401	6,519,194
From fellow subsidiaries	122,419	60,368
Expenses		
To parent bank	1,734,418	2,502,864
To fellow subsidiaries	24,510	259,542
	1,758,928	2,762,406

Mortgages were approved and advanced on a commercial arm's length basis to nine (2014: 10) directors of First Bank of Nigeria Limited during the year. As at 31 December 2015, a total mortgage amount of £6,184,133 (2014: £7,550,504) was outstanding in respect of these directors.

No loans were advanced to key management personnel of FBNBank UK as at 31 December 2015 (2014: £298,431).

Deposit liabilities totalling £449,478 (2014: £763,424) were held by the FBNBank UK in respect of these directors.

Subordinated loans of £16.5 million and £33.5 million granted by First Bank of Nigeria Limited in December 2010 were liquidated in 2015 (see note 22).

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

27 FINANCIAL RISK MANAGEMENT

Derivatives and other financial instruments

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

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

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

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

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

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

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

Credit risk

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

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

Credit risk and asset/liability concentration

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

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

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

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

In the instances of borrowers who have obtained facilities in other Group companies, the total exposure on a Group basis is taken into account in determining credit risk. As a result, the credit limits are adjusted if considered necessary. In addition, the above analysis takes into account the interest rate spread and collaterals held.

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

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

Maturity analysis based on the earlier of the periods to the next interest rate pricing date or the maturity dates

BANK	More than				More than five years	Not exposed to credit risk	Total
	Not more than three months	three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years			
As at 31 December 2015	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash at bank and in hand	51,789	-	-	-	-	-	51,789
Loans and advances to banks	839,826	33,098	671	10,414	-	-	884,009
Loans and advances to customers	609,709	25,393	17,919	364,774	149,251	-	1,167,046
Available-for-sale financial assets	-	20,420	14,110	79,987	-	-	114,517
Tangible fixed assets	-	-	-	-	-	2,841	2,841
Intangible fixed assets	-	-	-	-	-	1,668	1,668
Other assets	-	-	-	-	-	3,620	3,620
Financial assets - derivatives	-	-	-	-	-	-	-
Total assets	1,501,324	78,911	32,700	455,175	149,251	8,129	2,225,490

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

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired risk assets. FBNBank UK held collateral of £68,293,876 (2014: £1,985,402) against these assets.

	31 Dec 2015 Bank			31 Dec 2014 Bank		
	Gross amount £	Collateral £	Amount £	Gross amount £	Collateral £	Amount £
Within three months	83,301,466	-	83,301,466	2,561,558	1,008,393	1,553,165
Between three to six months	717,902	717,902	-	-	-	-
Over six months but less than one year	678,507	678,507	-	-	-	-
Over one year	-	-	-	977,009	977,009	-
	84,697,875	1,396,409	83,301,466	3,538,567	1,985,402	1,553,165

Analysis of impaired financial assets

The following table shows analysis of impaired financial assets.

	Bank Amortised cost 31 Dec 2015 £	Bank Provision on 31 Dec 2015 £	Bank Net book value 31 Dec 2015 £
Investment - royalty (note 14)	13,694,238	(13,694,238)	-
	13,694,238	(13,694,238)	-
	Bank Amortised cost 31 Dec 2014 £	Bank Provision on 31 Dec 2014 £	Bank Net book value 31 Dec 2014 £
Investment - royalty (note 14)	13,001,148	(13,001,148)	-
	13,001,148	(13,001,148)	-

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	Bank Amortised cost 31 Dec 2015 £	Bank Provision on 31 Dec 2015 £	Bank Net book value 31 Dec 2015 £
Loans and advances to customers (note 13)	4,413,412	4,161,173	252,239
	4,413,412	4,161,173	252,239

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

Credit exposure by sector

BANK	Bank 31 Dec 2015 £'000	Bank 31 Dec 2014 £'000
Banks	1,050,314	972,725
Corporates	1,067,179	1,197,204
Government	30,556	6,011
Individuals	69,311	80,812
	2,217,360	2,256,752

Credit exposure by location

BANK	Bank 31 Dec 2015 £'000	Bank 31 Dec 2014 £'000
Western Europe	726,106	913,064
Eastern Europe	-	7,524
Africa	1,083,909	823,368
Others	407,345	512,796
	2,217,360	2,256,752

The above sector and geographical analyses only include cash at bank and in hand, loans and advances to banks and to customers and debt securities. FBNBank UK extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have acceptable Fitch (or equivalent) ratings. A sizeable percentage 35% (2014: 36%) of FBNBank UK's total financial assets was to high quality financial institutions, the majority of which had ratings of between A and AAA.

As at 31 December 2015, FBNBank UK's maximum exposure to credit risk was £2,356 million (2014: £2,586), of which £39.15 million (2014: £14.39 million) was deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments.

Total trade-related exposure was £102 million (2014: £318 million), against which the Bank held cash collateral of £68 million (2014: £92 million). In addition, FBNBank UK had collateral of £531 million (2014: £627 million) in respect of other credit exposures.

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

In the ordinary course of business, FBNBank UK also pledged assets as collateral to secure trade related liabilities. The aggregate amount of assets pledged was £33.32 million (2014: £67.58 million).

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Market risk

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

Interest rate risk

Interest rate risk originating from banking activities arises due to FBNBank UK holding a combination of fixed and variable rate assets and liabilities that arise during the normal course of business. The tables below summarise the variable rate assets and liabilities as at 31 December 2015 as a basis of disclosing the Bank's interest rate sensitivity analysis.

Interest rate sensitivity analysis

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

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

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

As at 31 December 2015	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
Total financial assets	475,351	1,397,826	343,567	616	2,217,360
Less: fixed rate assets	-	(238,465)	(2,560)	-	(241,025)
Total variable rate assets	475,351	1,159,361	341,007	616	1,976,335
Total financial liabilities	1,228,528	543,292	76,022	298	1,848,140
Less: fixed rate liabilities	(1,058,688)	-	(50,296)	-	(1,108,984)
Total variable rate liabilities	169,840	543,292	25,726	298	739,156
Net cash flow interest rate risk exposures	305,511	616,069	315,281	318	1,237,179
Possible movement in Libor/Euribor (bps)	100	150	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	3,055	9,241	3,153	3	15,452
Possible impact of decrease in Libor/Euribor on profit/loss	(3,055)	(9,241)	(3,153)	(3)	(15,452)

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

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Foreign currency risk

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of FBNBank UK to match the currencies and its assets and liabilities as far as practicable. It is also the policy of FBNBank UK to adhere to the limits laid down by the Board in respect of the 'overall net open position'. The tables below give details of the FBNBank UK's net foreign currency exposures as at 31 December 2015 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

Foreign currency sensitivity

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

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

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

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

28 LIQUIDITY RISK

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

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

BANK As at 31 December 2015	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Liabilities						
Deposits by banks	429,880	23,956	-	-	-	453,836
Customer accounts	516,583	90,087	345,397	399,958	42,279	1,394,304
Other financial liabilities	68,728	-	-	-	-	68,728
Deferred tax liabilities	-	-	-	-	156	156
Financial liabilities - derivatives	16,731	8,104	7,188	-	-	32,023
Subordinated liabilities	-	-	-	-	-	-
Off balance sheet items:						

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- letters of credit	25,489	18,228	7,473	2,553	7,433	61,176
- undrawn loan commitments	44,552	-	-	-	-	44,552
- guarantees	128	-	-	288	-	416
Total liabilities	1,102,091	140,375	360,058	402,799	49,868	2,055,191

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

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	31 Dec 2015 £'000	31 Dec 2014 £'000
Financial assets		
Cash at bank and in hand	51,789	28,325
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	-	4,987
Available-for-sale financial assets	114,517	108,839
Loans and receivables	2,051,054	2,119,588
	2,217,360	2,261,739
Financial liabilities		
Fair value through profit and loss (FVTPL)		
- designated as FVTPL	32,023	6,765
Other financial liabilities (deposits and subordinated loans)	1,848,140	1,969,992
	1,880,163	1,976,757

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

	Book value 31 Dec 2015 £'000	Book value 31 Dec 2014 £'000	Fair value 31 Dec 2015 £'000	Fair value 31 Dec 2014 £'000
BANK				
Financial assets				
Cash at bank and in hand	51,789	28,325	51,789	28,325
Loans and advances to banks	884,009	848,509	884,009	848,509
Loans and advances to customers	1,167,046	1,271,078	1,167,046	1,271,078
Available-for-sale financial assets	116,095	116,538	114,517	108,839
Financial asset - derivatives	-	5,817	-	4,987
	2,218,939	2,270,267	2,217,360	2,261,738
Financial liabilities				
Deposits by banks	453,836	496,736	453,836	496,736
Customer accounts	1,394,304	1,423,239	1,394,304	1,423,239
Financial liabilities - derivatives	30,686	6,508	32,023	6,765
Subordinated liabilities	-	50,017	-	50,017
	1,878,826	1,976,500	1,880,163	1,976,757

BASIS OF DETERMINATION OF FAIR VALUES

Cash at bank and in hand

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

Loans and advances to banks

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

Loans and advances to customers

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

Available-for-sale financial assets

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

Investment royalties

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

Financial assets - derivatives

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

Deposits by banks

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

Customer accounts

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

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Financial liabilities - derivatives

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

Subordinated liabilities

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

Fair value measurement recognised in the statement of financial position

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

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

	Year ended 31 December 2015			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
BANK				
Financial assets				
Amortised cost				
Loans and advances to banks	-	884,009	-	884,009
Loans and advances to customers	-	1,167,046	-	1,167,046
Available-for-sale				
Available-for-sale financial assets	114,517	-	-	114,517
FVTPL				
Financial asset – derivatives (FVTPL)	-	-	-	-
	114,517	2,051,055	-	2,165,572
Financial liabilities				
Amortised cost				
Deposits by banks	-	453,836	-	453,836
Customer accounts	-	1,394,304	-	1,394,304
Subordinated liabilities	-	-	-	-
FVTPL				
Financial liabilities – derivatives (FVTPL)	-	32,023	-	32,023
	-	1,880,163	-	1,880,163

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

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

	31 Dec 2015 £'000	31 Dec 2014 £'000
Cash at bank and in hand	51,788,604	28,325,418
Loans and advances to banks – repayable on demand	149,817,443	47,982,952
Loans and advances to customers – repayable on demand	241,375,624	209,979,761
Cash and cash equivalents at 31 December	442,981,671	286,288,131

31 PENSION COSTS

FBNBank UK operates a defined contribution pension scheme for staff, and contributions were made during the year totalling £899,528 (2014: £664,998). This amount forms part of total staff costs recorded under administrative expenses.

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

32 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

33 DIVIDEND PAID

An interim dividend of £7,000,000 (2014: £4,922,108) was paid by the FBNBank UK in respect of year ended 31 December 2015. No final dividend was proposed, agreed and passed by the Board. (2014: £337,882).

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FIVE-YEAR FINANCIAL HIGHLIGHTS

	31 Dec 2015 £	31 Dec 2014 £	31 Dec 2013 £	31 Dec 2012 £	31 Dec 2011 £
Balance sheet					
Assets					
Cash at bank and in hand	51,788,604	28,325,418	93,269,164	75,029,212	17,554,507
Loans and advances to banks	884,008,508	848,509,459	545,551,714	838,951,804	1,128,941,539
Loans and advances to customers	1,167,045,968	1,271,078,493	1,134,069,198	924,807,196	580,293,531
Investment in subsidiary	-	-	-	1	1
Available-for-sale financial assets	114,516,868	108,838,906	298,850,515	200,707,554	111,392,338
Property and equipment	2,841,471	2,786,142	1,677,923	563,652	516,685
Intangible assets	1,668,448	1,775,383	2,112,583	1,793,390	647,684
Other assets	3,620,275	2,033,977	2,739,195	3,125,880	1,811,304
Deferred tax asset	-	-	51,812	36,610	43,794
Financial assets - derivatives	-	4,986,610	9,812,485	2,480,799	536,268
	2,225,490,142	2,268,334,388	2,088,134,589	2,047,496,098	1,841,737,651
Financed by:					
Share capital	182,000,000	132,000,000	132,000,000	132,000,000	82,000,000
Reserves	94,443,282	83,940,877	71,695,729	60,157,037	32,020,220
Deposits by banks	453,836,464	496,735,826	608,308,121	604,227,400	715,387,045
Customer accounts	1,394,303,651	1,423,238,940	1,152,290,948	1,092,832,446	874,679,300
Other liabilities	68,727,584	75,504,599	73,813,061	106,192,294	80,543,059
Financial liabilities - derivatives	32,022,846	6,765,224	15,459	2,064,435	7,095,239
Deferred tax liability	156,315	131,879	-	-	-
Subordinated liabilities	-	50,017,043	50,011,271	50,022,486	50,012,788
	2,225,490,142	2,268,334,388	2,088,134,589	2,047,496,098	1,841,737,651
Income statement					
Gross earnings	106,833,522	99,266,249	92,201,502	76,089,220	62,706,451
Net operating income	79,180,876	71,294,961	63,117,461	46,836,005	34,983,991
Operating expenses	(23,597,308)	(27,261,669)	(23,825,384)	(20,268,696)	(16,463,447)
Provision for losses	(39,784,057)	(10,418,371)	(8,110,683)	(461,128)	(976,897)
Loan recovery	489,183	123,722	57,233	28,375	93,839
Profit before tax	16,288,694	33,738,643	31,238,627	26,134,556	17,637,486
Taxation	(3,328,405)	(7,439,570)	(7,289,963)	(6,470,395)	(4,751,715)
Profit after tax	12,960,289	26,299,073	23,948,664	19,664,161	12,885,771
Dividend	7,337,882	4,922,108	8,500,000	-	6,000,000

ABBREVIATIONS

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



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